



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 5:00PM, ON
MONDAY, 25 JANUARY 2021
VIA ZOOM CONFERENCE**

Present: Councillors Over (Chairman), Coles, Jones, Joseph, Shaheed and Warren.

Officers in

Attendance: Peter Carpenter, Corporate Director of Resources
Dan Kalley, Senior Democratic Services Officer
Steve Crabtree, Chief Internal Auditor
Fiona McMillan, Director of Law & Governance and Monitoring Officer
Kirsty Nutton, Head of Corporate Finance and Deputy S151 Officer

Also in

Attendance: Dan Cooke, Audit Manager (EY)
Neil Harris, Associate Partner, Ernst & Young (EY)
Cllr Seaton, Cabinet Member for Finance

36. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Fower.

37. DECLARATIONS OF INTEREST

There were no declarations of interest received.

38. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 16 NOVEMBER 2020

The minutes of the meeting held on 16 November 2020 were agreed as a true and accurate record.

39. AUDIT OF STATEMENT OF ACCOUNTS TO THOSE CHARGED WITH GOVERNANCE (ISA260)

The Audit Committee received a report in relation to the Audit Statement of Accounts to those charged with Governance (ISA260).

The purpose of the report was for the Committee to receive an update on the progress of the External Audit by EY LLP of the Council's 2019/20 Statement of Accounts. The report confirmed that the results of the External Audit was to follow in a supplementary report to this meeting and to provide delegated authorisation to the Director of

Corporate Resources and chairman to formally sign off the final Statement of Accounts following final EY audit actions.

The Head of Corporate Finance and Deputy S151 Officer introduced the report and outlined that this was an update to the Statement of Accounts for 2019/20. Members were informed that it was expected that the accounts were due to be signed off by the 30 November 2020, however it was noted that there were area of work outstanding but there were no areas of concern regarding these. The external auditors raised some further areas of concern following the last meeting on one area of the Council's balance sheet in regards to the loan to Empower. Following this there was some further work that needed to be completed. Members were reminded that a further update was circulated from Ernst & Young for discussion at the meeting.

The Associate Partner Ernst & Young stated that when the report was brought to Committee in November there were still some areas of work that needed to be finalised. Following this there were some areas of review that needed to be carried out. Members were informed that in the audit results report in November there was at that time a draft audit report including a draft section that stated it needed to be updated following the professional practice consultation on the Council's going concern disclosure along with the impact on the audit report. Members were directed to appendix A which set out the consultation findings. There was still material uncertainty with regards to the Council's going concern, however this was in line with the Council's disclosure position.

The Committee were informed of the work done around the Council's value for money position, which looked at the Council's arrangements in securing efficiency of economy and resources for the year ended 31 March 2020. The wording for the value for money conclusion set out the position of the Council's financial resilience. There was one section in the audit report, that in all respects the external auditors were not satisfied with and that arrangements needed to be put in place. Members were directed to the text in the appendix above the adverse finding, where the external auditors had made it clear that the Council had acted appropriately in the circumstances in relation to the challenges that it was facing. The external auditors commented that the adverse value for money finding had to be highlighted as although the Council had been open and transparent the Council had still found itself in a difficult situation.

Members were informed that there were concerns over the recoverability of one of the Council's short term debtors, that being Empower to the sum of £23.4 million. Questions were asked of the audit team as to the work that had been performed to audit this particular debtor. The loan had been running since the 2014/15 financial year and was originally a construction loan for over 7000 solar panels. Following further investigation of the loan and discussions with the Council's finance team the loan had been renegotiated and been put onto a long term loan facility with Empower which had been agreed in October 2020. This had led to further considerations of the 2019/20 financial statements, namely whether that event was now a post balance sheet event, which the external auditors believed it was and secondly whether this was an adjusting event. The external auditors still had some questions in relation to the second point which were in the process of being resolved. Furthermore the external auditors questioned whether this needed to be classified as a further impairment in relation to the recoverability of the loan. Information provided to the external auditors included the loan heads of terms, the financial model supporting the loan, the relevant decision making papers, legal and financial advice sought by the Council around its options, for example whether it was possible to sell off the loan or the renegotiation of the loan,

which was what the Council had ultimately decided to follow. Corporate finance members of EY were looking into the loan in more detail, with specific expertise in solar panel finance and were due to report back shortly. Furthermore a financial expert was looking into the detail of the loan to see whether there needed to be any recognition within the financial statements for the profile of the loan for an expected credit loss and whether there needed to be an impairment adjustment in the accounts.

The Corporate Director Resources confirmed that the Council were still looking for potential buyers of the Empower loan, however in order to keep the account up to date the Council decided to move the loan into a longer term of 15 years.

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

- With regards to the selling of the loan there were a number of factors. At the current time there were 7,700 solar panels installed on social housing across the Country. All the homeowners received free electricity from the panels. The contract in place had feeding tariffs for the next 15 years and there was a net worth in this to potential buyers. Although the technology used was a few years old it was possible to add to the technology. It could also be used as a trading mechanism when everyone needed to have electricity meters installed.
- Global Towers were interested in buying the loan due to them owning a number of social houses and being able to adapt the solar panels and providing more digital services for people in social housing.
- In relation to the loan agreement with Empower they are currently paying both the capital and interest back and therefore the Council was making a small return on this investment.
- The original decision to grant the loan was made back in 2014/15, subsequent reports had since been taken with the location of the solar panels.
- Operationally around 50% of local authorities that EY had dealt with were not in a position to get a qualified opinion by the 30 November 2020 deadline. This showed a pervasive issue across local government and this had been exacerbated with the Covid-19 pandemic. In addition there were other local authorities that had long term loans similar to that of Empower. Members were informed that the auditors viewed industries such as solar panels as fairly resilient in light of the pandemic.

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

1. Note the 2019/20 External Audit of the Council's Statements of Accounts update from EY and next steps.
2. Following this update to re-delegate to the Chairman to approve final changes to formally sign off the final Statement of Accounts following final EY audit actions

40. INTERNAL AUDIT PLAN 2021 / 2022: APPROACH AND EMERGING THEMES

The Audit Committee received a report in relation to the internal audit plan 2021/22 approach and emerging themes.

The Chief Internal Auditor introduced the report and commented that the report set out the internal audit team's initial thoughts and proposals for the future audit plan 2021/22. The report provided over-arching themes which had come from risk registers across the Council and ongoing discussions with departmental managers. The report outlined key themes and members were invited to raise areas that they felt the audit team should investigate further.

The areas outlined in the report included financial governance, which was to look at the key financial systems in place. It was not possible to look at all systems in one year the team would look at particular elements on a rolling basis and report on those. One of the biggest issues in future was in relation to Covid-19 and the additional spend that was taking place around this. In relation to Information Governance, IT systems and data quality were areas of focus, along with cyber security. With the Serco contract having been terminated the team were looking at ways of auditing ICT across both Peterborough and Cambridgeshire County now that it was running in-house.

In terms of Corporate Governance the team were focussing attention on the risk registers of which a regular update is presented to Audit Committee. In addition, separate areas are business continuity and tackling fraud. This was alongside the National Fraud Initiative.

The Council had a number of other service areas, such as Aragon and the City College, which had taken on aspects of Vivacity. In relation to contracts and procurement these were still ongoing and would be decided on key projects in year.

In terms of the People aspect of the Council there had been a need for increased agile working brought about by Covid-19 and was an area that was to be covered.

Members were informed that audits of grant payments were still ongoing and the number of grants had increased since the start of the pandemic.

A more detailed audit plan was to be presented to members at the next meeting once full consultation and risk scoring had taken place. It was important to note that although the plan was to be presented in a final format there was still the distinct possibility that other risks would arise during the year which would need investigation.

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

- Covid-19 had completely changed the previous plan that was put in place. The team would look to cover as many areas as possible, however Covid-19 remained the main area of focus. Maintaining business as usual was paramount to the running of the Council and delivering to residents so key processes should also be covered.
- In regards to resources there was a reduction due to one member of staff leaving the authority and a further member working within the Covid-19

coordination hub. There were plans to get assistance in the short-term prior to discussions with the view to look long-term at the staffing levels.

- There had been checks carried out prior to business grant payments by transactional services. This meant the need to collect data in relation to the different businesses across Peterborough. Once the payments had been made, as part of the National Fraud Initiative, Audit collated this information and submitted it for comparison with national records such as Companies House. This was to ensure the business was still submitting statements of accounts and were still a live business. At the current time the team were working through those records to identify any businesses that may have claimed illegally. Should this be the case, then steps would be to look to recover. Members were informed that the Council were not yet at the recovery stage of those grants.
- The team were not currently firefighting in terms of workload, there was a plan in place and business as usual areas were still be covered which was important in the workings of the Council and to its residents.
- The audit team were picking up on the work of IT moving back in-house. A board was in place to monitor delivery of those services and a record kept of the assets the Council held in terms of IT equipment.
- Members were informed the Council had a gross turnover of around £400 million and a net turnover of around £150 million. Two of the biggest grants were housing benefit and dedicated schools grants (DSG), which needed to be checked thoroughly. In the current financial year an additional £120 million had been received in grants, of which around £40 million were for the hospitality and retail sector. Members were informed around £40 million in grants had also been received due to the non-payment of business rates. In addition a further £40 million in grant funding had been allocated to the Council from government departments to ensure the Council was funded due to the pressures of Covid-19.
- The external auditors had not yet seen any guidance from government departments on whether there was to be an expectation on external auditors to issue some form of certification over the large number of grants been allocated. There was a possibility that it could revert to Internal Audit to cover. There was also a question over financial reporting of these grants, the Council would be recognising a material income stream from this financial year and relevant accounting standards would need to be applied over how these were recognised in the financial statements.

The Audit Committee considered the report on the Internal Audit Plan 2021/22 and **RESOLVED** (unanimously) to note the report.

42. USE OF CONSULTANTS – UPDATE REPORT

The Audit Committee received a report into the use of consultants and agency workers.

The purpose of the report was to provide an update on the use of consultants and agency staff.

The Corporate Director Resources explained the content of the report to the committee and that this was a regular report presented to members. For the first nine months of the current financial year the Council had spent £1.2 million on consultants and was

projected to hit around £2 million for the whole year. This was significantly less than in previous years. In terms of agency spend the first nine months was £2.4 million and was projected to hit around £3.5 million, which was also significantly lower than previous years. There was always a need for some consultant expertise, however people were now looking for more permanent positions and the benefits that brought.

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

- Moving forward the Council was optimistic that it would be able to stabilise the consultant spend and not raise this to previous levels. One of the important factors was how the Council moved forward after the pandemic was over.
- One of the key aspects was more people working from home and it was anticipated that working arrangements would not return to how they were previously.

The Audit Committee considered the update report on the use of consultants for the first nine months of 2020/21 and **RESOLVED** (unanimous) to note the report.

43. USE OF REGULATION OF INVESTIGATION POWERS ACT 2000 (RIPA)

There were no RIPA authorisations in this quarter, however the Director of Law and Governance confirmed that there was to be a remote review of the Council's compliance and use of RIPA on the 25 February 2021.

44. APPROVED WRITE-OFFS EXCEEDING £10,000

The Audit Committee received a report in relation to approved write-offs exceeding £10,000.

The Corporate Director Resources introduced the report and confirmed that it was difficult to bring a report to an earlier committee as the courts had been closed and had impacted on the Council's ability to collect debt. The debts in the report had exhausted all avenues and the Council was looking to write off £116,000 which had been provisioned for across a number of areas.

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

- Improvements had been made in terms of recovering the debts, however there were instances where there were no more alternative methods in doing so.
- Members were informed that the processes to collect debts, including those from the CCG had improved.

The Audit Committee considered the update report on the approved write-offs exceeding £10,000 and **RESOLVED** (unanimous) to note the report

45. FEEDBACK REPORT

The Audit Committee received a report in relation actions from the previous meeting.

The purpose of the report was to provide feedback on items considered or questions asked at previous meetings of the Committee. It also provided an update on any specific matters which are of interest to the Committee or where Committee have asked to be kept informed of progress.

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

46. WORK PROGRAMME

The Audit Committee received a report in relation to the work programme for 2020/2021.

The report was introduced by the Senior Democratic Services Officer who advised that the format followed a similar process to previous years and further items could be added to the programme at the Members discretion.

The Corporate Director Resources added that the work programme for the following municipal year needed to be looked at and there may be times when items needed to shift.

In addition a report on the review of the Council's compliance with RIPA would be brought to the next meeting if ready.

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

Chairman
Virtual Meeting
5:00 – 6.05pm

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