

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT THE TOWN HALL, PETERBOROUGH ON 22 SEPTEMBER 2014**

Present: Councillors Lee (Chairman), Harper (Vice Chairman), Arculus, Sylvester, Murphy, F Fox, Herdman and Lane.

Officers in

Attendance: Kim Sawyer, Director of Governance
John Harrison, Executive Director Strategic Resources
Steve Crabtree, Chief Internal Auditor
Steven Pilsworth, Head of Strategic Finance
Carole Coe, Acting Financial Services Manager - Corporate Accounting
Kevin Dawson, Head of Resilience
Karen S Dunleavy, Governance Officer

Also in

Attendance: Councillor Seaton, Cabinet Member for Resources
Julian Rickett, PricewaterhouseCoopers (PWC)
Jacqui Dudley, PricewaterhouseCoopers (PWC)

1. Apologies for Absence

Apologies for absence were received from Councillors Thulbourn and Martin. Councillor Murphy was in attendance as a nominated substitute.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of the Meeting held on 30 June 2014

The minutes of the meeting held on 30 June 2014, were approved as an accurate and true record.

4. Use of Regulation of Investigatory Powers Act 2000 (RIPA)

The Committee noted that there were no RIPA authorisations in this quarter.

5. Risk Management: Strategic Risks

The Head of Resilience introduced the report on Risk Management and Business Continuity to the Committee, which had also been reviewed by Corporate Management Team (CMT) on 24 June 2014. The Committee was also advised by the Head of Resilience, that an exercise was underway to explore risk appetite with CMT, with the intension to include CMT's recommendations into the current Risk Policy.

The key points within the report included:

- Review of current Departmental Registers;
- Meetings of the Risk Group;
- Corporate Business Continuity Plan to be reviewed and revised in line with international standards;
- Business Impact Assessments (BIA) templates, recently reviewed by the British Standards Institute;
- Continued review of the risk management procedures by the Council's Internal Audit Team;
- Quarterly reviews of the risk register by CMT, with updates provided on the Council's: intranet, web page and on E-Learning; and
- Strategic issues.

The Executive Director of Resources and the Head of Resilience responded to comments and questions raised. In summary responses included:

- The business continuity process and plan had recently been reviewed by the Audit Team. The outcome of the review would be available within the next couple of months;
- The finance position had moved into a red risk rating for the current year, which had been due to a significant budget pressure increase of £17m to £22m. The budget pressures were due to a further investment requirement for Children's Services funding, in particular to improve services for safeguarding. There was currently a cross party budget setting working group tasked with reducing the financial impact for the Council;
- There had been recent improvements made on safeguarding issues, which were positively recognised by an external improvement board;
- It was felt by some Members that the Council's budget setting figures should be available;
- Some authorities had made broad allocations through their budget setting process rather than actually setting budgets; and
- A review of the Risk Register would take approximately three weeks to complete, which was due to be initiated at the end of September 2014. Due to time constraints involved, it would not be possible to include the outcome of the review as an agenda item for Audit Committee on 3 November 2014.

The Committee:

Considered and noted the content of the report

The Committee also agreed:

1. That the Head of Resilience would circulate the outcome of the Risk Register review undertaken by CMT to Members of the Audit Committee; and
2. That the Executive Director of Resources, would communicate to the Budget Setting Working Group, the comments raised by Councillor Murphy regarding the progress of Peterborough City Council's budget setting.

6. Audit of Statement of Accounts to Those Charged with Governance

The Executive Director of Finance introduced a report to Audit Committee Members, which had detailed the external audit outcome of PricewaterhouseCoopers (PwC) statement of accounts for 2013/14. The Executive Director of Finance also advised the Committee that there were a number of recent changes requested by PwC. The

details of the changes were circulated at the meeting and have been attached at appendix one of these minutes.

The key points within the report included:

- Technical issues raised around the assets and valuation;
- Issue with the County Council's provision of a valuation of a fund, which was inaccurate and would be taken forward by PCC;
- Council Tax Benefit reform outcome had been positive; and
- In terms of the Local Authority Mortgage Scheme, there had been difference of opinion between PCC and PwC on the accounting treatment, however, PwC was not minded to challenge that treatment.

Julian Rickett from PwC, the Council's External Auditor, also highlighted key points to the Committee, which included:

- Executive summary;
- Audit approach;
- Thanks relayed to Officers for co-operation throughout the process;
- Significant audit and accounting matters;
- Accounting issues;
- Misstatements and significant audit adjustments;
- Related parties;
- Internal Controls;
- Risk of Fraud;
- Fees Update; and
- Management Representation Letter.

The Executive Director of Finance, Head of Strategic Finance and PwC responded to comments and questions. In summary responses included:

- There had been no plans for the Council owned Children's Centres, which were currently not in use;
- The conclusion on the 'Authority's arrangements for resources' had related to a final piece of quality review, which would be undertaken until signed off;
- Reassessment of the risks had been due to changes arising from the Audit Commission and had affected all Authorities;
- The difference in opinion with regards to the valuation methods undertaken for Council assets had been between PwC and Wilks Head and Eve (WHE). The Council would not instruct its valuers over which methodology to adopt, unless a specific issue had arose;
- PwC were content with WHE's valuation undertaken of the Council's assets; the issue had been over the methodology used for the valuation of land. The difference of opinion raised, had not created a significant issue over the truth and fairness of the accounts;
- There had always been an element of judgement applied for the valuation of assets;
- A reference to land in the accounts referred to a school in Hampton where the Council owned the building but not the land. The situation was rare and not common practice;
- The Council's use of PwC was due to end in 2015/16. There would be a two year rotation cycle applied before the Council was permitted to commission the services of PwC. Prior to this, the Audit Commission normally requested that the lead Partner

was rotated. The Council was in a position to challenge the Audit Commission and request that the lead Partner remained for a further year if desired;

- The most efficient position would be to retain the PwC lead Partner for a further financial year;

The Committee

1. Received and approved the report to those charged with governance (ISA260) 2013/14 Audit from PricewaterhouseCoopers (PwC, the Council's external auditors; and
2. Received and approved the audited Statement of Accounts 2013/14.

The Committee also agreed that:

1. Councillor Murphy would provide the Head of Strategic Finance and the Cabinet Member for Resources, with details of the requests made to officers in relation to the future of the Children's Sure Start Centres; and
2. The Head of Strategic Finance would provide a briefing note to Members of the Audit Committee regarding Children's 'Sure Start' Centres following further clarification from Councillor Murphy.

7. Outcome of Code of Conduct Review

The Director of Governance introduced the report to the Committee, which had provided detail over the recent review of the Council's standards and conduct arrangements for Councillors, recently undertaken by the Code of Conduct (CoC) Review Working Group. The Director of Governance also advised the Committee that the Code of Conduct Working Group's recommendation to Council was one of adoption of the Local Government Authority's (LGA) Code of Conduct template.

The key points highlighted included:

- The Council's CoC had changed in 2011;
- The 2011 Code was adopted and introduced within a relatively short time-frame with the first part of the code, Members behaviour, remaining unchanged. The second part of the Code had covered disclosable pecuniary interests;
- Various codes were considered by the CoC Review Working Group, such as LGA, (National Association Local Councils) NALC and the Department of Communities for Local Government (DCLG);
- The Nolan Principles would head up the code;
- None of the adopted codes had dealt with predetermination or bias;
- The CoC Review Working Group had aimed for a sleek and not overly complicated version;
- A briefing was due to be held at an All Party Policy on the proposed LGA Code of Conduct template, prior to submission to Council; and
- Many authorities had adopted similar templates.

In general, Members commented that:

- The LGA template was not best suited for PCC Members;
- The DCLG template should be given further consideration;
- The LGA template was too prescriptive in telling Members how to undertake their role, such as in relation to their representation of the electorate;

- The LGA model was too repetitive in respect of the use of Nolan Principles and required a more meaningful approach.

The Committee was requested to:

1. Recommend to Council that a revised Code of Conduct be adopted, in that:
 - a. Part 1 of the Code (general conduct) should be deleted and replaced with the wording from the Local Government Association template Code;
 - b. The revised description of the Principles of Conduct in Public Life were incorporated within the Code; and
 - c. Part 2 of the Code (interests) remained unchanged.
2. That enhanced training concerning the common law on interests and bias be offered to all Councillors.
3. It be noted that the Group also recommended that the revised wording of the Integrity Principle was to be incorporated into Council Standing Orders, which had currently been the case.

The Committee:

REFUSED the Code of Conduct Review Group's recommendation.

AGREED that the Review Group would be requested to:

1. Revisit their recommendation over which Code of Conduct template to adopt;
2. Consider the comments made by some Members of the Audit Committee in particular to the preferred DCLG Code of Conduct template; and
3. Share the outcome of the CoC review with each political party for comment prior to any formal adoption.

8. Feedback report

The Governance Officer introduced the report, which provided feedback on items considered or questions raised at the previous meeting of Audit Committee. It also provided an update on specific matters which were of interest to the Committee or where the Committee had requested to be kept informed of progress.

Members commented that there appeared to be a discrepancy of around £60,000, in relation to the explanations provided within the Commercial Property Decrease in Income briefing note.

The Chief Internal Auditor also provided an update on the outcome of a meeting held on 4 September 2014, to discuss the Council's auditing arrangements. The Chief Internal Auditor also advised that the audit of partnership organisations, included within the Internal Audit Plan 2014/15, had commenced and outcomes would be reported to Members of the Audit Committee once concluded.

The Committee agreed:

1. That the Head of Strategic Finance would provide Audit Committee Members with a briefing note, which would detail the projected income for the Peterborough United Football Club and Commercial Property for 2014/15.

9. Work Programme

The Governance Officer submitted the latest version of the Work Programme for the Municipal Year 2014/2015 for consideration and approval. The standard report provided details of the proposed Work Programme for the Municipal Year 2014/2015 together with any training needs identified.

The Committee:

Noted and approved the 2014/2015 Work Programme.

The Committee also agreed:

That the revised review of the Code of Conduct would be submitted to a future meeting of the Audit Committee.

7.00pm – 7.55pm
Chairman

Note in Support of Item 6

List of Amendments to SOA from the one circulated with the Agenda

Audit work continued after the agenda had been dispatched and PwC have asked for the following changes to be made to the final Statement of Accounts. These changes have been incorporated into the Statement of Accounts signed this evening by the Chair of the Committee and the Executive Director Resources.

Statement of Accounts – SOA

- Explanatory Forward – page 1 introductory paragraph wording change from Medium Term Financial Plan to Medium term Financial Strategy.
- Explanatory Forward – page 2 fourth bullet point Collection Fund and Notes, remove word National from Non Domestic Rates
- Explanatory Forward – page 5 third paragraph deficit on the Fund in 2013/14 amended from £242.2m to £242.3m
- Explanatory Forward – page 6, first column last paragraph remove the duplicate word forecast
- Note 7 – Note under the second table total liability of £242.2m amended to £242.3m and the note under the third table remeasurement of £40.4m amended to £40.5m.
- Note 15 – Within the first table £8,447k has been removed from Communities fees, charges and other service income and from Communities other service expenditure. The Net Expenditure of Communities remains unchanged. Within the second table the same amount has been removed from the allocation of recharges. The Cost of Services Total Income and Total Expenditure remain the same and the last column of the table, Total Income and Total Expenditure remains the same.
- Note 18 – Revised Note attached – the note has been amended to re-categorise elements of the Prior Period Adjustment – the overall Net Book Value at 31 March 2014 of £519,485k and Net Book Value at 31 March 2013 of £495,861k remain the same.
- Note 25 – 2012/13 Capital Financing Requirement for Property Plant and Equipment amended from £47,714k to £45,716k. The closing capital requirement for 2012/13 now adds to £316,098k which agrees with the opening capital financing requirement of £316,098k in 2013/14.
- Collection Fund – Cambridgeshire Authority amended to Cambridgeshire Fire Authority
- Other minor grammar and punctuation

Annual Governance Statement – AGS

- Page 3 point 5 A Medium Term Financial Plan (MTFP) has been changed to Medium Term Financial Strategy (MTFS)
- Page 9 point 6 On completion of their work is changed to On completion of the external auditor's work
- Other minor grammar and punctuation

| Property, Plant & Equipment (PPE) – 2013/14 | Other Land & Buildings | Vehicles, Plant & Equipment | Infra-structure Assets | Community Assets | Heritage Assets | Surplus Assets | Assets under Construction | Total PPE |
|--|-----------------------------------|--|-------------------------------|-------------------------|------------------------|-----------------------|----------------------------------|------------------|
| Cost or Valuation | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1 April 2013 Gross Book Value | 333,051 | 51,923 | 184,378 | 4,083 | 570 | 25,567 | 21,830 | 621,402 |
| Additions | 11,428 | 2,353 | 11,912 | 57 | - | 33 | 35,592 | 61,375 |
| Revaluation increase / (decrease) recognised in the Revaluation Reserve | 10,713 | - | - | 20 | - | - | - | 10,733 |
| Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services | (9,188) | - | - | - | - | (1) | - | (9,189) |
| Derecognition - Disposals | (12,365) | (24,568) | - | - | - | (2,642) | - | (39,575) |
| Reclassified Assets | 3 | (37) | - | - | - | - | - | (34) |
| Assets Under Construction Completed In Year | 9,883 | - | 1,306 | - | - | 175 | (11,386) | (22) |
| At 31 March 2014 | 343,525 | 29,671 | 197,596 | 4,160 | 570 | 23,132 | 46,036 | 644,690 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2013 | (20,999) | (34,556) | (64,412) | (3,207) | - | (2,049) | (318) | (125,541) |
| Depreciation Charge | (6,803) | (6,621) | (8,804) | - | - | - | - | (22,228) |
| Depreciation written out to the Revaluation Reserve | 1,512 | - | - | - | - | - | - | 1,512 |
| Depreciation written out to the (Surplus) / Deficit on Provision of Services | 712 | - | - | - | - | - | - | 712 |
| Impairment (losses) /reversals recognised in the Revaluation Reserve | (786) | - | - | - | - | - | - | (786) |
| Impairment (losses) /reversals recognised in the (Surplus) / Deficit on Provision of Services | (2,989) | - | - | (57) | - | (206) | (34) | (3,286) |
| Derecognition – Movement on Transfers | (3) | 9 | - | - | - | - | - | 6 |
| Derecognition - Disposals | 483 | 23,923 | - | - | - | - | - | 24,406 |
| At 31 March 2014 | (28,873) | (17,245) | (73,216) | (3,264) | - | (2,255) | (352) | (125,205) |
| Net Book Value - At 31 March 2014 | 314,652 | 12,426 | 124,380 | 896 | 570 | 20,877 | 45,684 | 519,485 |
| <i>Net Book Value - At 31 March 2013</i> | <i>312,052</i> | <i>17,367</i> | <i>119,966</i> | <i>876</i> | <i>570</i> | <i>23,518</i> | <i>21,512</i> | <i>495,861</i> |

| <i>Property Plant & Equipment (PPE) – Restated 2012/13*</i> | <i>Other Land & Buildings</i> | <i>Vehicles, Plant & Equipment</i> | <i>Infra-structure Assets</i> | <i>Community Assets</i> | <i>Heritage Assets</i> | <i>Surplus Assets</i> | <i>Assets under Construction</i> | <i>Total PPE</i> |
|---|-----------------------------------|--|-------------------------------|-------------------------|------------------------|-----------------------|----------------------------------|------------------|
| <i>Cost or Valuation</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| <i>At 1 April 2012 Gross Book Value</i> | 308,989 | 44,025 | 173,616 | 5,808 | 559 | 23,835 | 37,569 | 594,401 |
| <i>Additions</i> | 27,273 | 7,713 | 10,694 | 25 | - | 10 | 15,827 | 61,542 |
| <i>Revaluation increase / (decrease) recognised in the Revaluation Reserve</i> | 472 | - | - | - | 11 | - | - | 483 |
| <i>Revaluation increase / (decrease) recognised in the (Surplus) / Deficit on Provision of Services</i> | (30,954) | - | - | - | - | - | - | (30,954) |
| <i>Derecognition - Disposals</i> | (3,358) | (499) | - | - | - | - | - | (3,857) |
| <i>Reclassified Assets</i> | 2,435 | - | - | (1,789) | - | - | - | 646 |
| <i>Assets Under Construction Completed In Year</i> | 28,194 | 684 | 68 | 39 | - | 1,722 | (31,566) | (859) |
| <i>At 31 March 2013</i> | 333,051 | 51,923 | 184,378 | 4,083 | 570 | 25,567 | 21,830 | 621,402 |
| <i>Accumulated Depreciation and Impairment</i> | | | | | | | | |
| <i>At 1 April 2012</i> | (10,448) | (28,901) | (55,918) | (24) | - | (317) | - | (95,608) |
| <i>Depreciation Charge</i> | (6,268) | (6,114) | (8,494) | - | - | - | - | (20,876) |
| <i>Depreciation written out to the Revaluation Reserve</i> | 4,052 | - | - | - | - | - | - | 4,052 |
| <i>Depreciation written out to the (Surplus) / Deficit on Provision of Services</i> | 1,339 | - | - | - | - | - | - | 1,339 |
| <i>Impairment (losses)/reversals recognised in the Revaluation Reserve</i> | (2,992) | - | - | (3,119) | - | - | - | (6,111) |
| <i>Impairment (losses)/ reversals recognised in the (Surplus) / Deficit on Provision of Services</i> | (6,828) | (10) | - | (64) | - | (1,732) | (318) | (8,952) |
| <i>Derecognition - Disposals</i> | 146 | 469 | - | - | - | - | - | 615 |
| <i>At 31 March 2013</i> | (20,999) | (34,556) | (64,412) | (3,207) | - | (2,049) | (318) | (125,541) |
| <i>Net Book Value - At 31 March 2013</i> | 312,052 | 17,367 | 119,966 | 876 | 570 | 23,518 | 21,512 | 495,861 |
| <i>Net Book Value - At 31 March 2012</i> | 298,541 | 15,124 | 117,698 | 5,784 | 559 | 23,518 | 37,569 | 498,793 |