

CABINET

MONDAY 4 FEBRUARY 2013
10.00 AM

Bourges/Viersen Room - Town Hall

Contact – Alexander.daynes@peterborough.gov.uk, 01733 452447

AGENDA

Page No

- 1 **Apologies for Absence**
- 2 **Declarations of Interest**

STRATEGIC DECISIONS

- 3 **Budget and Medium Term Financial Strategy***

**See separate
book**

MONITORING ITEMS

- 4 **Annual Audit Letter**
- 5 **Outcome of Petitions**

1 - 10

11 - 12

Circulation

Cabinet Members

Scrutiny Committee Representatives

Directors, Heads of Service

Press

*Any agenda item highlighted in bold and marked with an * is a 'key decision' involving the Council making expenditure or savings of over £500,000 or having a significant effect on two or more wards in Peterborough. These items have been advertised previously on the Council's Forward Plan (except where the issue is urgent in accordance with Section 15 of the Council's Access to Information rules).*



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CABINET	AGENDA ITEM No. 4
4 FEBRUARY 2013	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Contact Officer(s):	John Harrison, Executive Director -Strategic Resources Steven Pilsworth, Head of Corporate Services	☎ 452 398 ☎ 384564

ANNUAL AUDIT LETTER 2011/12

RECOMMENDATIONS	
FROM : External Auditor and Audit Commission Relationship Manager	Deadline date : N/A
Cabinet are asked that, subject to any comments Cabinet may wish to make, the Annual Audit Letter 2011/12 is approved.	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following a referral from the Council's External Auditor (PriceWaterhouseCoopers) and the Audit Commission Relationship Manager.
- 1.2 The report is for Cabinet to consider under its Terms of Reference No. 3.2.11: *To scrutinise auditor's reports and letters, to consider reports from the Council's external auditor and internal auditor, where appropriate, and determine appropriate responses.*
- 1.3 The report will also be presented to the Council's Audit Committee in accordance with its Terms of Reference No. 2.2.6: *To consider the external auditors annual letter, relevant reports, and the report to those charged with governance.*

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to consider and respond to the Annual Audit Letter for 2011/12, prepared jointly by our external auditors PriceWaterhouseCoopers (PwC) and the Audit Commission Relationship Manager.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. ANNUAL INSPECTION LETTER

- 4.1 The External Auditor and the Audit Commission Relationship Manager produce an Annual Audit Letter reviewing the Council's arrangements and progress in relation to the Audit of the Accounts.
- 4.2 The letter is attached as **Appendix A** for the financial year 2011/2012 and representatives from PwC will be in attendance to present the key findings and comment generally on the Council's performance.
- 4.3 Members can ask questions and make comment to the External Auditor on its contents and conclusions. The External Auditor may take on board responses received prior to its

formal publication. However, the External Auditor is under a statutory duty to produce and arrange for the publication of the Annual Audit Letter as soon as reasonably practical. A number of work programmes are being deployed that directly address comments made in the Audit Letter.

5. CONSULTATION

The Annual Audit Letter has been shared with the Corporate Management Team. Once the External Auditor and Relationship Manager have reflected on any comments received the letters will be re-issued in final form and circulated to all Members of the Council.

6. ANTICIPATED OUTCOMES

Approval of the Annual Audit Letter 2011/12.

7. REASONS FOR RECOMMENDATIONS

The Council is required to consider the statutory Annual Audit Letter and make appropriate arrangements in response to recommendations.

8. ALTERNATIVE OPTIONS CONSIDERED

The External Auditor may take on board responses received prior to its formal publication, though he has a duty to produce and arrange for the publication of the Annual Audit Letter as soon as reasonably practical. No specific alternative options are submitted to Cabinet for consideration.

9. IMPLICATIONS

Specific implications associated with each of the main aspects of the Annual Audit Letter are addressed as part of the individual work programmes.

10. BACKGROUND DOCUMENTS

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

Annual Audit Letter 2011/2012.

Audit opinion for 2011/12 financial statements.

Report to those charged with Governance (ISA (UK&I) 260).

Government and Public Sector

***Peterborough City
Council***

Annual Audit Letter

2011/12 Audit

October 2012

Introduction

The purpose of this letter

This letter is a public document which summarises the results of our 2011/12 audit for members of the Authority and other stakeholders.

We have already reported the detailed findings from our audit work to those charged with governance in the following reports:

- Audit plan for the 2011/12 accounts audit
- Audit report for the 2011/12 Statement of Accounts, incorporating the value for money conclusion
- Report to those charged with Governance (ISA (UK&I) 260)

The matters reported here are the most significant for the Authority. Appendix A summarises our recommendations for the year.

Scope of work

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our 2011/12 audit work has been undertaken in accordance with the Audit Plan that we issued on 26 March 2012 and is conducted in accordance with the Audit Commission’s Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

We met our responsibilities as follows:

Audit responsibility	Result
<i>Perform an audit of the accounts in accordance with the Auditing Practice Board’s International Standards on Auditing (ISAs (UK&I)).</i>	We reported our findings to the Audit Committee on 24 September 2012 in our 2011/12 <i>Report to those charged with governance (ISA (UK&I) 260)</i> . On 28 September 2012 we issued an unqualified audit opinion.
<i>Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.</i>	We reported our findings to the National Audit Office on 28 September 2012.
<i>Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.</i>	On 28 September 2012 we issued an unqualified value for money conclusion.
<i>Consider the completeness of disclosures in the Authority’s annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.</i>	There were no issues to report in this regard.
<i>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</i>	There were no issues to report in this regard.

Audit responsibility	Result
<i>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</i>	There were no issues to report in this regard.
<i>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</i>	We issued our completion certificate on 28 September 2012.

Audit Findings

Accounts

We audited the Authority's Statement of Accounts in line with approved Auditing Standards and issued an unqualified audit report on 28 September 2012.

We identified the following key issues from our audit of accounts:

- Our audit work in relation to the *transfer of Adult Social Care services* from the Peterborough Primary Care Trust ("the PCT") to the Council noted that the Adult Social Care function incurred a deficit in 2011/12 that was £1.26million higher than previously understood by the PCT. This expenditure occurred when the function was managed by the PCT and is not an additional liability for the Council. Under the relevant accounting standard (IFRS 3), "merger accounting" was required to account for the transfer of control.
- The main implication of merger accounting is that the Council must account for the Adult Social Care service *as if had always delivered the services directly*, including all of its income and expenditure, assets and liabilities for both the 2010/11 and 2011/12 (up to 1 March 2012) year. This would have required the restatement of the prior period figures in this year's accounts. The Council did not process any "merger accounting" changes in the 2010/11 or 2011/12 figures on the grounds that the changes were not material to the accounts. We were not minded to challenge the Council's assessment that the impact of merger accounting was not material.
- The Council has set up the *Local Authority Mortgage Scheme ("LAMS")* with Lloyds TSB ("the lender"). In the LAMS, first time buyers ("the borrower") put down five per cent of the property price as a deposit to the lender, with the Council providing a cash backed indemnity of up to 20 per cent as additional security. To date, the Council has paid £1m to Lloyds TSB, with plans for a further £2m approved by Council.
- The Council has treated its payment of £1m to Lloyds as capital expenditure. We note that the Council has obtained advice from the Monitoring Officer in relation to entering into the scheme. The Council has also taken advice from external advisers in respect of its consideration of the appropriate accounting treatment. We are currently not minded to challenge the Council's accounting treatment in respect of LAMS but we recommend that it keeps its accounting arrangements under review, as there is a risk that statute may change, or that the CIPFA IFRS Code of Practice may change, and that those changes may require the Council to adopt a different accounting treatment.
- We discussed these issues with officers and also the Audit Committee on 24 September 2012.

Economy, efficiency and effectiveness

Our Use of Resources Code responsibility required us to carry out sufficient and relevant work in order to conclude on whether the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Audit Commission guidance specifies the criteria for our value for money conclusion:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We issued an unqualified value for money conclusion. However, we made a number of recommendations, which we have included in the appendix in this letter.

Whole of Government Accounts

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the Audit Commission. The audited pack was submitted on 28 September 2012. We found no areas of concern to report as part of this work.

Grant Claims and Certification

We presented our most recent Annual Certification Report for 2010/11 to the Audit Committee on 6 February 2012. We certified 7 claims worth £27.0m. In 2 cases a qualification letter was required to set out significant issues arising from the certification of the claim. These details were also set out in our Annual Certification Report for 2010/11. We will issue the Annual Certification Report for 2011/12 in December 2012.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Appendix A – Summary of recommendations

A summary of the significant recommendations we have made to the Authority during 2011/12 is included below:

Source Document	Recommendation	Management's response	Target Implementation Date
ISA 260 Report to those charged with governance, page 7.	In respect of the Local Authority Mortgage Scheme, we recommend that the Council keeps its accounting arrangements under review, as there is a risk that statute may change, or that the CIPFA IFRS Code of Practice may change, and that those changes may require the Council to adopt a different accounting treatment.	The substance of the transaction is to facilitate a greater amount of loan to a mortgagor than would otherwise be available. It would not be within an authority's powers to designate the payment as an investment. The Council's interpretation is that the payment is a loan / financial assistance towards expenditure which would, if incurred by the authority, be capital expenditure. If a local authority were granting a loan for house purchase, it would be treated as capital expenditure. If the statute or code of practice changed, then the Authority would revisit its approach as advised.	Ongoing
ISA 260 Report to those charged with governance, page 11.	That the Council continues to work towards improving performance management arrangements in Children's Services, and that this work ensures that improvements put in place are both robust and sustainable.	Agreed	On-going for the duration of the improvement Notice
ISA 260 Report to those charged with governance, page 11.	That the work the Council is doing to re-integrate Adult Social Care is maintained and that appropriate scrutiny continues to be applied to the performance (both financial and nonfinancial) of the service.	Agreed	On-going action with regular review at intervals throughout the year
rISA 260 Report to those charged with governance, page 11.	That arrangements are put in place to ensure risk management is appropriately embedded at a corporate level, so that the Corporate Management Team has the necessary information to manage 'corporate' risks.	As part of CMT activities, potential risks are considered and managed as inherent elements in the decision making process. However, CMT acknowledge that it is difficult to evidence how risk management is embedded, and this will be	Ongoing during the year, with evidence available for next review.

		developed further over the coming year.	
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Where we have made other recommendations during the year these have been reported to management.

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In March 2010 the Audit Commission issued a revised version of the 'Statement of Responsibilities of Auditors and of Audited Bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

Other Matters

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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CABINET	AGENDA ITEM No. 5
4 FEBRUARY 2013	PUBLIC REPORT

Contact Officer:	Alex Daynes, Senior Governance Officer, Democratic Services	Tel. 01733 452447
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UPDATE - PETITIONS

RECOMMENDATIONS	
FROM : Directors	
1. That Cabinet notes the action taken in respect of petitions presented to full Council.	

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet following the presentation of petitions to full Council.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to update Cabinet on the progress being made in response to petitions in accordance with Standing Order 13 of the Council's Rules of Procedure.

2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.3 – 'To take a leading role in promoting the economic, environmental and social well-being of the area'.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO
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4. OUTCOME OF PETITIONS

4.1 Petition for Traffic Calming Measures in Eye Village

This petition was presented to full Council on 5 December 2012 by Councillor Dale McKean. The Council's Road Safety Officer responded on 14 January 2013 stating that the Police has been requested to undertake 24 hour 7 day speed surveys along the affected roads. It was recommended that these surveys would take place once the schools spring term had begun and after any icy or snowy weather in order to gain an accurate picture of vehicle speeds. The Road Safety Officer has also met Cllr McKean on site to see where the speed surveys will be. Following the outcome of the surveys an action plan can be drawn up accordingly.

5. REASONS FOR RECOMMENDATIONS

5.1 Standing Orders require that Council receive a report about the action taken on petitions. As the petitions presented in this report have been dealt with by Cabinet Members or

officers it is appropriate that the action taken is reported to Cabinet, prior to it being included within the Executive's report to full Council.

6. ALTERNATIVE OPTIONS CONSIDERED

- 6.1 Any alternative options would require an amendment to the Council's Constitution to remove the requirement to report to Council.

7. LEGAL IMPLICATIONS

- 7.1 There are no legal implications.

8. BACKGROUND DOCUMENTS

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

- 8.1 Petitions presented to full Council and responses from officers.