



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 5:00PM, ON
MONDAY, 29 NOVEMBER 2021
ENGINE SHED, SAND MARTIN HOUSE, PETERBOROUGH**

Present: Councillors Over (Chairman), Sainsbury (Vice-Chair), S Farooq and Haseeb

Officers in

Attendance: Peter Carpenter, Corporate Director of Resources
Dan Kalley, Senior Democratic Services Officer
Fiona McMillan, Director of Law & Governance and Monitoring Officer
Steve Crabtree, Chief Internal Auditor
Julian Patmore, Head of Operational Services

Also in

Attendance: Councillor Andy Coles, Cabinet Member for Finance
Neil Harris, Associate Partner, Ernst & Young
Dan Cooke, Audit Manager, Ernst & Young

24. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor I Ali.

25. DECLARATIONS OF INTEREST

There were no declarations of interest were received.

26. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 13 SEPTEMBER 2021

The minutes of the meeting held on 13 September 2021 were agreed as a true and accurate record.

27. VERBAL UPDATE – AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2021

The Audit Committee received a verbal update from EY on the audit results for the year ended 31 March 2021.

The Corporate Director of Resources introduced the report and highlighted that a report sent to finance directors across the Country last week showed that 91% of Councils would not hit their audit deadlines this year.

The Associate Partner, EY, introduced the verbal update to members. At the last meeting members received the external auditors planning report which set out the focus on assessments of risks to the financial statements of the Council and Value for Money arrangements for the year ended 31 March 2021. Good progress had been made on these areas and it was hoped the final audit opinion would be reported back to the committee in February 2022.

Members were informed that the external auditor's views were broadly the same as those set out in the Department for Housing and Levelling up Communities (DHLUC) and the Chartered Institute of Public Finance and Accountancy (CIPFA) report that was published on 2 November 2021. These reports highlighted the adverse value for money position of the Council. The external auditors would look at the Council's response to the recommendations contained within those reports when they were finalised.

The Corporate Finance team were in the process of looking into the Council's financial plan to undertake a stress test on the savings plan, looking at both local and national trends. A draft report had been prepared and members were informed that continued to indicate the Council's financial position was under severe strain. This had also been robustly tested and was reported as such by the Council. The savings programme outlined by the Council was significant and would likely require radical transformation to be able to achieve the scale of savings needed. Members were further informed that the external auditors stated that the governance arrangements in place were sound, especially in the way they were tracked and monitored.

Commentary around the Council's value for money was likely to look and feel different to previous years. In previous years the external auditors had a statutory audit opinion which contained a qualified value for money arrangement. The difference this year was that there was to be a lot more narrative around the Council's value for money position. The external auditors could issue a statutory audit recommendation, however this was only done if the Council were not following recommendations made or another issue came to light.

Members were informed that the external auditors were looking at two further areas. One of the areas was the Council's policy around the minimum revenue position, which was being carried out at a number of other local authorities. A technical specialist was looking at this policy and any recommendations would be provided in the final report. The other area in relation to value for money was around the loan arrangements with Empower that were now being dealt with in-house.

The external auditors had made good progress on the Council's financial statements. Further work had been identified, looking in particular at the Council's asset valuations. A number of queries had been raised over some of the valuations that had been performed by the Council's external valuer.

Members were informed that the external auditors had asked the Capital Equipment team to value the waste park facility which had now been concluded. The valuation was within the reasonable range at £69.5 million, however this reasonable range was fairly wide from £63.8 million to £76.3 million.

It was highlighted that the working relationship with Council officers was good and the team had co-operated with the external auditors throughout the auditing process.

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

- There were no indications of any significant difficulties in terms of the pension fund. The return on assets had been better than in previous years.
- The Council had a number of difficult decisions to take in the next few years, which included the level of Council Tax to be raised. The scale of savings was difficult to achieve in the short term. In general terms a referendum was needed if the Council wanted to exceed the maximum increase of Council Tax allowed by government. However in the case of Northamptonshire County Council this was allowed back in 2018 without the need of a referendum as they had been issued a S114 notice.
- There had been a rise in the number of senior officers taking retirement early since the start of the pandemic, however this was unlikely to have any impact on the pension fund.
- It was anticipated that the final external auditors report would be ready by the next Audit Committee meeting in February.

The Audit Committee considered and **RESOLVED** (unanimously) to note the verbal update of the “Audit Results Report - (ISA260)” for the year ended 31 March 2021 from Ernst & Young (EY) on behalf of the Council.

28. INTERNAL AUDIT PLAN PROGRESS REPORT

The Audit Committee received a report in relation to internal audit progress made during 2021/22.

The purpose of the report was to provide 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 2021 / 2022 as at 30 September 2021.

The Chief Internal Auditor introduced the report and outlined the details of the work completed by Internal Audit in the first six months of the year against the Internal Audit Plan, which was agreed by the Committee in March 2021.

Members were advised that the report set out the work completed to date, any significant gaps identified in the control framework and any areas of limited or no assurance. The report also covered new areas which had been covered since the plan was agreed; and the resources utilised during this time.

With regards to Appendix A members were informed that working arrangements remained consistent with previous years. The highest risk areas seen as impacting on the Council were still the team's main priority. Although there were two vacant posts in the team one of these had recently been filled permanently. The other officer was still seconded to the Coordination Hub. Resources were targeted against the Internal Audit Plan, which still had elements of covid-19 works. In addition the team also had a shared Protocol with Cambridgeshire County Audit so that the team could undertake reviews which crossed over to the other Council and vice versa. Members were informed that there had been a skewing of resource with the Chief Internal Auditor who also oversees corporate complaints in that 18 cases were investigated in 2020/21 and at the 6 month point, 14 had been completed.

The original plan set out 57 areas for cover and this had been refreshed with changes and now stood at 61. This was in part to revised risks being identified but also works to support Covid-19 payments.

With regards to Appendix B this provided details of all the works undertaken to date. Any area shaded had not yet been started. In terms of work around governance this included work to support the committee agendas of the Audit Committee and Shareholders Cabinet Committee; various cross department governance groups as well as fraud works in particular the National Fraud Initiative. In terms of other resources provision this was work which had come through management requests or consultancy outside of the original plan. These included works looking at reviewing spending data for duplicates; ICT systems new design and controls; digital signatures as well as following up on previous works for progress.

The team had also carried out work on grant claim certification. These were requirements spelt out in the various successful bids made by the Council which required both approval by Internal Audit as well as the Chief Executive and these had specific completion dates which divert audit resources early. They covered all aspects of the Council and include a number of new areas linked with schools, the Cambridgeshire and Peterborough Combined Authority (CPCA) or Covid-19.

The Internal Audit plan also set out the progress to date on key risks identified A number of works had been completed so far, including works into debt management, the HR management system as well as Cyber Security. A large swathe of the other works are in train at this point in time. From the works completed to date one review has been identified as limited – cyber security and that was set out in Appendix C.

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

- The limited assurance given in terms of cyber security had come about due to a number of factors. The Head of Operational Services provided an overview of progress to address. One of the main issues was the impact of Covid-19, which meant that people worked from home at short notice and this did not allow IT to ensure all process and procedures were in place. Devices were being taken home so that work

could continue, however some of these devices were unable to be kept up to date. Work had been carried out to ensure that even though devices were not connected to the servers they could still be updated with the right software.

- One of the changes was the termination of the SERCO contract and IT services being brought in-house. There was a lot of work being carried out with colleagues from Cambridgeshire County Council as this service was now being shared.
- Cyber security is forever changing, there were no measures that were ever adequate enough. At the current time a number of systems had been put in place which were working, however more work was needed to ensure further security of systems. Various projects were underway to update some of the Council's hardware.
- The Chief Internal Auditor stated a number of audit staff undertook separate duties during the elections which slightly reduced available audit days. There were no real concerns over the demands on elections, this was the same as previous years and would be the same across other local authority services.
- In terms of the Mayors charities some work would be done to verify this although it would be a short piece of work due to the level of monies generating being below the charities threshold.

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

29. TREASURY MANAGEMENT MID YEAR UPDATE

The Audit Committee received a report in relation to the Treasury Management report and mid-year update.

The purpose of the report was to report current performance and the forecast outturn position against the Prudential Indicators in the strategy.

The Corporate Director of Resources introduced the report and stated that this needed to be approved by committee. The strategy ensured that the prudential indicators were adhered to and taken in accordance with professional practices. The Council continues to operate and only borrows to fund capital programmes. Capital expenditure had been reduced due to covid-19. Interest rates continued to be low but this was subject to change and the Council would continue to review this.

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

- The prudential indicators were set at a high level. One of the reasons for this was to prevent having to go to Full Council to borrow more. If the interest rates increased, even by 1%, this would potentially have an impact on the base level for borrowing.
- In relation to the Towns Fund the Council was match funding some of the money being put into the pot. There was an argument that if the programme was cut the Council would not have to put money into the pot. This had been the case at some other local authorities. A further

discussion with members over the Towns Fund was needed in the future.

The Audit Committee considered and **RESOLVED** (unanimously) to Review current performance against the Prudential Indicators as approved in the Treasury Management Strategy (TMS) contained in the Medium-Term Financial Strategy (MTFS).

30. INVITATION TO OPT INTO THE NATIONAL SCHEME FOR AUDITOR APPOINTMENTS FROM APRIL 2023

The Audit Committee received a report in relation to the invitation to opt into the national scheme for external auditor appointments from April 2023.

The purpose of the report was to confirm the opting into the national scheme for auditor appointments from April 2023.

The Corporate Director of Resources introduced the report and stated that the Council had agreed to opt in from the 2018/19 financial year. A notification from the Secretary of State that Councils were being invited to opt into the new scheme and this needed to be agreed by 11 March 2022. The Public Sector Audit Appointments had done significant work around the contracts and the benefits of sticking within the scheme. Members were informed that the Council had enjoyed a good relationship with the external auditors and that the new scheme was good value for money. It was important to try and keep the same external auditors who knew and understood the Council's processes and procedures. It was not viable to use small local firms as they did not carry enough expertise or knowledge to carry out such audits.

The Audit Committee considered and **RESOLVED** (unanimously) to confirm to Public Sector Audit Appointments that it will opt into the national scheme for auditor appointments from April 2023 by agreeing at this Committee and then passing to Council for approval.

31. AUDIT COMMITTEE START TIME 2022/23

The Audit Committee received a report in relation to agreeing the Audit Committee start time for the municipal year 2022/23.

The Senior Democratic Services Officer introduced the report and stated that the committee could recommend their start time for the next municipal year and this would be agreed at Full Council.

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

- It was preferable to start at 6pm as some committee members had full time jobs. In addition it was worth deferring a final decision until the independent members of the committee were appointed, in order to seek their views.

The Audit Committee considered and **RESOLVED** (unanimously) to defer the recommendation to Council with regards to the start time for all Audit Committee meetings for the Municipal Year 2022-23 in order to allow the newly appointed independent members to be involved.

32. USE OF CONSULTANTS

The Audit Committee received a report in relation to the use of consultants.

The Corporate Director of Resources introduced the report and stated that this was a standard report presented to committee. The figures for the current financial year had been much lower than in previous years. This was mainly down to people wanting security of jobs during the pandemic. There was likely to be a raft of work around the implementation of the budget and the improvement plan which was likely to increase the spend on consultants for the remainder of the year.

The Audit Committee considered the report on the Use of Consultants up to October 2021 and **RESOLVED** (unanimously) to consider the update report on the use of consultants for the 2021/22 period for the first seven months of the financial year (April 2021 - October 2021).

33. DEBT WRITE-OFF EXCEEDING £10,000

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

The Corporate Director of Resources introduced the report and stated that was undertaken twice a year. In total 262k of debt was being written off and was only written off when all avenues have been exhausted most of the debt being written off at this stage was sundry debt. There was no Council Tax or NNDR at this stage, although this was likely to be reported in March.

The Audit Committee considered the report on the Debt write offs exceeding £10,000 and **RESOLVED** (unanimously) to note the debt write offs.

34. WORK PROGRAMME

The Audit Committee received a report in relation to the work programme for 2021/2022.

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 of Resources commented that the Improvement and Assurance Panel were likely to recommend some items to be debated at Audit Committee in the future.

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

Chairman
5:00pm – 6:00pm