

## AUDIT COMMITTEE

**MONDAY 19 NOVEMBER 2018**  
**7.00 PM**

**Bourges/Viersen Room - Town Hall**

***THE CHAIRMAN WILL ASSUME THAT MEMBERS HAVE READ THEIR PAPERS PRIOR TO THE MEETING TO AVOID UNNECESSARY INTRODUCTIONS TO REPORTS. IF ANY QUESTIONS ARE APPARENT FROM THE REPORTS THEY SHOULD BE PASSED TO THE REPORT AUTHOR PRIOR TO THE MEETING***

### AGENDA

Page No

1. **Apologies for Absence**

2. **Declarations of Interest**

At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests or is a "pending notification " that has been disclosed to the Head of Legal Services.

3. **Minutes of the Meeting Held on 24 September 2018** 3 - 8

4. **External Audit Plan** 9 - 52

5. **Internal Audit Mid-Year update and progress** 53 - 74

6. **Combined Authority (Governance)** 75 - 80

#### INFORMATION AND OTHER ITEMS

7. **Use of Consultants** 81 - 90

8. **Use of Regulation of Investigatory Powers Act 2000 (RIPA)**

The Committee is asked to NOTE that there have been no RIPA authorisations in this quarter.

9. **Approved Write-Offs Exceeding £10,000**

The Committee is asked to **NOTE** that there have been no approved write-off amounts to report since 24 September 2018, which exceed the Council's Financial Regulation threshold of £10,000.



There is an induction hearing loop system available in all meeting rooms. Some of the systems are infra-red operated, if you wish to use this system then please contact Daniel Kalley on 01733 296334 as soon as possible.

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#### **Emergency Evacuation Procedure – Outside Normal Office Hours**

*In the event of the fire alarm sounding all persons should vacate the building by way of the nearest escape route and proceed directly to the assembly point in front of the Cathedral. The duty Beadle will assume overall control during any evacuation, however in the unlikely event the Beadle is unavailable, this responsibility will be assumed by the Committee Chair. In the event of a continuous alarm sounding remain seated and await instruction from the duty Beadle.*

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<http://democracy.peterborough.gov.uk/ecSDDisplay.aspx?NAME=Protocol%20on%20the%20use%20of%20Recording&ID=690&RPID=2625610&sch=doc&cat=13385&path=13385>

#### **Committee Members:**

Councillors: D Over (Chairman), Aitken (Vice Chairman), A Shaheed, Warren, G Elsey and Ellis

Substitutes: Councillors: Fuller, Hogg and Joseph

Further information about this meeting can be obtained from Daniel Kalley on telephone 01733 296334 or by email – [daniel.kalley@peterborough.gov.uk](mailto:daniel.kalley@peterborough.gov.uk)



**MINUTES OF THE AUDIT COMMITTEE MEETING  
HELD AT 7:00PM, ON  
MONDAY, 24 SEPTEMBER 2018  
BOURGES/VIERSEN ROOM, TOWN HALL, PETERBOROUGH**

Present: Councillors Over (Chairman), Jones, Elsey, Aitken and Warren

Officers in

Attendance: Peter Carpenter, Service Director Financial Services (arrived for last 2 items)  
Steve Crabtree, Chief Internal Auditor  
Sue Addison, Insurance Manager  
Fiona McMillan, Interim Director Law and Governance  
Dan Kalley, Senior Democratic Services Officer  
Suzanne Jones, Head of Commercial Finance  
Kirsty Nutton, Head of Corporate Finance

Also in

Attendance:

**15. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Shaz Nawaz and Mahabadi. Councillor Jones attended as substitute.

**16. DECLARATIONS OF INTEREST**

No declarations of interest were received.

**17. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 16 JULY 2018**

The minutes of the meeting held on 16 July 2018 were agreed as a true and accurate record.

**18. INSURANCE SERVICE AND INSURANCE FUND ANNUAL REPORT 2017/18**

The Audit Committee received a report in relation to the Insurance Service and Insurance Fund Annual Report 2017/18.

The Chief Internal Auditor introduced the report. The report was to present to Members the work carried out during the past year to provide an effective insurance function, covering all aspects of the Council activities, whilst minimising cost. Insurance cover was a large expense for the Council. The report outlined claims over the past five years in terms of numbers and value. A number of the figures included outline the worst case scenarios. Various

initiatives had been put in place to reduce the impact of claims. There had been success in managing the claims which had resulted in a reduction of approximately £100k on the annual cost at the recent tender exercise. Current risks had seen the return of insurance in relation to terrorism, which was due to the heightened risk outlined by central government. One area going forward that would require attention was in relation to services currently provided by Amey, which would revert back to the Council in February 2019 in the form of the Local Authority Trading Company (Latco).

The Audit Committee debated the report and in summary, key points raised and responses to questions included:

- The Insurance Fund was internal money that was used to cover things that were not externally insured. There was no insurance premium tax on those areas. A rolling programme was looked at every three years to see what could be kept in house.
- When a claim comes in, the reserve is set for the 'worst case scenario', however once a claim had been investigated, the Council will often have a valid defence and so most cases result in a reduction in the amount that would need to be paid out. The reserve would be maintained at full level until the case had been closed.
- The Peterborough Investment Partnership carried their own insurance and was therefore no risk to Peterborough City Council.
- The Council insured externally for the most serious risks, such as Public Liability. Most of the claims that had been covered in the Insurance Fund over the past ten years were around property damage. The Council did not benchmark against other authorities, however there were comparisons with other nearby authorities who were less risk averse.

The Audit Committee considered and **RESOLVED** (Unanimously) to endorse the attached annual report on the provision of the Insurance Service and the Insurance Fund during 2017/2018.

#### **19. ERNST & YOUNG LLP ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2018**

The Audit Committee received a report in relation to the Ernst and Young LLP Annual Audit Letter for the year ended 31 March 2018.

The Head of Commercial Finance introduced the report. The detailed findings were presented at the meeting on 16 July 2018. Nothing significant had been changed to the overall opinion.

The Audit Committee debated the report and in summary, key points raised and responses to questions included:

- The unqualified opinion was as good an outcome as the Council could hope to achieve.
- The Council had three Lender Option, Borrower Option (LOBO) loans. The interest rates on these varied from 4.5-4.75%. There were no concerns or risks with regards to the current status of these loans.

- Treasury advisers had commented that if the Lenders called in their option then the Council would likewise call in their option and look for alternative financing.

The Audit Committee considered and **RESOLVED** (Unanimously) to note the Annual Audit Letter.

## **20. TREASURY MANAGEMENT MID YEAR UPDATE**

The Audit Committee received a report in relation to the Treasury Management Mid Year Update

The Head of Commercial Finance introduced the report. The reporting on the Treasury Management followed appropriate guidelines. There were no anomalies found in the current update.

The Audit Committee considered and **RESOLVED** (Unanimously) to:

1. Review the current performance against the Prudential Indicators as approved in the Treasury Management (TMS) contained in the Medium Term Financial Strategy (MTFS).
2. Note as outlined in Cabinet Reports for Tranche 1, it is expected that the capital programme will reduce in future months due to re-profiling of the programme to a more deliverable level of £100m, with exact details to be confirmed.

## **21. RISK MANAGEMENT REPORT**

The Audit Committee received a report in relation to the Risk Management.

The Head of Commercial Finance introduced the report. Regular report sets out what the key risks were and shows how these were spread across departments.

The Audit Committee debated the report and in summary, key points raised and responses to questions included:

- Some of the detail around terrorism and the risks sat with external partners such as the Police taking a lead. The Local Authority were engaged in the overall contingency planning. Members were informed that the Council was currently going through a review of its contingency and emergency planning arrangements.
- When looking at insurance from schools, all schools should have their own risk management plans in place. A number had a reference of action to take should there be a terrorist attack. The Council was looking at this issue in more detail going forward as the Council were responsible for insuring local authority funded schools.
- There was no set time period for risks to remain at a particular level. Some risks such as safeguarding needed to be looked at on a regular basis. Management teams reviewed risks at regular intervals and CMT also looked into the risks on a regular basis. Risk Management Board

meets on a monthly basis which challenges each departmental register before the risk management report is referred to CMT.

- There were no plans at the current time to increase the number of meetings around Brexit, however this would be monitored on a regular basis. If risks materialised then a review of how this was managed would be taken.

The Audit Committee considered and **RESOLVED** (Unanimous) to note the Risk Management Report

## **22. UNCOLLECTABLE DEBTS IN EXCESS OF £10,000**

The Audit Committee received a report in relation to Uncollectable Debts in excess of £10,000.

The Head of Commercial Finance introduced the report. This followed the Cabinet Member Decision Notice and was good practice to write off the debts on a regular basis.

The Audit Committee debated the report and in summary, key points raised and responses to questions included:

- The report focused mainly on business rates. Debt was not written off lightly. This generally occurred when there was no further option of recourse to collect the outstanding debt.
- The legal limit in terms of being able to take action was generally six years.

The Audit Committee considered and **RESOLVED** (Unanimously) that there were no write-offs to report.

## **23. FEEDBACK REPORT**

The Audit Committee considered and **RESOLVED** (Unanimously) to note the report.

## **24. WORK PROGRAMME 2018/19**

The Committee commented on the work programme and asked that a report on the Combined Authority and on the Asset Investment Strategy be brought to Committee.

The Acting Director Corporate Resources agreed to both reports being presented. In terms of the Combined Authority report that would look at governance processes and how they worked..

The Audit Committee considered and **RESOLVED** (Unanimously) to note the report and include further items on Asset Investment Strategy and the Combined Authority.

7:00pm – 7.32pm  
Chairman

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<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 4
<b>19 NOVEMBER 2019</b>	<b>PUBLIC REPORT</b>

Report of:	Peter Carpenter - Acting Corporate Director: Resources	
Cabinet Member(s) responsible:	Cllr Seaton - Resources	
Contact Officer(s):	Peter Carpenter - Acting Corporate Director: Resources Kirsty Nutton - Head of Corporate Finance	Tel. 384564 Tel. 384590

## ERNST & YOUNG LLP AUDIT PLAN FOR THE YEAR ENDED 31 MARCH 2019

RECOMMENDATIONS	
<b>FROM:</b> Peter Carpenter - Acting Corporate Director Resources	<b>Deadline date:</b> 19 November 2018
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> <li>Note the key risks set out by Ernst Young LLP in their report and their audit approach to meet those risks.</li> <li>Identifies to Ernst Young LLP any other matters the Audit Committee considers will influence the audit.</li> <li>Notes that the Public Sector Audit Appointments scale fee will apply unless additional work is required as set out on page 32 of the report.</li> <li>Add a report on the new accounting standards IFRS9, IFRS 15 and IFRS 16 to the work programme.</li> </ol>	

### 1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee in line with its Work Programme.

### 2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to involve the Audit Committee in determining the audit approach and to identify any additional issues it considers relevant to the audit

2.2 This report is for Audit Committee to consider under its Terms of Reference -

- 2.2.2.5 *To consider the external auditors annual letter, relevant reports and the report to those charged with governance.*
- 2.2.2.7 *To comment on the scope and depth of external audit work and to ensure it gives value for money*

### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	n/a
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#### **4. BACKGROUND AND KEY ISSUES**

- 4.1 The Audit Plan has been prepared to inform the Council about the responsibilities of its external auditors and how those responsibilities will be discharged. It has been discussed and agreed jointly by Council representatives and External Audit (EY).
- 4.2 The plan (Appendix 1) has 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.
- 4.3 The table contained on page 5, 'Audit risk and area of focus' provides an overview of the initial risk identification for the upcoming audit and any changes in risks identified in the current year. There are a mix of types of risks identified from the general risk such as management override of controls and fraud which any organisation would face and are not specific to the Council. This does not reflect any specific concerns that EY have with the Council.
- 4.4 The same table shows one new area of focus which relates to three new accounting standards. IFRS 9 and IFRS 15 have been adopted into the Code of Practice for Local Authority Accounting (the Code) for 2018/19 Statement of Accounts. IFRS 16 is being consulted on for adoption into the 2019/20 code. The Council has been assessing the impact of these new accounting rules, and recommend that the outputs are reported to 11 February 2019 Audit Committee. EY do not regard this as a significant risk for the Council.
- 4.5 The Audit Plan sets out the proposed materiality levels applied by EY, including the level of uncorrected misstatements that will be reported (page 6). EY set the materiality level in accordance with national auditing guidelines and standards. A calculation is made because if misstated amounts below this level are found the correction of them will not have a material effect on the Statement of Accounts. If however the misstatement has arisen due to a control issue rather than a technical accounting adjustment, it will be reported to the Audit Committee. The Council's finance officers agree with these levels.
- 4.6 EY are required to consider whether the Council has in place 'proper arrangements' to secure economy, efficiency, and effectiveness on its use of resources. The Value for Money (VFM) section (from page 16) highlights a significant risk due to the scale of the financial challenge that the Council faces, in common with most local authorities. EY's approach will focus on 2018/19 savings and their link to longer term transformational change and reviewing the financial plan for 2019/20 and the longer term.

#### **5. CONSULTATION**

- 5.1 The Plan has been circulated to relevant officers for comment, including the Acting Corporate Director: Resources, and Head of Corporate Finance.

#### **6. ANTICIPATED OUTCOMES OR IMPACT**

- 6.1 Approval of the External Audit Plan 2018/19 and comment on any issues the Committee considers relevant.
- 6.2 To amend the work plan to receive a report on the new accounting standards at 11 February 2019 Audit Committee.

#### **7. REASON FOR THE RECOMMENDATION**

- 7.1 The Plan provides a summary of the Auditor's proposed work. Members can ask questions and make comments to the External Auditor on its contents and coverage.
- 7.2 To enable Audit Committee to understand the new accounting standards and the current and any potential future impact on the Council from their adoption into the Code.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 It is a requirement of the Audit Code to agree the plan but the Committee may influence the content of the plan.

## **9. IMPLICATIONS**

### **Financial Implications**

- 9.1 There are no direct implications arising from this Plan for Ernst and Young. Fees identified are commensurate with previous years, and are set by the Public Sector Audit Appointments body and included in the Medium Term Financial Strategy.

### **Legal Implications**

- 9.2 None.

### **Equalities Implications**

- 9.3 None.

## **10. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 10.1 The Accounts and Audit Regulations 2015  
The Local Audit and Accountability Act 2014  
The National Audit Office's 2015 Code of Audit Practice  
The Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd

## **11. APPENDICES**

- 11.1 Appendix A - Peterborough City Council Outline Audit Plan Year ended 31 March 2019

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# Peterborough City Council Outline Audit Plan

Year ended 31 March 2019  
Presented to Audit Committee on  
19 November 2018



Audit Committee  
Peterborough City Council

6 November 2018

Dear Committee Members

### **Outline Audit Plan**

We are pleased to attach an Outline Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. We are currently undertaking our audit planning procedures and once completed we will issue a Final Audit Plan confirming our audit approach and strategy.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 19 November 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Suresh Patel

For and on behalf of Ernst & Young LLP

# Contents

**01** Overview of our 2018/19 audit strategy



**02** Audit risks



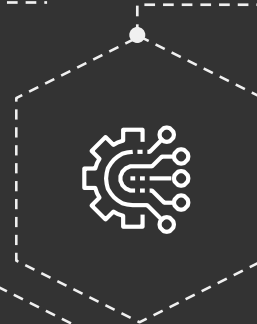
**03** Value for Money Risks



**04** Audit materiality



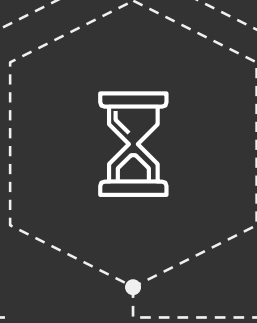
**05** Scope of our audit



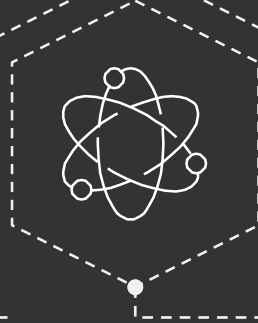
**06** Audit team



**07** Audit timeline



**08** Independence



**09** Appendices



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Peterborough City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Peterborough City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Peterborough City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





01

# Overview of our 2018/19 audit strategy





# Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Valuation and impairment of Property, Plant and Equipment (PPE) and Investment Property (IP)	Inherent risk	No change in risk or focus	PPE and IP represent the largest asset values on the Council's balance sheet. Land and buildings are initially measured at cost and then revalued to fair value. Investment property is revalued annually, other land and buildings on a 5 year rolling basis and the small number of Council dwellings are revalued at least every 4 years. The Council will engage an external expert valuer who will apply a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment. We undertake procedures on the use of management experts and the assumptions underpinning fair value estimates.
Pension liability and assets	Inherent risk	No change in risk or focus	The Council is a member of a defined benefit pension scheme. Accounting for this scheme involves estimation and judgement. The Pension liability is one of the largest balances on the balance sheet.
Assessment of Group Boundary	Other risk	No change in risk or focus	The Council has a number of joint arrangements which may necessitate the preparation of group accounts. As in prior years, the Council will need to identify and consider all of its relationships and assess the nature of these arrangements to determine whether they create functional bodies and other group entities which now fall within the group boundary and therefore require consolidating into the Council's Financial Statements.
PFI Accounting	Inherent risk	No change in risk or focus	The Council has a material PFI arrangement. The complexity of PFI accounting represents an inherent risk. If the Council has made any changes we will draw on our PFI experts.
New accounting standards	Other risk	New area of focus	For 2018/19 the Council needs to consider the new accounting standards relating to financial instruments (IFRS 9) and revenue from contracts (IFRS 15). In addition, the new standard relating to leases (IFRS 16) applies for 2019/20. The Council needs to assess and evaluate the implications of these new standards on the 2018/19 accounts.

# Overview of our 2018/19 audit strategy

## Materiality

Planning  
materiality  
**£10.6m**

In light of changes across the audit profession we have reduced the top of our range for materiality from 2% to 1.8% of the forecast gross expenditure (based on the PY outturn) of the Council. However, because the Council's gross expenditure has increased compared to the PY, our materiality has increased slightly from £10.5m.

Performance  
materiality  
**£7.9m**

We have set performance materiality at £7.9m, which represents 75% of materiality and is the top of our range.

Audit  
differences  
**£529k**

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) greater than £529,000. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

18

In addition to the financial statements risks, in respect of the value for money conclusion we have identified a significant risk in relation to the financial resilience of the Council and the size of the financial challenge facing the Council over the medium term.

# Overview of our 2018/19 audit strategy

## Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Peterborough City Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

## Audit team

We have made two changes to your audit team, bringing in Dan Cooke as Audit Manager and Bach Pham as lead executive. Both Dan and Bach have good experience and knowledge of local government in the East of England. Suresh Patel will continue to be your Engagement Lead.



# 02 Audit risks

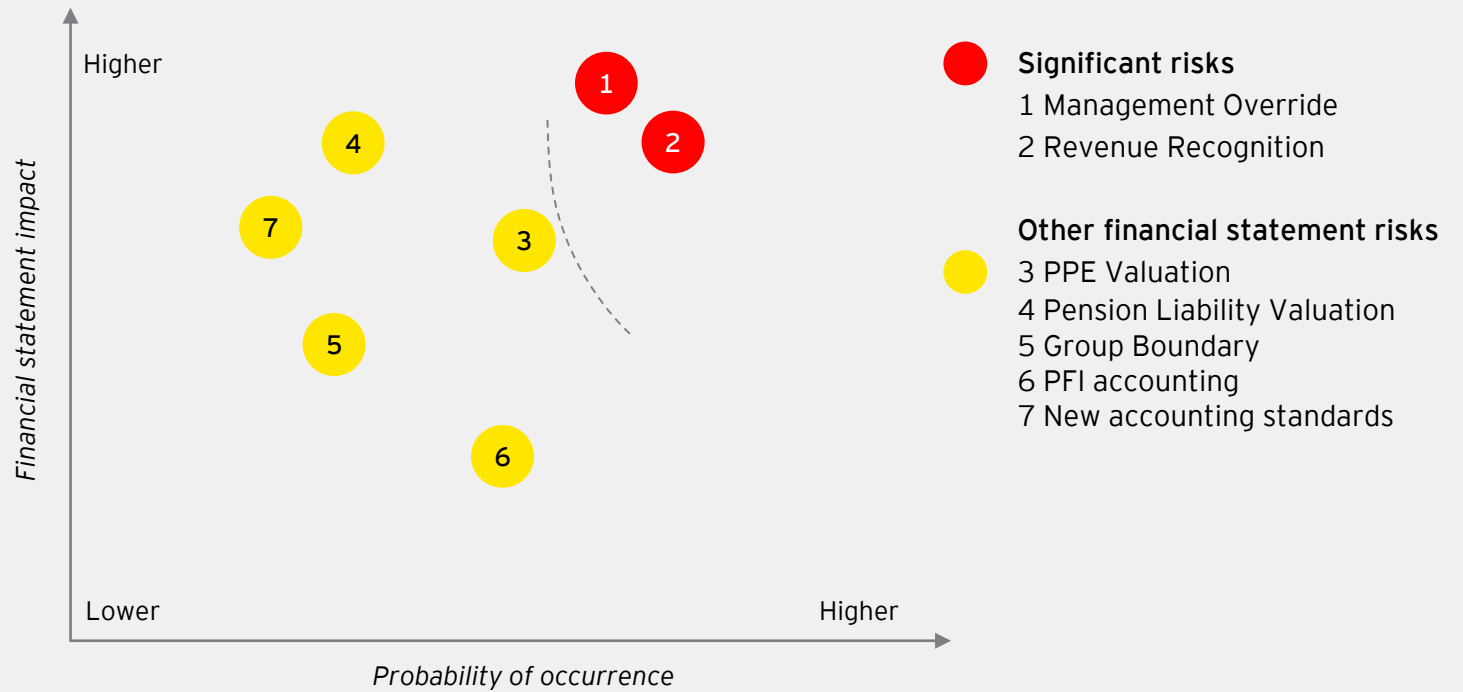


# Risk assessment

## Risk assessment

We have obtained an initial understanding of your strategy, reviewed your principal risks as identified in your 2017/18 Statement of Accounts and combined it with our understanding of the sector to identify key risks that impact our audit.

The following 'dashboard' summarises the significant matters that are relevant for planning our year-end audit:



## Audit risks

# Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

### Risk of fraud in revenue and expenditure recognition

#### Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. These accounts had the following balances in the 2018 financial statements:

Income: £532m

Expenditure Account: £588m

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

#### What will we do?

We will:

- Review and test revenue and expenditure recognition policies.
- Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias.
- Develop a testing strategy to test material revenue and expenditure streams.
- Review and test revenue cut-off at the period end date.

We will refine this risk and our approach in the final audit plan.



## Our response to significant risks (continued)

**Risk of Management  
override: Misstatements  
due to fraud or error**

**What is the risk?**

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

**What will we do?**

We will:

- Identify inherent and actual fraud risks during planning.
- Enquire of management about risks of fraud and the controls put in place to address those risks.
- Understand the oversight given by those charged with governance of management's processes over fraud.
- Consider the effectiveness of management's controls designed to address the risk of fraud.
- Determine an appropriate strategy to address those identified risks of fraud.
- Perform mandatory procedures regardless of specifically identified fraud risks, including testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements (this will include the use of analytics to focus our testing).
- Review accounting estimates for evidence of management bias.
- Evaluate the business rationale for significant unusual transactions.

We will refine this risk and our approach in the final audit plan.

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

### What is the risk/area of focus?

### What will we do?

#### Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

We will:

- ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

We will refine this risk and our approach in the final audit plan.



## Audit risks

### Other areas of audit focus (cont)

#### What is the risk/area of focus?

##### **Pension Liability Valuation & Pensions Assets**

The Council makes extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £277 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. We undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

#### What will we do?

We will:

- ▶ Liaise with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Peterborough City Council;
- ▶ Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19 considering fund assets and the Council's liability.

#### What is the risk/area of focus?

##### **Assessment of Group Boundary**

The Council has a number of joint arrangements which may necessitate the preparation of group accounts. As last year, the Council will need to identify and consider all of its relationships with its subsidiaries and other partners and assess the nature of these arrangements to determine whether they create functional bodies and other group entities which now fall within the group boundary and therefore require consolidating into the Council's Financial Statements. The review will need to consider the Code requirements. There is a risk that the Council may not detect associated group boundary changes and therefore not make the required disclosures.

#### What will we do?

Our approach will focus on the reasonableness of the Council's assessment by:

- ▶ Reviewing the Council's determination of where overall control lies with regard to the operation and delivery of services of the potential group bodies; and
- ▶ Reviewing the consolidation procedures applied by the Council to those bodies that lie within the group boundary.

## Audit risks

### Other areas of audit focus (cont)

#### What is the risk/area of focus?

##### Private Finance Initiative (PFI) Accounting

The Council has a material PFI arrangement. PFI accounting is a complex area. We undertook a detailed review of the arrangements in 2016/17 and concluded that the accounting disclosures were materially correct. Given the complexities involved this remains an area of audit focus.

##### New accounting standards

The Code requires the Council to comply with the requirements of two new accounting standards for 2018/19 and make preparations for another new standard for 2019/20. These standards are:

- ▶ IFRS 9 - Financial instruments
- ▶ IFRS 15 - Revenue from contracts
- ▶ IFRS 16 - Leases

There is an inherent risk in relation to implementing new accounting standards and carrying out a sufficient assessment and evaluation.

#### What will we do?

We will make enquiries to management in respect of changes to arrangements and the calculation of annual payments and the on going liability. If there are changes we will draw on the specialist input of our PFI experts.

We will engage early with the Council on their assessment and evaluation of the impact of each new accounting standard. We will also provide an early view on the Council's proposed accounting and disclosures.

If we need to undertake additional audit procedures on the Council's assessments we will discuss with the Chief Financial Officer the impact on our audit fee.



03

# Value for Money Risks





## Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion. For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

The NAO defines proper arrangements as your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

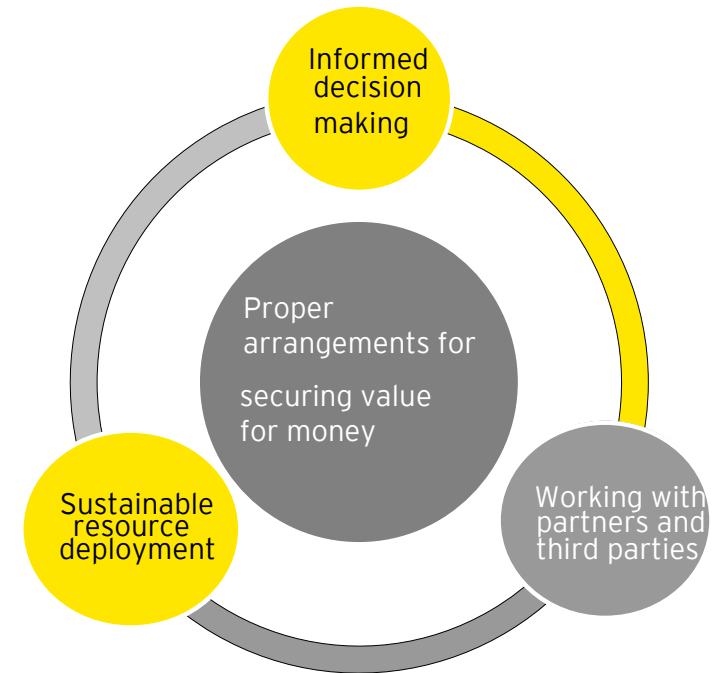
The NAO's auditor guidance includes specific reference to combined authorities, recognising their commissioning role and focus on partnership working.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public".

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We have therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. Based on our initial planning considerations we have identified a significant risk noted on the following page which we view as relevant to our value for money conclusion.





## Value for Money Risks

### What is the significant value for money risk?

We reported in the previous year our views on the financial resilience of the Council and in particular the scale of the financial challenge it faces. Like most local authorities, the Council's finances continue to be stretched. There are significant gaps in the budget over the period of the Medium Term Financial Strategy. Whilst the Council is taking action to identify ways to bridge the gaps, there remains a significant risk to its financial resilience.

### What arrangements does the risk affect?

- ▶ Take informed decisions
- ▶ Deploy resources in a sustainable manner

### What will we do?

Our approach will focus on:

- ▶ Delivery of the Council's 2018/19 savings plans and linkages to delivery of longer-term transformational change;
- ▶ Review of the Council's 2019/20 financial plan; and
- ▶ Review of the Council's longer-term financial strategy in the light of the local and wider financial pressures.





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# 04

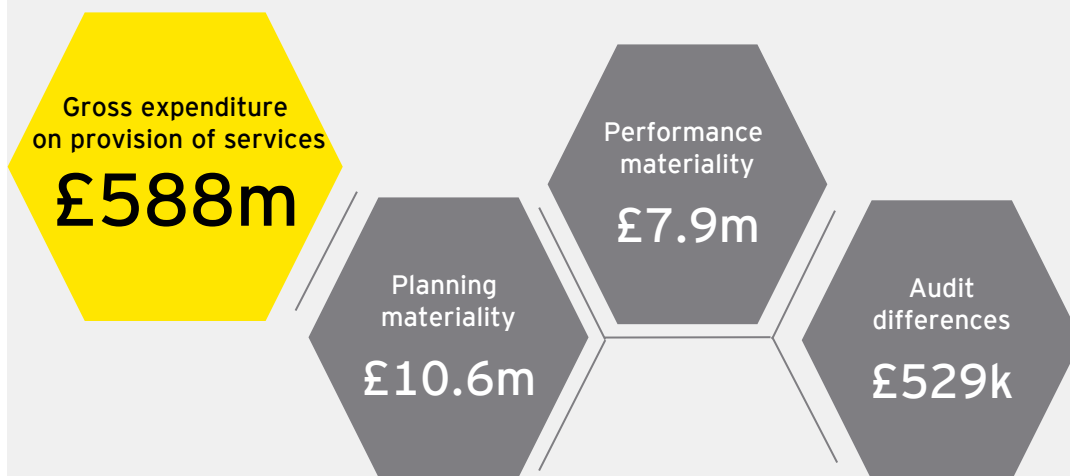
## Audit materiality



## Materiality

### Materiality

For planning purposes, materiality for 2018/19 has been set at £10.584m. This represents 1.8% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

### Key definitions

**Planning materiality** - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £7.844 m which represents 75% of planning materiality.

**Audit difference threshold** - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

**Specific materiality** - We set lower materiality levels for some disclosures e.g. remuneration disclosures, related party transactions, members' allowances and exit packages, which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.





**05** Scope of our audit





## Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

#### Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

#### Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

## Our Audit Process and Strategy (continued)

### Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



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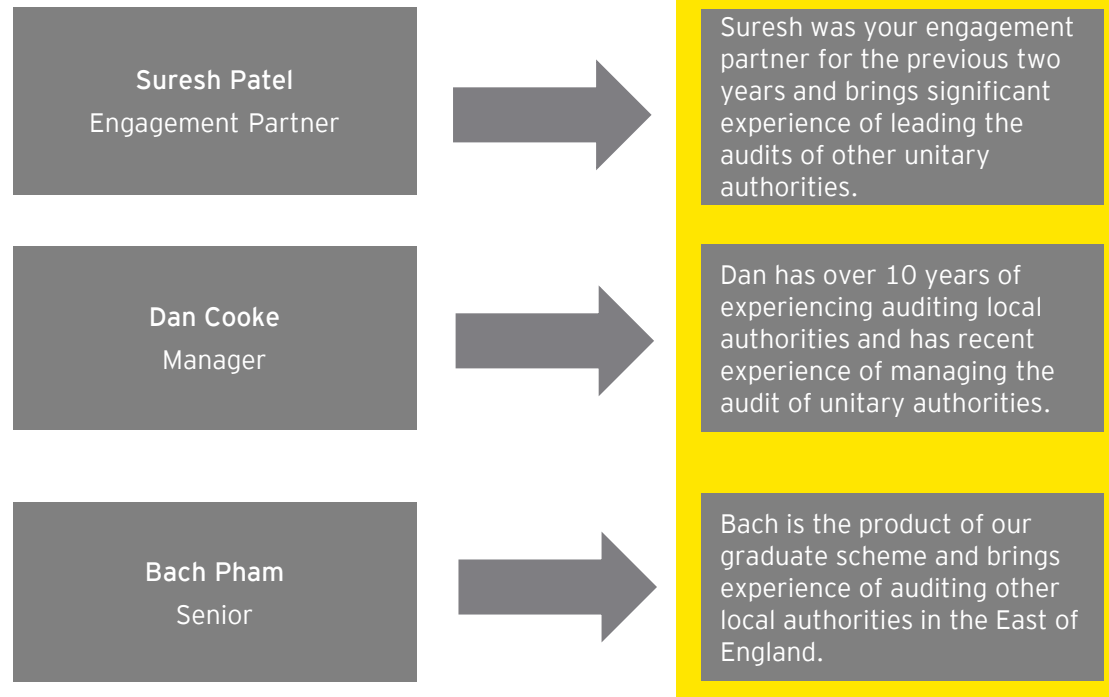
Audit team



# Audit team

## Audit team structure:

We have put together an audit team, based from our Cambridge office, with significant experience of auditing unitary authorities dealing with the same issues as the Council. They are committed to working effectively with the finance team to deliver a smooth and effective audit, adding value wherever possible.



## Audit team

### Use of specialists

Our approach to the involvement of specialists, and the use of their work:

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists	
	EY	Council
Valuation of Land and Buildings	Real Estates team (if required)	Wilkes Head & Eve & NPS
Pensions disclosure	EY Actuaries	Hymans
PFI	PFI Specialist (if required)	N/A

37

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





38

**07** Audit timeline 





# Audit timeline

## Timetable of communication and deliverables

### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	November	Audit Committee	Outline Audit Plan
	December		Final Audit Plan to management
Walkthrough of key systems and processes Testing of routine processes and controls	January		
Interim audit testing	February	Audit Committee	Final Audit Plan (presented to Committee)
	March		Interim audit update (verbal unless there are significant issues)
	April		
Year end audit Audit Completion procedures	May/June		
	July	Audit Committee	Audit Results Report Audit opinions and completion certificates
	September		Annual Audit Letter



40

08

# Independence





## Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

### Required communications

#### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.
- ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.

#### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services. We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted. We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

## Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence. At the date of preparing this report we are not aware of any threats to our independence that we need to safeguard against. We will update this assessment throughout the year.

### Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

## Other communications

### EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017>



43

09

# Appendices



## Appendix A

### Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The fee for 2018/19 reflects the year 1 of the new 5 year contract awarded by PSAA.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
		£	£
Standard Fee - Code work	83,570	83,570	108,533
Additional code work	0	0	6,750
<b>Total audit</b>		<b>83,570</b>	<b>115,283</b>
Other non-audit services not covered above (Housing Benefits - note 1)	N/A	N/A	TBC
<b>Total other non-audit services</b>	<b>N/A</b>	<b>N/A</b>	<b>TBC</b>
<b>Total fees</b>	<b>N/A</b>	<b>83,570</b>	<b>TBC</b>

*All fees exclude VAT*

*Note 1: We are currently undertaking the HB work for 2017/18 and for 2018/19 the Council has appointed a new provider.*

The agreed fee presented is based on the following assumptions:

- ▶ The level of risk in relation to the financial statements and VFM arrangements remains the same;
- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.





## Appendix B

# Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.




### Our Reporting to you

Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balances</li> </ul>	Audit results report



45

## Appendix B

# Required communications with the Audit Committee (continued)





		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Corrected misstatements that are significant</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit results report
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	Audit results report
Related parties	<ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report

## Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Audit Planning Report and Audit Results Report
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of</li> </ul>	Audit results report
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit results report and Annual Audit Letter
Representations	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report

## Appendix B

# Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Material inconsistencies and misstatements	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit results report
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor’s report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	Audit results report
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit plan is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit planning report Audit results report



## Additional audit information

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

#### Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

## Additional audit information (continued)

### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Council's financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

## EY | Assurance | Tax | Transactions | Advisory

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 5
<b>19 NOVEMBER 2018</b>	<b>PUBLIC REPORT</b>

Report of:	Pete Carpenter, Acting Corporate Director of Resources	
Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384557

## INTERNAL AUDIT: MID YEAR PROGRESS REPORT 2018 / 2019

R E C O M M E N D A T I O N S	
<b>FROM:</b> Pete Carpenter, Acting Corporate Director of Resources	<b>Deadline date:</b> N/A
<b>It is recommended that Audit Committee:</b>	
1. Note the progress of the Internal Audit plan for 2018 / 2019	

### 1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee as a routine planned report within the 2018 / 2019 work programme of the Committee.

### 2. PURPOSE AND REASON FOR REPORT

- 2.1 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following "2.2.2.1 *To consider the annual audit report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements*".
- 2.2 The purpose of this report provides an overall opinion on the soundness of the control environment in place to minimise risk to the council. It is based on the findings of the completed internal audits from the Annual Audit Plan 2018 / 2019 as at 31 October 2018.

### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	N/A
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### 4. INTERNAL AUDIT UPDATE

#### 4.1 Background

The details of the progress of the 2018 / 2019 plan are documented in **Appendix A** and **Appendix B**. This year, Internal Audit introduced a new assessment tool which allows us to continually assess risks and prioritise our work accordingly. As such, as well as listing the audits completed, this report details the audits we plan to conduct, or which are underway, based on our current assessment of risk. Audits which are new have been highlighted. We will continue to appraise risk and refine our audit plans, therefore those audits that have yet to be started could be replaced if risk levels change



## 4.2 **Resources**

4.2.1 The 2018 / 2019 plan was compiled on the basis of an in house team with an establishment of 5.96 full time equivalent staff (FTE). One full time Senior Auditor post was vacant, leaving a 4.96 FTE resource, and therefore the original plan highlighted those audits that would not be achievable if the vacancy was not filled.

4.2.2 At this point in the year the Senior Auditor post remains vacant. However, there has been a slight increase in the hours of one member of staff. This brings the FTE for the year, for staff in post, to 5.1.

4.2.3 We are also in the process of recruiting a temporary resource to assist with the increased requirements of the Combined Authority and to provide some cover for the vacancy. This will add approximately 0.5 FTE, bringing the total resource for the year to 5.6 FTEs.

4.2.4 The revised plan continues to highlight those audits that are not achievable within the currently available resource levels.

## 4.3 **Performance and Outputs**

4.3.1 One of four levels of assurance is allocated to each audit review. These assurance levels are: SUBSTANTIAL; REASONABLE; LIMITED; and NO ASSURANCE. Where concerns have been identified resulting in limited or no assurance, the Executive Summaries for these reviews are included within **Appendix A**, once the review has been agreed and finalised. There are no reports that fall into this category at this time.

4.3.2 It is too early in the audit year to provide an opinion on the internal controls operating across the Council that have been subject to audit from the 2018 / 2019 audit plans. There are no significant issues to be brought to the Committee's attention at this time.

## 5. **CONSULTATION**

5.1 This report and accompanying appendices have been issued to the Acting Corporate Director of Resources and the Joint Director of Legal and Governance Services

## 6. **ANTICIPATED OUTCOMES OR IMPACT**

6.1 That the Audit Committee is informed of Internal Audit's progress against the Annual Audit Plan. In addition, that the Audit Committee is made aware of any key control issues highlighted by our work.

## 7. **REASON FOR THE RECOMMENDATION**

7.1 The Council is subject to the Accounts and Audit Regulations and as such must make provision for Internal Audit in accordance with the CIPFA Code of Practice and the Public Sector Internal Audit Standards. It must also produce an Annual Governance Statement to be published with the Council's financial accounts. This report and associated papers demonstrate how the audit service is progressing against the audit plan how it will contribute to the Statement.

## 8. **ALTERNATIVE OPTIONS CONSIDERED**

8.1 The alternative of not providing an Internal Audit service is not an option.

## 9. **IMPLICATIONS**

## **Financial Implications**

- 9.1 During the year, Internal Audit reports will generate a series of recommendations. While implementing these may have resource implications for the various areas under review, Internal Audit discuss and agree recommendations with the auditee prior to the issue of the final audit report. Therefore it is assumed that their implementation can and will be undertaken either with existing resources or with additional resources that they can readily call upon.

## **Legal Implications**

- 9.2 The Internal Audit service is undertaken in accordance with the requirements of section 151 of the Local Government Act and the requirements of the Accounts and Audit Regulations. There would be a legal implication if an Internal Audit service was not provided for, and if mechanisms were not in place to carry out a review of internal control, governance and risk management as a basis for the Annual Governance Statement.

## **Equalities Implications**

- 9.3 None

## **10. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 10.1 Used to prepare this report in accordance with the Local Government (Access to Information) Act 1985
- Internal Audit Annual Plan 2017 / 2018
  - Internal Audit written output (reports, memos, grant certifications)

## **11. APPENDICES**

- 11.1 Appendix A: Internal Audit Mid Year Progress Report 2018 / 2019 (to 31 October 2018)
- Appendix B: Progress against agreed Audit Plan

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**APPENDIX A**



**INTERNAL AUDIT MID-YEAR  
PROGRESS REPORT 2018 / 2019  
(TO 31 OCTOBER 2018)**

## 1. **INTRODUCTION**

- 1.1 The purpose of this report is to bring the Committee up to date with progress made against the delivery of the 2018 / 2019 Internal Plan. The information included in the progress report will feed into and inform our overall opinion in the Annual Audit Opinion report issued at the year end. This opinion will in turn be used to inform the Annual Governance Statement included in the Statement of Accounts and signed by the Chief Executive and Leader of the Council.
- 1.2 This year, Internal Audit introduced a new assessment tool which allows us to continually assess risks and prioritise our work accordingly. As such, this report details the audits we plan to conduct, or which are underway, based on our current assessment of risk. Audits which are new have been highlighted in the table below. We will continue to appraise risk and refine our audit plans, therefore the audits listed in **Appendix B** that have yet to be started could be replaced if risk levels change.
- 1.3 Where appropriate each report we issue during the year is given an overall opinion based on four levels of assurance. To obtain this assurance, we look at the number and type of recommendations we make in each report and are summarised below:

<b>AUDIT ASSURANCE OPINIONS</b>	
<b>Assurance</b>	<b>Definitions</b>
<b>Substantial</b>	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There may be some scope to improve the design of, or compliance with, the control framework in order to increase efficiency and effectiveness.
<b>Reasonable</b>	The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.
<b>Limited</b>	The internal control system is poorly designed and / or there is significant non-compliance with controls, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
<b>No</b>	There are significant weaknesses in the design of the internal control system, and there is consistent non-compliance with those controls that exist. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.

- 1.5 Should an audit report identify **LIMITED** or **NO** assurance, then as a matter of course those areas are followed up. Our work is carried out to assist in improving control. **However management is responsible for developing and maintaining an internal control framework.**



1.6 Our recommendations are graded, dependent on the severity of the findings, see below:

<b>RECOMMENDATION RATINGS</b>		
<b>Status</b>	<b>Definitions</b>	<b>Implementation</b>
<b>Critical</b>	Extreme control weakness that jeopardises the complete operation of the service.	Immediately
<b>High</b>	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	As a matter of priority
<b>Medium</b>	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	At the first opportunity
<b>Low</b>	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	As soon as reasonably practical

## 2. **EXTERNAL WORK and OTHER DUTIES**

- 2.1 Internal Audit provides audit services to the Combined Authority. Our original plan allocated 75 days to such work, and this has now increased to 100; the bulk of which is due to be carried out over the next 5 months. These reviews are client confidential and reports are only available to the Combined Authority. The work that we carry out for the Combined Authority is chargeable to them, and a Service Level Agreement is in development.
- 2.2 Internal Audit also provides audit services to Vivacity–Peterborough which is managed through a Service Level Agreement. The contract arrangements have been operational since 2010 and the work we carry out is chargeable to Vivacity. These reviews are client confidential and as a result their outcomes are only available to Vivacity. The original plan includes 75 days for this work and this has not changed.
- 2.3 The Chief Internal Auditor (CIA) also is charged with management responsibility for both the Insurance and the Investigations Teams at Peterborough City Council, and separate reports are provided to the Audit Committee for these areas. The CIA also undertakes any Stage 2 Corporate Complaint reviews, as deemed appropriate.

### 3. **RESOURCES**

- 3.1 The 2018 / 2019 plan was compiled on the basis of an in house team with an establishment of 5.96 full time equivalent staff (FTE). One full time Senior Auditor post was vacant, leaving a 4.96 FTE resource, and therefore the original plan highlighted those audits that would not be achievable if the vacancy was not filled.
- 3.2 At this point in the year the Senior Auditor post remains vacant. However, there has been a slight increase in the hours of one member of staff. This brings the FTE for the year, for staff in post, to 5.1. We are also in the process of recruiting a temporary member of staff to assist with the increased requirements of the Combined Authority and to provide some cover for the vacancy. This will add approximately 0.5 FTE, bringing the total resource for the year to 5.6 FTEs.
- 3.3 The revised plan, detailed in **Appendix B** below, continues to highlight those audits that are not achievable within the currently available resource levels.

### 4. **PERFORMANCE and OUTPUTS**

- 4.1 A detailed commentary of the progress of the 2018 / 2019 Annual Plan is documented at **Appendix B**. The table below gives a summary of the status of all audit projects. The figures for the 'current plan' include the additional resources mentioned in 3.2 and 3.3.

	Peterborough	CPCA	Vivacity	TOTAL
PLANNED ACTIVITY				
<b>Original Plan</b>	<b>54</b>	<b>9</b>	<b>10</b>	<b>73</b>
ACTUAL ACTIVITY				
Complete	22	2	2	26
In Progress	23	2	4	29
Yet to do	14	7	4	25
<b>Current Plan</b>	<b>59</b>	<b>11</b>	<b>10</b>	<b>80</b>

- 4.2 There has been significant additional work carried out, compared to that originally planned, in the areas listed below. Further details on these specific audit areas can be found in **Appendix B**.
- Connecting Families
  - Mayor's Charities Fund
  - Combined Authority
- 4.3 There have been no finalised reports with a **LIMITED** or **NO** assurance rating to date. Audit Committee will be advised of any future reports falling within these categories as part of the audit committee timetable.
- 4.4 It is too early in the audit year to provide an opinion on the internal controls operating across the Council that have been subject to audit from the 2018 / 2019 audit plans. There are no significant issues to be brought to the Committee's attention at this time.

Steve Crabtree  
Chief Internal Auditor  
October 2018

3 **PROGRESS AGAINST AGREED AUDIT PLAN****APPENDIX B**

Where audits are “shaded”, these represent those jobs not started at 31 October 2018.

<b>AUDIT ACTIVITY</b>	<b>COMMENTARY</b>
<b>AUDIT ACTIVITIES</b>	
<b>Provision for Governance and Anti-Fraud activities that are not subject to risk assessment</b>	
Annual Audit Opinion	<b>Completed</b> Annual Opinion 2017 / 2018 presented to Audit Committee on 16 July 2018.
Annual Governance Statement Review	<b>Completed</b> Annual Governance Statement 2017 / 2018 presented to Audit Committee on 16 July 2018.
Annual Investigations Report	<b>Completed</b> Annual Report 2017 / 2018 presented to Audit Committee on 16 July 2018.
Mid-Year Audit Progress Report	<b>Completed</b> Annual Audit Progress Report 2018 /2019 being presented to Audit Committee at this meeting, on 19 November 2018.
Internal Audit Effectiveness	<b>In Progress</b> Produce and implement an action plan, once a final report has been received, following an external review of Internal Audit against the PSIAS.
Information Governance	<b>Ongoing</b> As part of the development of sharing arrangements with Cambridgeshire County Council, a Strategic Board has been set up to oversee information management. This meets on a quarterly basis and the CIA attends.
Risk Management	<b>Ongoing</b> The CIA is a member of the Risk Management Board which meets on a monthly basis to review all departmental risk registers and the corporate risks which are held on the project management system, Verto. Escalation processes are in place to refer departmental risks through to CMT. Regular reports are provided to Audit Committee (last agenda item September 2018).



AUDIT ACTIVITY	COMMENTARY
<b>AUDIT ACTIVITIES</b> <b>Provision for Governance and Anti-Fraud activities that are not subject to risk assessment</b>	
National Fraud Initiative	<p><b>In Progress</b></p> <p>13 datasets have been extracted and are being reviewed for data quality. Once verified, these have been uploaded to the secure Cabinet Office site during October. Three further datasets are to be provided directly to the Cabinet Office by third parties (for example, DWP for Housing Benefits information).</p> <p>Following data matching by the Cabinet Office with other organisation's data, extracts are expected in February 2019 for investigation.</p>
Fraud / Compliance activities	<p>In conjunction with the DWP, local authorities will be developing joint working arrangements. Those authorities within the East region who are part of the agreement will be looking to put this into place before March 2019. As the Single Point of Contact (SPOC) for fraud and joint working with DWP, the CIA is in regular dialogue with DWP and a detailed workshop is planned for November 2018.</p> <p>A review / refresh of recently updated corporate fraud policies, such as: Anti-Fraud and Corruption Policy and Sanctions Policy will take place in <b>Quarter 4</b>.</p> <p>Raising awareness of fraud risks - training slides are being developed to cascade fraud awareness to officers and members.</p> <p>Investigations into alleged fraud or irregular activity, as required.</p>
Annual Audit Planning	<p><b>To commence quarter 3</b></p> <p>Establishment of the future plans for 2019 / 2020, including a review of the Strategy, Charter and Code of Ethics and a pre-planning report on emerging themes.</p>
Audit Committee Effectiveness	<p><b>To commence quarter 4</b></p> <p>An assessment of the operation of the Audit Committee in 2018 - 2019 against best practice.</p>

AUDIT ACTIVITY	Department	COMMENTARY
<p><b>OTHER RESOURCE PROVISION</b></p> <p>Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests for consultancy advice. We also carry out follow ups six months after an audit to track the implementation of recommendations. Finally, a number of jobs will overlap between financial years and require some time to complete.</p>		
<p><b>CARRY FORWARD ACTIVITIES</b></p>		
Peterborough investment Partnership JV	Growth and Regeneration	<p><b>In Draft</b></p> <p>A review of the governance arrangements for this joint venture.</p> <p>There are 2 high and 1 medium priority recommendations. The opinion is <b>Reasonable</b>. A key finding is the lack of a governance framework for all external/commercial bodies. Therefore there is no overarching scrutiny or monitoring of the performance; and limited guidance or training for the members and officers involved. The Interim Director of Law and Governance is in the process of designing a scrutiny and client management framework, and we have included a review of this in our plan.</p>
Norfolk Property Services JV	Growth and Regeneration	<p><b>In Progress</b></p> <p>A review of the governance arrangements for this joint venture and associated contract.</p>
Health and Safety	Growth and Regeneration	<p><b>Draft issued</b></p> <p>There are 3 high and 3 medium priority recommendations. The opinion is <b>Reasonable</b>.</p> <p>The Council's framework is reasonable, and there has been a significant amount of work done to update policies and procedures as a result of the move to Sand Martin House. Areas for improvement include the need to reconstitute a senior H&amp;S Committee and the central monitoring of key H&amp;S performance data.</p>
Freedom of Information	Governance	<p><b>In Progress</b></p> <p>An evaluation of the processes and systems in place to manage FOI requests.</p>

AUDIT ACTIVITY	Department	COMMENTARY
<b>OTHER RESOURCE PROVISION</b> Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests for consultancy advice. We also carry out follow ups six months after an audit to track the implementation of recommendations. Finally, a number of jobs will overlap between financial years and require some time to complete.		
<b>CONSULTANCY ADVICE</b>		
Google	Governance	Advice given on Gmail delegate permissions and new Google flexi-sheets and leave cards.
PayPal	Resources	Process control query about administering a PayPal account.
Agresso Access Permissions	Resources	Response to query about approving amendments to access permissions and financial authority within Agresso.
Financial Rules	Resources	Ongoing provision of advice and comment during a review of Financial Rules.
<b>FOLLOW UP PROVISION</b>		
Information Governance and GDPR	Governance	<b>In Progress</b>
Verto - Project Management	Resources	<b>Complete</b> All 4 recommendations have been implemented.
Nene Park Academy Project	People and Communities	<b>Complete</b> One recommendation has been implemented and one is in progress.
Materials Recycling Facility	Growth and Regeneration	<b>In Progress</b>
Winyates School	People and Communities	<b>In progress</b>

AUDIT ACTIVITY	Department	COMMENTARY
<p><b>OTHER RESOURCE PROVISION</b></p> <p>Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests for consultancy advice. We also carry out follow ups six months after an audit to track the implementation of recommendations. Finally, a number of jobs will overlap between financial years and require some time to complete.</p>		
Statutory Testing	People and Communities	<p><b>To commence quarter 3.</b></p> <p>Two audit reviews are due for follow-up, one relates to schools specifically and the other to the Council.</p>
Blue Badges	Growth and Regeneration	<p><b>To commence quarter 3.</b></p> <p>A follow up of the previous audit report to review progress regarding application eligibility and changes of circumstances processes.</p>

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	COMMENTARY
<b>CERTIFICATION</b>			
<b>Certification of grant claims in relation to funding received from government and other funding bodies, as well as other submissions we are required to make to government. These are not subject to risk assessment as they must be completed.</b>			
Disabled Facilities	People and Communities	<b>Certified</b>	Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations.
Bus Service Operators	Growth and Regeneration	<b>Certified</b>	A DfT grant to support bus services, including community transport services.
Integrated Transport Grant	Growth and Regeneration	<b>Certified</b>	A DfT scheme to help local authorities cut carbon emissions and create local growth.
Highways Maintenance	Growth and Regeneration	<b>Certified</b>	This DfT grant is used by local authorities for small transport improvement schemes costing less than £5 million and also for planning and managing the road networks
Pothole Action Fund	Growth and Regeneration	<b>Certified</b>	A capital funded DfT grant to support pothole repairs.
National Productivity Investment Fund	Growth and Regeneration	<b>Certified</b>	New DfT funding for 2017/18 to improve local road networks and public transport.
Drought Damage	Growth and Regeneration	<b>N/A</b>	A DfT capital funded grant to support highway maintenance. As funds were received late, the grant has rolled forward and will be audited next year.
Connecting Families	Growth and Regeneration	<b>Ongoing</b>	A payments by results scheme from MHCLG. Claims are made monthly and there is a requirement to verify 10% of these. We are also required to review the Outcome's Plan, which describes how the Council will apply the qualification and success criteria. There is a significant increase in the number of claims being submitted as the scheme is nearing its conclusion.



AUDIT ACTIVITY	Department	ASSURANCE LEVEL	COMMENTARY
<b>CERTIFICATION</b>			
<b>Certification of grant claims in relation to funding received from government and other funding bodies, as well as other submissions we are required to make to government. These are not subject to risk assessment as they must be completed.</b>			
Carbon Reduction Commitment	Growth and Regeneration	<b>Certified</b>	A requirement from the Environment Agency to verify the Council's submission of annual energy usage figures.
			<b>In Progress</b> Identification of areas for improving our energy management
Mayor's Charities Fund	Governance	<b>Certified</b>	<p>The accounts maintained in relation to fund-raising for the Mayor's Charities in 2017 / 2018 have been audited in line with the Charity Commission requirements, and there are no matters to report.</p> <p>Following the decision to bring the treasurer role into the Council, Internal Audit have carried out the following work, additional to that originally planned: performed a detailed bank reconciliation; produced accounting statements for 16/17 and 17/18; advised on the form and content of the Trustee's Annual Report; restructured the spreadsheet used to record income and expenditure to enable easy reconciliations to take place and to automate the production of annual accounts for the future.</p>
			<b>In Progress</b> Evaluation of the arrangements in place for managing funds, including financial and governance controls.

<b>EXTERNAL WORKS</b>	<b>Work which generates income for the council</b>
Combined Authority	1 unplanned and 1 planned review completed. 1 unplanned and 1 planned review in progress. The annual plan is being revised and now includes 11 audit reviews compared to an original 9, as well as additional time for management overheads, which have increased since the original plan was produced.
Vivacity	2 reviews completed and 4 reviews in progress from a planned programme of 10 reviews.

AUDIT ACTIVITY	Department	Priority	COMMENTARY
<b>Prioritised Audits for Review</b>			
The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements.			
<b>Section 1 – Audits achievable with planned resources</b>			
Budgetary Control	Resources	H	Review of arrangements for delivering savings within the MTFs and the monitoring to ensure they are complied with, or alternative proposals brought forward to meet shortfalls
Peterborough Live / Amey <b>NEW</b>	Growth and Regeneration	H	<b>In Progress</b> A critical friend role as arrangements are made to transfer services from the Amey contract to a wholly owned local authority trading company.
Safeguarding	People and Communities	H	<b>In Progress</b> A follow-up of recommendations from an external review of ASC safeguarding practice, following a particular safeguarding incident.
Project Management	Resources	H	Mapping of controls to assurances based on the Three Lines of Defence model. New activity - designed to feed into the annual audit opinion and to drive future Internal Audit work where appropriate. Or a review of specific projects – to be identified.
Contracting Governance	Governance	H	<b>In Progress</b> Mapping of controls to assurances based on the Three Lines of Defence model. New activity - designed to feed into the annual audit opinion and to drive future Internal Audit work where appropriate.

Cyber Security	Resources	<b>H</b>	<b>In Progress</b> IT security arrangements provided by Serco.
Business Continuity and Disaster Recovery	Resources	<b>H</b>	A watching brief on the development of Council plans for business continuity, via attendance at the Information Governance Strategy Board. A review of the disaster recovery protocols implemented by Serco IT.
Commercial Entities Governance <b>NEW</b>	Governance	<b>H</b>	A review of the new scrutiny and client management arrangements being planned for all external bodies (such as Peterborough Live, Peterborough Investment Partnership JV, Opportunity Peterborough, The Mayor's Charities Fund, Norfolk Property Services JV etc.).
Debt Recovery	Resources	<b>H</b>	<b>In Progress</b> A follow on review of debt recovery arrangements centrally and within specific departments to establish the effectiveness and progress of recovery arrangements since the previous review in 2017/18.
IT Strategy	Resources	<b>H</b>	<b>In Progress</b> Critical friend role via the Strategic Governance Board.
S75 Contract <b>NEW</b>	Public Health	<b>H</b>	<b>In Progress</b> A review of the section 75 contract in place between the Council and the CPFT to include contract delivery, monitoring and expenditure arrangements.
Fraud Risks	ALL	<b>H</b>	Proactive testing of high risk areas.
Taxi Licensing <b>NEW</b>	Growth and Regeneration	<b>H</b>	<b>In Progress</b> A review of the Hackney Carriage and Private Hire licensing process. To also ensure that safeguarding legislation (Policing and Crime Act 2017) along with right to work legislation (Immigration Act 2016) has been reflected in the process.

Corporate Board Structure	Governance	<b>H</b>	A new corporate board structure is to be implemented to streamline roles and accountabilities at a senior management level. It is unlikely to be in place this year as a review of scrutiny arrangements for external/commercial bodies is taking precedence. We will review this area once in place and embedded, so the audit may be deferred until next year.
Pupil Referral Unit	People and Communities	<b>H</b>	A review of governance, including VFM on contracts and asset management, now that this unit is 'arm's length' under an SLA.
Family Safeguarding	People and Communities	<b>H</b>	Funding from DfE to establish new approach. A review of the governance in place to achieve the required outcomes.
Gifts and Hospitality	Governance	<b>H</b>	<b>In Draft</b> A review of policies and compliance for Members and Officers with this aspect of the Code of Corporate Governance. Inclusion of Key Partners to ensure appropriate policies and processes are in place to demonstrate a shared view of the council's ethical values and core principles. While policies and processes are in place, there is a need to raise awareness and remind staff of their obligations. There are 3 medium and 1 low priority recommendations. The opinion is <b>Reasonable</b> .
Permanency Contract (TACT)	People and Communities	<b>H</b>	A review of contract management arrangements or an open book review of operational activities.
Discovery Primary School	People and Communities	<b>H</b>	<b>In Draft</b> A review of procurement and payment processes to a specified supplier, including governance arrangements. There are 2 high and 2 medium priority recommendations. No opinion is provided on the overall procurement environment as the review was specific to 2 payments and one supplier.
Passenger Transport Contract <b>NEW</b>	Growth and Regeneration	<b>H</b>	<b>In Progress</b> A review of Passenger Transport procurement and contract management arrangements to include safeguarding.



Right to Work	Governance	<b>H</b>	<p><b>In Progress</b></p> <p>Regular immigration checks should be performed to ensure that the Council is compliant with legislation and that there are no employees who have overstayed their visa restrictions etc. The Council could be liable to fines if it is found that checks were not being performed etc.</p> <p>A request was received from Human Resources for a compliance check on all records held, verifying that records are in line with the level of entry to the UK and that records are also retained for ex-employees in line with legislation.</p>
Commissioning	People and Communities	<b>H</b>	Commissioning/Brokerage arrangements covering PCC and CCC (in collaboration with CCC Internal Audit)

AUDIT ACTIVITY	Department	Priority	COMMENTARY
<b>Prioritised Audits for Review</b>			
The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements.			
<b>Section 2 – Audits not achievable with planned resources</b>			
Asset Management	Growth and Regeneration	<b>H</b>	To ensure processes are in place to keep the asset register up-to-date and accurate. To review the effectiveness of, and responsibilities for, facilities management.
Medesham Homes JV	Growth and Regeneration	<b>H</b>	Governance arrangements and strategy of this joint venture with Cross Keys.
Serco IT/PSSP contracts	Resources	<b>H</b>	To consider whether contract management arrangements ensure that contract terms are met.
Payroll	Resources	<b>M</b>	Arrangements to ensure that pay and expenses are accurate and valid.
Data Quality	Governance	<b>M</b>	A review of some of the issues causing poor data quality.
Treasury	Resources	<b>M</b>	A review of processes in place to manage investments and cash flow, following a strategy refresh.
Capital Budgetary Control	Resources	<b>M</b>	A review of the new process for approving capital spend.
NNDR/Council Tax	Resources	<b>M</b>	Arrangements to ensure that all income due is identified, billed and recovered.
Opportunity Peterborough	Growth and Regeneration	<b>M</b>	To cover governance arrangements for the wholly owned subsidiary.
Shared Services	Governance	<b>M</b>	Review of the framework governing shared service arrangements. May include a review of specific shared service arrangements, including performance management and achievement of savings.
Member Support	Governance	<b>M</b>	Processes in place to provide member training, including IT usage.

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 6</b>
<b>19 NOVEMBER 2018</b>	<b>PUBLIC REPORT</b>

Report of:	Peter Carpenter, Acting Corporate Director of Resources	
Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384557

## COMBINED AUTHORITY OVERVIEW

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM:</b> Pete Carpenter, Acting Corporate Director of Resources	<b>Deadline date:</b> N/A
<b>It is recommended that Audit Committee:</b>	
1. Note the decision making arrangements adopted by the Combined Authority.	

### 1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee as a specific request by the Chair of Audit Committee at the September 2018 meeting.

### 2. PURPOSE AND REASON FOR REPORT

- 2.1 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following "2.2.2.9 *To commission work from Internal Audit and External Audit*".
- 2.2 The purpose of this report provides an overview to Members of the Committee as to decision making arrangements adopted at the Combined Authority.

### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	N/A
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### 4. COMBINED AUTHORITY

#### 4.1 Background

- 4.1.1 Established in March 2017, and following the election of the Mayor, members of the Board have held portfolio positions grouped according to the functions of the Mayor and the Combined Authority.
- 4.1.2 The Mayor allocated the portfolio responsibilities to each member of the Board with the exception of the local enterprise partnership member, who held no portfolio.
- 4.1.3 Portfolio holders do not have any executive powers and their key role is to leader on key work streams. They were supported in their roles by the Chief Executive / Directors who provide technical support to the members' leadership role.

4.1.4 As the CPCA evolved it was evident that some portfolio responsibilities were broader than others; time commitments were restrictive and also turnover of membership impacted. In addition, the Local Enterprise Partnership was incorporated into the CPCA.

## 4.2 **Updated Decision Making**

4.2.1 The arrangements were reviewed in July 2018 and proposed decision making arrangements around committees in the three key areas / largest portfolios of the Combined Authority functions: transport, housing and skills. **Appendix A** highlights the amended committee structure. Furthermore, proposals put forward highlighted that Board Portfolio holders would be expected to Chair their respective committees. Changes were reflected in the Constitution which was referred to the Board and agreed in September 2018.

4.2.2 Overall, the Board retains the strategic decision making; agreement of the budget and approving the work programmes and business cases.

4.2.3 Committees oversee the operation of the specific functions following referral from the Board. For example, the Board would agree the various transport or infrastructure projects and the Transport Committee would oversee its progress and delivery. The Committee would also be able to make recommendations back to the Board.

4.2.4 The Business Board represents the Local Enterprise Partnership for the area. This is independent of the CPCA and is a private sector / public sector partnership to focus on the key business sectors and oversee the delivery of the Local Industrial Strategy. Membership is predominantly private sector, including an independent Chair, with representation from the CPCA by the Mayor and the Portfolio for Economic Growth. Similarly, decisions made at the Business Board will need ratification by the main Board.

## 5. **CONSULTATION**

5.1 This report and accompanying appendices have been issued to the Acting Corporate Director of Resources.

## 6. **ANTICIPATED OUTCOMES OR IMPACT**

6.1 That Audit Committee understanding the decision making arrangements adopted by the CPCA.

## 7. **REASON FOR THE RECOMMENDATION**

7.1 To address business request from Chair at the previous committee meeting.

## 8. **ALTERNATIVE OPTIONS CONSIDERED**

8.1 None.

## 9. **IMPLICATIONS**

### **Financial Implications**

9.1 None.

### **Legal Implications**

9.2 None.

## **Equalities Implications**

9.3 None

## **10. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

10.1 Used to prepare this report in accordance with the Local Government (Access to Information) Act 1985

- CPCA Constitution
- CPCA Committee Papers

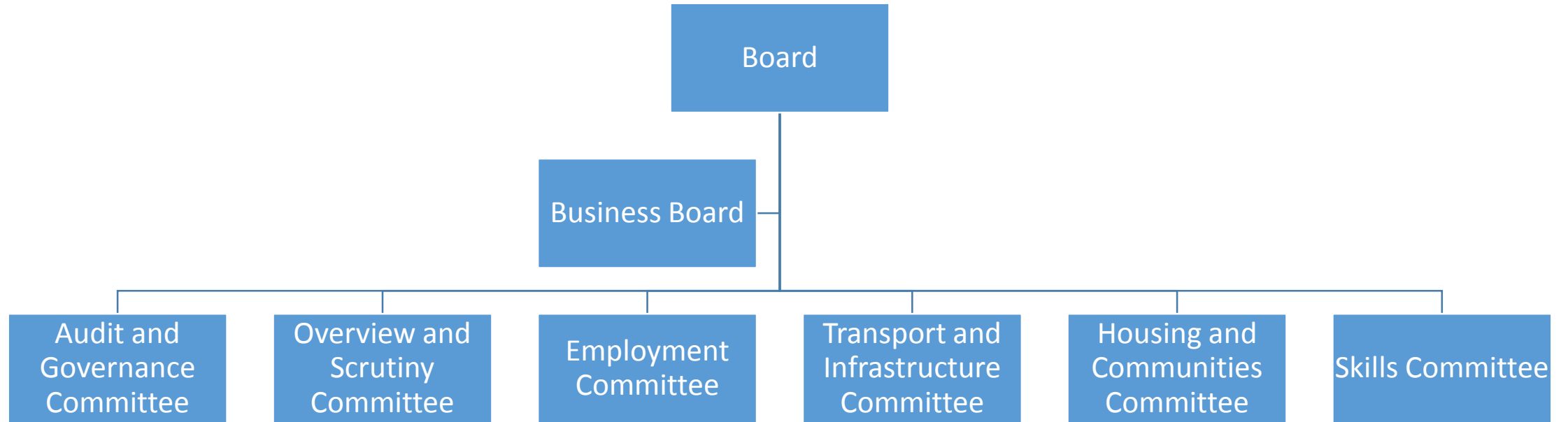
## **11. APPENDICES**

11.1 Appendix A: CPCA Committee Structure / Responsibilities



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# CPCA Committee Structure



# CPCA Responsibilities

PORTFOLIO	Mayor	Deputy Mayor	Chair of Land Commission	Chair of Skills Committee	Chair of Housing Committee	Chair of Transport Committee	
Policy	X						
Governance	X						
Economic Growth		X					
Spatial Planning			X				
Skills				X			
Housing					X		
Transport						X	
Investment & Finance							X

<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 7
<b>19 NOVEMBER 2018</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Cllr David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Peter Carpenter, Acting Corporate Director Resources	Tel. 452520

## USE OF CONSULTANTS – UPDATE REPORT

RECOMMENDATIONS	
<b>FROM :</b> Corporate Director Resources	<b>Deadline date :</b> N/A
<p>1. That Audit Committee consider the update report on the use of Consultants for the financial years 2016/17, 2017/18 and up to September 2018 (5 months).</p>	

### 1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee following the Sustainable Growth Scrutiny Committee review into Peterborough City Council's use of consultants, the subsequent endorsement of their recommendations by Cabinet, and the agreement of Audit Committee to undertake an on-going monitoring role.

### 2. PURPOSE AND REASON FOR REPORT

- 2.1 Sustainable Growth Scrutiny Committee recommended that the on-going monitoring role at Member level is undertaken by Audit Committee. Audit Committee considered their approach to this role at their meeting of 26 March 2012. This report is in line with the approach agreed and subsequent updates, and is in accordance with the Committees' Terms of Reference:

- 2.2.2.11 To review any issue referred to it by the Chief Executive or a Director, or any Council body; and
- 2.2.2.15 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

### 3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	<b>NO</b>	If Yes, date for relevant Cabinet Meeting	N/A
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### 4. REVIEW OF THE USE OF CONSULTANTS

- 4.1 In March 2010, the Sustainable Growth Scrutiny Committee requested a review into Peterborough City Council's use of consultants. A cross-party review group was established to undertake this work on behalf of the Sustainable Growth Scrutiny Committee.
- 4.2 The report from the Consultancy Review Group was issued in March 2011. Scrutiny also recommended that on-going monitoring of the use of consultants should fall to Audit Committee. Audit Committee considered this role at their meeting of 26 March 2012.
- 4.3 A further report, outlining the information requested, was discussed at the meeting of 5 November 2012. Further updates have been considered at the meetings of 4 February 2013, 4 November 2013, 3 November 2014, 9 November 2015 and 21 November 2016. This report continues the regular reporting to Audit Committee.

#### 4.4 **Use of consultants**

The definition of consultancy is based upon standard procurement classification. As such it covers a wide range of companies and services. Expenditure is included here if the company meets the standard classification, irrespective of exactly what services have been provided.

4.5 The spend for the last nine full years, plus in current year to date is shown below. The trend over that period is for a reduction in spend.

	<b>Total £m</b>
2009-10	8.5
2010-11	6.4
2011-12	5.4
2012-13	4.3
2013-14	4.5
2014-15	3.1
2015-16	2.5
2016-17	3.0
2017-18	2.4
2018-19 first 5 months	0.5

4.6 Spend has risen slightly in 2016/17 before reducing again in 2018/19.

4.7 The policy agreed by Cabinet and Audit Committee to manage use of consultants, including the need for a business case to be produced, remains in place. The Corporate Management Team has reviewed arrangements as part of the 2017/18 budget monitoring process, and will continue to review as part of the 2018/19 budget monitoring process.

4.8 A list of companies used for the period 1 April 2016 to 1 September 2018 is included in Appendix 1, indicating the breadth of these companies and services that are included in the standard classification and in the analysis in this report.

#### **Agency**

4.10 The Council also employs Agency staff through a number of Contracts. The spend for the past 2 financial years on Agency has been:

- 2016/17 - £6.3m
- 2017/18 - £6.5m

#### **5. CONSULTATION**

5.1 Audit Committee considered options for how they wish to monitor use of consultants in the future at their meeting of 26 March 2012. Subsequent discussions at the meetings referred to have refined the information they wish to monitor.

#### **6 ANTICIPATED OUTCOMES**

6.1 That Audit Committee consider the update report on the use of consultants.

#### **7 REASONS FOR RECOMMENDATIONS**

7.1 The recommendations are in line with the recommendations of Scrutiny, and the view of Audit Committee in undertaking this role.

## **8 ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 Audit Committee considered options for how they wish to monitor use of consultants in the future at their meeting of 26 March 2012.

## **9 IMPLICATIONS**

- 9.1 Where appropriate, the policy outlines implications for areas such as Legal, Human Resources, Procurement and Finance.
- 9.2 This report does not have implications for specific wards.

## **10 BACKGROUND DOCUMENTS**

- 10.1 Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

10.2

- Consultancy Review Report, March 2011;
- Report to Sustainable Growth Scrutiny Committee, 8 November 2011;
- Report to Sustainable Growth Scrutiny Committee, 6 March 2012; and
- Reports to Cabinet and Audit Committee 26 March 2012.
- Report to Audit Committee of 5 November 2012
- Report to Audit Committee of 4 February 2013
- Report to Audit Committee of 4 November 2013
- Report to Audit Committee of 3 November 2014 and supplementary report to Audit Committee of 2 February 2015
- Report to Audit Committee of 9 November 2015
- Report to Audit Committee of 22 November 2016

## **11 APPENDICES**

- Appendix 1 - list of companies used during the period 1 April 2016 and 01 September 2018 with summary



2016/17

## Appendix 1 - List of companies with Summary

2016/17		
Supplier Name	Initiative	Amount
Adult Social Care Consultancy Ltd	S75 Mental Health work	27,603.48
Arcus Global Ltd	ICT Consultancy	73,622.00
Artelia UK	Programme Delivery	6,816.25
Associate Development Solutions Ltd	5vcs Specification support - worked on HEE Innovations Project in Cambs & Peterborough – Assessment CYPMH	55,690.00
Athene Communications	Adult Social Care Resource Plan	149,810.00
Barker Storey Matthews	Property Consultancy	15,303.24
Bennett, Mr Peter Lloyd	5VCS Support - Educational Psychological services (maternity leave cover)	17,058.00
Better Communication CIC	Short Break commissioning	32,600.00
CapacityGrid	Revenue Collection Support	22,650.00
CAS Care Consultancy Ltd	5cp-HDL Spec 5VCS - Support to a Provider for QI support/development and monitoring	72,662.30
CIPFA	Facilitating Schools Project	10,196.60
Clarke Property & Consulting	Planning Policy & Research	24,200.00
David Hawman	Troubled Families Support	11,850.00
Deloitte LLP	Environment Capital Support	163,721.13
E.ON Energy Solutions Ltd	"Heataborough" Scheme	238,458.45
Edudata (UK) Ltd	NDSG work	375
ES4S Ltd	NQT Induction	934.74
Flick Schofield Ltd	PSCB Support - Chair of CDOP and Chair of Serious Case Review Sub Committee 16/17	2,475.00
G V A Grimley	Development Control Support	20,209.40
Grant Thornton UK LLP	Planning, Policy & Research Advice	54,269.09
Green Park Interim and Exec Ltd	Interim Head of HR	332,600.00
Hunt & Coombs solicitors	DSG Contingency Advice	200

2016/17		
Supplier Name	Initiative	Amount
Inform CPI Ltd	PSSP Support	6,000.00
J C Associates	Complaints Support	4,648.60
Kealey-HR	HR Advice	4,950.00
Laing & Buisson Ltd	5VCS support - Critical analysis of Residential and Nursing Care Home cost calculations and producing initial fee policy framework	2,000.00
Mark Stephen Land Management	Development Control Work	675
Me Learning Ltd	Tackling Troubles Families	8,450.00
Media Measurement Ltd	ICT Consultancy	11,000.00
NCVO National Council for Voluntary Org.	5CVS support - Innovation Partnership provision for joint venture with local voluntary sector	8,610.00
NHS Cambs & P'boro CCG (Clinical Commissioning Group)	Better Care Fund Work	20,384.83
NPS Group	Strategic Property Advice	3,325.00
NPS Peterborough Ltd	Strategic Property Advice	13,274.56
NSM Training and Consultancy Ltd	Attendance Service - NDSG	2,424.00
Patten Resource Management	Transformation Director - ASC	162,775.00
Penna Plc	Interim Support Governance	106,107.60
Peterborough Environment City Trust	Environment Advice	2,400.00
Pinsent Masons	Advice on Environment Capital, "Heataborough", Planning Policy and ICT Managed Services.	301,498.07
Ray Worsley Education Consultancy	Schools Advice	3,385.00
Richardson Chartered Surveyors	Herlington Centre Shops Advice	840
River Nene Regional Park CIC	Environment Advice	6,800.78
RJW Associates Ltd	PSCB work - Independent Chair of Safeguarding Childrens and Adults Boards	52,150.00
Sanctuary Personnel Ltd	5VCS work - Admissions Avoidance and Discharge Planning Lead	2,156.00
Serco Ltd	PSSP Support	4,417.53
SERS Energy Solutions Ltd	"Heataborough" Scheme	527,632.48

<b>2016/17</b>		
<b>Supplier Name</b>	<b>Initiative</b>	<b>Amount</b>
Socitm Ltd	ICT Advice	74,750.00
Solace Group Ltd	Strategic Finance Advice	5,500.00
Success For All Foundation UK	Tackling Troubled Families work	175,000.00
Terrier Management Services	Complaints work	1,101.00
Terry Reynolds	Interim Asst Director – Education	31,099.24
Terry Reynolds Education Consulting Ltd	Interim Asst Director – Education	75,150.34
Tesam Distribution Ltd	Tesam advice	4,305.50
The Wildlife Trust BCN	Local Development Framework advice	1,200.00
WESTCO TRADING LIMITED	Communications Advice	6,841.41
White, Steve J	Partnership Advice	17,740.70
WYG	Planning & Development Control advice	31,240.00
<b>2016/17 Total</b>		<b>3,013,137.32</b>

2017/18

## Appendix 1 - List of companies with Summary

2017/18		
Supplier Name	Initiative	Amount
Allen Lane	Strategic Finance – Interim	41,548.17
Arcus Global Ltd	ICT Support	15,680.00
Athene Communications	ASC Support	67,010.00
AXA PPP Healthcare OHS Ltd	Clare Lodge Advice	219.5
Bennett, Mr Peter Lloyd	5VCS Support - Educational Psychological services (maternity leave cover)	17,100.00
CapacityGrid	Revenue Collections Support	8,797.50
CGT Consulting Limited	Project Performance Management	2,400.00
Civica UK Limited	ICT Advice	2,655.00
CPEA Ltd	Combined Authority and Partnership Advice	5,329.20
Cranford Solutions (UK) Ltd	ICT Support – Interim	74,000.00
Cross Keys Homes	5VCS Work - Telecare Review	11,000.00
CTD Social Care & Research Consultancy Ltd	PSCB work	5,600.00
David Hawman	Tackling Troubled Families work	350
Flick Schofield Ltd	PSCB work - PCSB support. Chair of the Serious Case Review Sub-Committee 17/18	1,925.00
Freeth Cartwright LLP	County Farms Advice	500
Gerald Eve LLP	Strategic Finance Advice	28,250.00
Grant Thornton UK LLP	Combined Authority Advice	3,240.00
Green Park Interim and Exec Ltd	Interim Support HR Interim Support - Head of Legal Interim Programme Manager	403,207.50
Helen Sanderson Associates Ltd	5VCS work	1,895.30
iMPower Consulting Limited	Contracting Advice	151,937.30
Inform CPI Ltd	PSSP Work	87,490.00
Jan Trethewey Ltd	HR Advice	2,800.00
Kealey - HR	HR Advice	4,887.60
Mark Stephen Land Management	Development Control Advice	695

2017/18		
Supplier Name	Initiative	Amount
NPS Peterborough Ltd	Bridge Street Shops Programme Estates Programme delivery Roof mounted Solar PV Project	48,669.73
Patten Resource Management	Transformation Director – ASC	50,325.00
Paul Stainton Media Ltd	ICT Front Door Media Advice	2,250.00
Penelope Tassoni	Schools Traded Services Standards/effectiveness	933.55
Penna Plc	Interim Support Democratic Services Interim Support Governance Interim Combined Authority Support (recharged where appropriate) Interim Support Street Cleansing	890,659.38
Peter Chillingworth	Development Control Advice	180
Peterborough Environment City Trust	Environment Advice	3,150.00
Pinsent Masons	"Heataborough" Project Commissioning Advice ICT management services	57,913.20
PS3 Limited	PSCB work	5,775.00
Ray Worsley Education Consultancy	Housing Planning & Policy	1,767.50
ReThink Recruitment Solutions Ltd	Strategic Finance – Interim	21,750.00
River Nene Regional Park CIC	Environment Advice	11,502.22
RJW Associates Ltd	PCSB work-Independent Chair of Safeguarding Childrens and Adults Boards	69,099.99
S Wasteneay	Finance Consultancy	12,720.00
Serco Ltd	Project Management and Support	47,984.38
Socitm Ltd	ICT support / Consultancy	36,500.00
South Kesteven District Council	Housing Planning & Policy support	5,192.00
Success For All Foundation UK	Troubled Families Support	120,000.00
Terrier Management Services	Complaints work	2,911.90
Terry Reynolds Education Consulting Ltd	Interim Asst Director – Education	82,558.00
The Wildlife Trust BCN	Housing planning & Policy support / research work	300

<b>2017/18</b>		
<b>Supplier Name</b>	<b>Initiative</b>	<b>Amount</b>
WYG	Development Control Support	3,280.00
<b>2017/18 Total</b>		<b>2,413,938.92</b>



2018/19 – first 5 months

Appendix 1 - List of companies with Summary

2018/19 - first 5 months		
Supplier Name	Initiative	Amount
4OC Ltd	Project Support – Savings Programme	31,152.00
AXA PPP Healthcare OHS Ltd	Occupational Health Advice	1,733.68
Barker Storey Matthews	Property Advice – Town Hall	2,263.75
Bevan Brittan LLP	LACTO development advice	4,350.80
Civica UK Limited	ICT consultancy	1,025.00
Corazon Health Limited	Occupational health consultancy	240
Cranford Solutions (UK) Ltd	ICT support – interim	27,500.00
Cranford Solutions Ltd	ICT support – interim	21,000.00
Eastern Shires Purchasing Organisation	Street cleansing purchasing support	7,974.00
Enterprise	Neighbourhoods Green open space project	9,991.00
Gerald Eve LLP	Finance Project Advice	12,500.00
Heales Health Services Ltd	Occupational Health Advice	7,643.40
Hegarty LLP	Advice – The Manor	250
Inform CPI Ltd	ICT consultancy	96,699.00
J C Associates	Complaints support	4,943.30
Mark Stephen Land Management	Development Control Advice	750
Mills & Reeve	Finance Advice	3,488.50
North Kesteven District Council	Planning & Housing Policy support	12,457.85
NPS Peterborough Ltd	Bridge Street Shops Project Roof mounted Solar PV Project Property Project Delivery	63,549.33
Penna Plc	Finance Interim Support Combined Authority Interim Support (Recharged where appropriate)	97,177.62
Prior Associates (Soham) Ltd	Resilience & Risk Advice	675
PS3 Safeguarding Limited	PCSB work	1,000.00
RJW Associates Ltd	PCSB work	1,700.01
Serco Ltd	Project Management and Support	62,586.81
<b>2018/19 First 5 Months Total</b>		<b>472,651.05</b>

<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 10
<b>19 NOVEMBER 2018</b>	<b>PUBLIC REPORT</b>

Report of:	Councillor Over, Chair of Audit Committee	
Cabinet Member(s) responsible:	Councilor Seaton, Resources Portfolio Holder	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296 334

## **WORK PROGRAMME 2017/18**

<b>RECOMMENDATIONS</b>
<p>It is recommended that the Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Notes and agrees the Work Programme for the municipal year 2018/19.</li> </ol>

### **1. ORIGIN OF REPORT**

- 1.1 This is a standard report to the Audit Committee which forms part of its agreed work programme. This report provides details of the Draft Work Programme for the following municipal year.

### **2. PURPOSE AND REASON FOR REPORT**

- 2.1 The Work Programme is based on previous year's agendas. The programme can be refreshed throughout the year in consultation with senior officer and the Committee membership to ensure that it remains relevant and up to date. In addition, any delays in reporting issues are recorded so that they do not drop off the committee agenda.
- 2.2 Training for members on specific aspects of the Audit Committee agenda are available throughout the year and will be arranged on request and will take place on a separate day to that of the committee meeting.

### **3. IMPLICATIONS**

#### **Financial Implications**

- 3.1 There are none

#### **Legal Implications**

- 3.2 There are none

#### **Equalities Implications**

- 3.3 There are none

### **4. APPENDICES**

- 4.1 Appendix A - Work Programme 2018/19

## APPENDIX A

DATE: 16 JULY 2018			
		Section / Lead	Description
	Annual Governance Statement	Internal Audit Steve Crabtree	To consider and endorse the development of the Annual Governance Statement as included in the accounts.
	Internal Audit: Annual Audit Opinion	Internal Audit Steve Crabtree	To receive, consider and endorse the annual Audit Opinion of Internal Audit for the year ended 31 March 2018.
	Investigations Team Annual Report 2017 / 2018	Internal Audit Steve Crabtree	To receive, consider and endorse the annual report on the investigation of fraud and irregularities for the year ended 31 March 2018.
	Capital and Treasury Outturn 2017 / 2018	Finance Pete Carpenter	To receive, consider and endorse the Capital and Treasury outturn 2017/2018
	Update of Treasury Management Strategy 2018/19	Finance Pete Carpenter	
	Audit of Statement of Accounts To Those Charged with Governance (ISA260) including Annual Governance Statement	Finance Pete Carpenter & EY	To receive the final Statement of Accounts for the year ended 31 March 2018 incorporating the Annual Governance Statement together with the annual report to those charged with governance following their scrutiny by External Audit.
	Audit Plan Update	EY	To receive an update on the Audit Plan from EY, to review their proposed approach and scope for the 2017/18 audit in accordance with requirements, and to ensure that the EY audit is aligned with the Committee's service expectations.
	Fees report	Finance Pete Carpenter	To approve the fees for the Municipal year 2018/2019
	<b>INFORMATION AND OTHER ITEMS</b>		

	Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Pete Carpenter/Chris Yates	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Draft Work Programme 2018 / 2019	Democratic Services Dan Kalley	

**DATE: 24 SEPTEMBER 2018**

		<b>Section / Lead</b>	<b>Description</b>
	Treasury Management	Finance Pete Carpenter	To receive an update on the policy and effectiveness of treasury management
	Risk Management: Strategic Risks	Governance Simon Machen	To receive details of the strategic risks impacting on the Council and the mitigating actions to address these.
	Use of Consultants	Finance Pete Carpenter	To receive an update on the use of Consultants
	Annual Report - Insurance	Audit Steve Crabtree	To receive an annual report on insurance
	External Audit: Annual Audit Letter	EY	To receive and approve the External Annual Audit Letter identified as part of their audit works
	<b>INFORMATION AND OTHER ITEMS</b>		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required. To also include the outcome of a recent Surveillance Commission Inspection.

	Approved Write-Offs Exceeding £10,000 - None	Finance Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Work Programme 2018 / 2019	Democratic Services Dan Kalley	

<b>DATE: 19 NOVEMBER 2018</b>			
		<b>Section / Lead</b>	<b>Description</b>
	Internal Audit: Mid Year Progress Report	Internal Audit Steve Crabtree	To receive an update on progress against the Annual Audit Plan together with details of any concerns
	Combined Authority - Governance	Finance Pete Carpenter	To receive a report on current Governance arrangements at the Combined Authority
	EY Audit Plan	EY	
	<b>INFORMATION AND OTHER ITEMS</b>		
	Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation



	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Work Programme 2018 / 2019	Democratic Services Dan Kalley	

<b>DATE: 11 FEBRUARY 2019</b>			
		Section / Lead	Description
	External Audit plan	EY	To receive and approve the Draft External Audit Plan
	Grants Certification report	EY and Finance	To receive a report on Grants Certification
	Internal Audit: Approach to Audit Planning	Internal Audit Steve Crabtree	To receive a report on the approach to Audit Planning
	Capital Strategy 2018 - 2021	Finance Pete Carpenter	

	Treasury Management Strategy Including the Investment Policy 2018 - 2021	Finance Pete Carpenter	
	Risk Management: Strategic Risks	Governance Simon Machen	To receive an update on the strategic risks for the Council
	Residents Car Parking Scheme		To receive a report on the residents car parking scheme and any updates.
	Asset Investment Strategy	Finance Pete Carpenter	
	<b>INFORMATION AND OTHER ITEMS</b>		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Finance Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Work Programme 2018 / 2019	Democratic Services Dan Kalley	

**DATE: 25 MARCH 2019**

	<b>Section / Lead</b>	<b>Description</b>
Draft Annual Audit Committee Report	Democratic Services Dan Kalley	To receive the Draft Annual Audit Committee Report prior to submission to Council
Internal Audit: Draft Internal Audit Plan 2019 / 2020	Internal Audit Steve Crabtree	To receive and approve the Internal Audit Plan 2019 / 2020
<b>INFORMATION AND OTHER ITEMS</b>		
Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation
Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
Approved Write-Offs Exceeding £10,000	Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Feedback report	Democratic Services Dan Kalley	