

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT THE TOWN HALL, PETERBOROUGH ON 28 SEPTEMBER 2009**

Present: Councillors M Dalton (Chairman), North, Kreling, Rush, Harrington and Hussain.

Officers in attendance: Steve Crabtree, Chief Internal Auditor  
John Harrison, Executive Director – Strategic Resources  
Steven Pilsworth, Head of Strategic Finance  
Julian Rickett, PricewaterhouseCoopers  
Claire Boyd, Lawyer  
Gemma George, Governance Officer

Also present: Councillor Seaton, Cabinet Member for Resources

**1. Apologies for Absence**

Apologies were received from Councillor Gilbert.

**2. Declarations of Interest and Whipping Declarations**

There were no declarations of interest or whipping declarations.

**3. External Audit 2008 / 2009 Report to those charged with Governance**

The Executive Director of Strategic Resources and the Head of Strategic Finance submitted a report to the Committee which detailed the External Audit on the Statement of Accounts 2008 / 2009 by PricewaterhouseCoopers (PwC).

PwC, the external auditors, had a statutory requirement to report to Members under the Audit Commission's Code of Audit Practice and International Standard of Auditing – "Communication of audit matters with those charged with governance". This report was also known as the ISA 260.

The report from PwC was comprised of a number of sections, including:

- Executive Summary
- Financial Statements
  - Accounts
  - Accounting Issues
  - Unadjusted Differences
- Systems of Internal Control
- Accounting Practices
- Other Matters
- Value for Money in the Use of Resources

PwC provided an overview of the report, reaffirming the quality of working papers and information provided by Strategic Finance; reliance being placed on

Internal Audit works, the internal control environment and the Annual Governance Statement; a strong culture to prevent and detect fraud; and an unqualified value for money opinion. Members were invited to comment on the report and the following issues and observations were highlighted:

- In the Financial Statements, there were a number of accounting issues highlighted, one of them being NNDR Provision. Members sought clarity on the meaning of NNDR. Members were advised that NNDR stood for 'National Non Domestic Rates' meaning business rates.
- Members further questioned why the NNDR bad debt provision had been overstated by £352k. Members were further advised that the calculation had been made by setting debtors business rates to a specific percentage depending on the age of the debt. Therefore the provision at 31 March 2009 had been overstated by £352k.
- Members commented that in the Financial Statements, under Systems of Internal Control, it was highlighted that there was no formal process in place to ensure the periodic review of user access rights for the Oracle Financial application. Members were advised that there would be a full recommendation on that point which would include regular reviews of the number of people that had access to Oracle and their system rights i.e. Read only access.
- Members further commented on maintaining Excel spreadsheets for the fixed asset register, as detailed in the Financial Statements, under Systems of Internal Control. Members questioned whether a new management system would need to be implemented? Members were advised that new software would have to be purchased in the future to deal with the expanding spreadsheets.
- Members questioned whether we were ready for the implementation of the International Financial Reporting Standards (IFRSs). Members were advised that an impact analysis had been conducted on the IFRSs which were most likely to impact on Peterborough. Everything that could be done was being done, and Peterborough was in no worse situation than any other council.
- In Appendix C: Value for Money Conclusion, it was highlighted that there were two Key Lines of Enquiry (KLOEs) that had a score of 2. Members sought further explanation as to why these KLOEs had only been scored a 2. Members were advised that one of the KLOEs was new this year and a score of 2 was reasonable. With regard to the other KLOE, it had been identified that accuracy in the provision of data could occasionally be a problem. Members were advised that a new scoring system had been implemented and overall all of the scores were highlighted as being acceptable.
- In Appendix D: Summary of Recommendations contained in the letter, a recommendation was highlighted regarding updating the Communications Strategy to include reporting on how cost savings had been reinvested. Members queried how this recommendation could be moved forward. Members were informed that work would be undertaken with internal communications to progress this recommendation forward.
- Members sought further clarification on the fee update and proposals detailed under "Value for Money in the Use of Resources". Members were advised that the fees had been predicted higher and overall savings of £8,500 had been realised. The fee structure for 2009 / 2010 had not been finalised but they were not imagined to be dissimilar to the fees for 2008 / 2009.

## **ACTION AGREED:**

The Committee:

- (1) Received and approved the “2008 / 2009 Report to those charged with Governance” from PricewaterhouseCoopers, the Council’s External Auditors and;
- (2) Approved the Chief Finance Officer’s recommendation in paragraph 4.3 that the unadjusted item in the report was adjusted in 2009 / 2010.

## **4. Statement of Accounts and Summary Accounts 2008 / 2009**

The Director of Strategic Resources and the Head of Strategic Finance submitted a report to the Committee following completion of the External Audit on the Statement of Accounts 2008 / 2009 by PwC and in association with the PwC ‘2008 / 2009 Report to those charged with Governance’.

The production of a timely Statement of Accounts, free from material error, was a key test of the robustness of financial processes and underpinned the financial standing of an organisation.

The draft Statement of Accounts had been approved by Audit Committee on 29<sup>th</sup> June 2009 and had subsequently been the subject of External Audit by PwC. Following the conclusion of the External Audit, only a small number of typographical amendments had been made to the draft Statement of Accounts, which was a credit to the staff involved in their production and the Audit Committee for their robust challenge.

The Statement of Accounts was prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP). The SORP prescribed the format and as a result, the Statement of Accounts was not readily understandable by non-finance people, therefore it was decided to produce a summary of the Accounts to supplement the Statement of Accounts.

The Committee was advised that four key issues had been highlighted in the report and the actions that the Council had/would undertake in respect of these issues were listed.

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

- In the report, financial results of trading operations were listed. Members questioned what the historical deficit/surplus of the Peterborough Market was? Members were advised that generally, Peterborough Market was no different to any other trader in the area.
- Members commented that the total school balance, as highlighted on page 36 of the report, showed a reduction of nearly 5 million. What would happen if this reduced further? Members were informed that if this ever occurred, and it was unlikely as schools were managed well, a deficit plan would be put in to place in order to get out of deficit within 2-3 years.
- Members questioned why Peterborough City Council had no shares in the assets of the Peterborough Urban Regeneration Company

(Opportunity Peterborough) as highlighted in the report on page 35. Members were advised that an answer to this question would be provided at a later date.

- A query was raised regarding the impact of the credit crunch, would the Medium Term Financial Strategy be realised? Members were advised that the strategy would be realised and an outline budget policy framework was to be presented to the Cabinet meeting on 12<sup>th</sup> October 2009.
- In the report, it was highlighted that the pay and grading structure had been reviewed to ensure equal pay for work of equal value. The next stage of the appeals would take place during 2009/2010 and if these resulted in an increase in grading or additional payments, further liability would be incurred. Members questioned when the next stage was likely to occur? Members were advised that the process was ongoing and no time scales could be given at that point in time.

**ACTION AGREED:**

The Committee received and approved the audited Statement of Accounts 2008/2009.

**5. Audit Committee Work Programme (Including Any Training Needs)**

The Chief Internal Auditor submitted the latest version of the Work Programme 2009/2010 for consideration and approval.

Members were informed that there would be a training session on International Financial Reporting Standards (IFRS) held before the next meeting of the Audit Committee.

**ACTION AGREED:**

The Committee noted approved the latest version of the Work Programme.

The Chairman of the Audit Committee wished for it to be noted in the minutes that the Committee welcomed Steven Pilsworth as the new Head of Strategic Finance.

The meeting closed at 7.27 p.m.