

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT THE TOWN HALL, PETERBOROUGH 29 JUNE 2016**

Present: Councillors Fuller (Chairman), Aitken (Vice Chairman), Over, Sims, Shaheed, Murphy and Sharp.

Also

Present: Councillor Seaton Cabinet Member for Resources;
Councillor Lane representing Cllr Fox and Leader for Werrington First

Officers in

Attendance: Steven Pilsworth, Service Director Financial Services
Steve Crabtree, Chief Internal Auditor
Kirsty Nutton, Head of Corporate Finance
Kay McClennan, Audit Manager Ernst and Young LLP
Karen S Dunleavy, Democratic Services Officer

1. APOLOGIES FOR ABSENCE

There were no apologies for absence received.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE MEETING HELD ON 21 MARCH 2016

The minutes of the meeting held on Monday, 21 March 2016 were approved as an accurate and true record.

4. AUDIT PLAN 2015/16

Audit Manager Ernst and Young LLP introduced the report to the Committee, which outlined the external audit plan for 2015/16.

They key points highlighted included:

- Financial Statement Risks;
- Paying particular attention to Schools accounting processes as highlighted by the PwC last year;
- Minimum Revenue Provision;
- Group Boundaries and Partnerships;
- New Financial System (November 2015 the Local Authority had changed its accounting system from Oracle to Agresso);
- The Better Care Fund (BCF);
- Value for Money Risks;
- Materiality and Trivial Level normally based on 5% reportable audit misstatements £250,000;
- Scale Fee;

- Timetable of the key stages of the audit;
- Appendix A - Fees;
- Appendix B - Communications; and
- Appendix C – Detailed Scopes.

The Audit Manager Ernst and Young LLP responded to comments and questions raised. A summary of the responses included:

- The Audit fees would be £108,533 as set by the Public Sector Audit Appointments (PSAA), however, there would be additional fees to cover any in depth review by the technical department on the finances, which was anticipated to be no more than 10% of the overall total fee;
- The Better Care Funding would present a complex relationship with LA partners such as NHS, which could lead to more areas of risk, however some of these risks were known to external auditors through working with other authorities. This knowledge had provided external auditors with insight to the possible pitfalls. The issues surrounding Private Finance Initiative (PFI) in regards to the hospital were different and require an alternative approach;
- In order to protect the LA against financial loss it was encouraged to develop good partner arrangements in order to implement robust legal agreements and strong contractual safeguards. The Adult Social Care partnered service provided experience in robust contracts, which had been bought in house;
- The risks and liabilities of PFIs had been reviewed on a yearly basis and currently the arrangement was being analysed, which would be published as part of the ISA260 report;
- The LA had an obligation to maintain other schools, which included the duty to ensure that PFIs contracts were meeting their regulatory standards;
- The future ownership of PFI funded schools was discussed and it had been confirmed that ownerships would return to the LA after 30 years with the possible exception of one Academy. There would not be the same risks applicable to PFI schools as with the NHS due to the affordability arrangement;
- Facility functions for PFI funded schools such as care taking and cleaning had been monitored by the People and Communities Department in the same way as with LA maintained schools; and
An outline of risks and changes would be included in the ISA 260 report due to be reported to Committee on 22 September 2016.

ACTION AGREED

The Committee:

1. Considered the External Audit Plan for 2015/16 and points raised by Ernst and Young LLP in the document including:
 - Proposed scope, comfortable with the audit risks, and approach;
 - Considered and responded to matters relating to fraud;
 - Considered and responded to the Ernst and Young view on the value of misstatements; and
 - Noted the audit fees for the year.
2. Provided comment on any amendments necessary.

5. BUDGET MONITORING REPORT FINAL OUTTURN 2015/16

The Service Director Financial Services introduced the Budget Monitoring Report Final Outturn to the Audit Committee, which outlined the management of accounts for 2015/16, which formed of the part of the reporting of Council's accounts. The report outlined the revenue and capital performance, reserves, treasury management performance and other performance indicators. Members were also advised by the Service Director Financial Services that this year had resulted in an underspend of £1.028 million which would be transferred to reserves for the financial year 2017/18 in line with the budget strategy.

The Service Director Financial Services responded to comments and questions raised. A summary of the responses included:

- The underspend of £1.028 million was a small proportion of the overall budget and exceeded those of recent years, however this had been intentional in order to attempt to cushion the financial impact in the future. A detailed analysis of the underspend was included on page 44 of the report;
- A Member requested that it should be noted that the £1m saving could have been spent on provision of services;
- The budget savings had been made due to the number of staff vacancies, for example in financial services owing to the time taken to fill vacant positions. The restructure that followed the Senior Management Review vacancies were advertised and eventually filled, however although posts were empty for a while it had certainly not felt that the posts were unnecessary for the department;
- Members raised concerns over the number of departments showing staff vacancies, a lack of recruitment and, if the positions had not been filled, were staff coping with the additional workload;
- In some departments elements of work had been postponed due to staff shortages. In areas where staff shortages had impacted services, interviews had taken place. In instances where the staff shortages still appeared to impact on services, recruitment would continue; and
- The underspend would not impose a negative impact on the LA for future funding received from Central Government.

ACTION AGREED

That Audit Committee approved:

1. The reserves position for the Council.

That Audit Committee noted:

1. The final outturn position for 2015/16 (subject to finalisation of the statutory statement of accounts) of a £1.028m underspend on the Council's revenue budget;
2. The outturn spending of £81.8m in the Council's capital programme in 2015/16;
3. The performance against the prudential indicators; and
4. The performance on treasury management activities, payment of creditors, collection performance for debtors, local taxation and benefit overpayments.

6. DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

The Service Director Financial Services introduced the report to Committee, which outlined the Draft Statement of Accounts for year ending 31 March 2016. The Committee was also advised that there had been an amendment tabled to note 19, on page 113 of the agenda pack in relation to the Investment Properties, which have been appended to these minutes.

The Service Director Financial Services responded to Discussion comments and questions raised by Members:

- The Section 151 Officer was required sign of the draft accounts by the end of June 2016 for auditing by Ernst and Young; the findings would be reported back to the Audit Committee meeting due to be held on 22 September 2016. Although there had been no requirement for the accounts to be presented to the Audit Committee by the end of June for the current financial year, it was felt by the Finance department to be good practice to continue to do so;
- Members of the public would be able to scrutinise the figures in their draft form; and
- The heading title - non distributed costs were related to pension costs.

ACTION AGREED

The Committee:

Reviewed and commented on the Draft Statement of Accounts prior to the Chief Finance Officer's certification by the 30 June 2016.

The Committee also agreed:

Service Director Financial Services provide would provide Members with further detail in regards to the non distributed costs outlined for pensions costs.

7. INVESTIGATIONS TEAM ANNUAL REPORT 2015 / 2016

The Chief Internal Auditor introduced the report to Members which detailed efforts made across the country to tackle fraud and also highlighted the level of fraud detected and the action taken in response.

The Chief Internal Auditor responded to comments and questions raised. A summary of the responses included:

- Staff from Department for Work and Pensions liaise with Peterborough City Council to share and receive information relating to fraudulent benefit claims, whether linked with undeclared income, unable to work. Most of the fraud intelligence would be received by a fraud hotline, which would be allocated to various officers/agencies according to type;
- Enforcement Officers routinely patrol to check the validity and expiry dates of Blue Badges and had the power to confiscate passes if they thought the driver of the vehicle was not the designated badge holder. To date there were no issues with the use of Blue Badges from abroad;
- Members raised concerns over Blue Badges, which could be downloaded from the internet; and

- Bus pass fraud was investigated by the National Fraud Initiative, and there had been no cases known for the Peterborough area.

ACTION AGREED

The Committee:

Endorsed the annual report on the investigation of fraud and other issues during 2015/2016.

The Committee also agreed

That the Chief Internal Auditor would provide regular updates to the Audit Committee in regards to the resources position for the Audit and Investigations Teams.

8. ANNUAL AUDIT OPINION

The Chief Internal Auditor introduced the report to Members, which highlighted the internal activities across the organisation including systems such as Agresso, grant claims, risk assessments. Members were also advised by the Chief Internal Auditor that there would be a mid-year update report presented to the Committee as per the Work Programme for 2016/17.

ACTION AGREED

The Committee:

Considered and endorsed the attached Chief Internal Auditor's annual report for the year ended 31 March 2016.

9. DRAFT ANNUAL GOVERNANCE STATEMENT

The Service Director Financial Services introduced the report Statement of Accounts for 2015/16, which outlined the closure of the accounts process.

The Service Director Financial Services responded to comments and questions raised. A summary of the responses included:

- The Annual Governance Statement did not govern the ethical practices followed by Peterborough City Council for procurement processes; and
- Ethical practices followed by Peterborough City Council (PCC) for procurement activities, were reviewed by the Member Officer Working Group (MOWG) in March 2015 with the findings reported to Cabinet on 7 December 2015.

ACTION AGREED

The Committee:

Received, considered and endorsed the Draft Annual Governance Statement 2016/16 and:

1. Noted the arrangements for compiling, reporting on and signing the Annual Governance

2. Statement;
3. Reviewed and commented on the Annual Governance Statement including any areas which should be amended;
4. Subject to changes identified above, agreed and approved the draft statement for inclusion in the audited statement of accounts, published by 30 September 2016; and
5. Noted the changes proposed for the 2016 / 2017 Annual Governance Statement preparation and production.

The Committee Also Agreed:

The Service Director Financial Services would circulate the full report considered by the Cabinet its meeting held on 7 December 2015, which outlined the MOWG's review of PCC's ethical investment and procurement.

INFORMATION AND OTHER ITEMS

10. USE OF REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

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

11. APPROVED WRITE-OFFS EXCEEDING £10,000

The Committee noted that there had been no write-offs amounts to report since 21 March 2016 which exceed the Council's Financial Regulation threshold of £10,000.

12. FEEDBACK REPORT

The Chairman introduced a 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.

ACTION AGREED

The Committee:

Noted the report.

13. WORK PROGRAMME

The Chairman submitted the latest version of the Work Programme for the Municipal Year 2016/2017 for consideration and approval. The standard report provided details of the proposed Work Programme for the Municipal Year 2016/2017 together with any training needs identified.

ACTION AGREED

The Committee:

Noted and approved the 2016/2017 Work Programme.

7:00pm – 7:55pm
Chairman

Amendments to the papers for Audit Committee 29th June 2016 from those circulated on 21st June 2016

Item 6 – App A – Draft Statement of Accounts 2015/16 –

The following changes have been incorporated into the Statement of Accounts to be signed tomorrow by the Corporate Director: Resources and published on the council's website.

Note 19 – Investment Properties.

- Formulae in last line of table (p113 reports pack / p49 Statement of accounts document) showing the 'Balance at end of year' were not calculating properly. Revised table shown below:

2014/15 £000	Investment Properties	2015/16 £000
35,047	Balance at start of year	33,031
157	Subsequent Expenditure (Note 25)	1,497
(275)	Disposals	(3,040)
(1,898)	Revaluations (Note 10)	(564)
-	To / from Property, Plant and Equipment	846
33,031	Balance at end of the Year	31,770