

AUDIT COMMITTEE

MONDAY 13 FEBRUARY 2017
7.00 PM

Bourges/Viersen Room - Town Hall

THE CHAIRMAN WILL ASSUME THAT MEMBERS HAVE READ THEIR PAPERS PRIOR TO THE MEETING TO AVOID UNNECESSARY INTRODUCTIONS TO REPORTS. IF ANY QUESTIONS ARE APPARENT FROM THE REPORTS THEY SHOULD BE PASSED TO THE REPORT AUTHOR PRIOR TO THE MEETING

AGENDA

Page No

1. **Apologies for Absence**

2. **Declarations of Interest**

At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests or is a "pending notification " that has been disclosed to the Head of Legal Services.

3. **Minutes of the Meeting Held on 21 November 2016** 3 – 8

To approve the minutes of the meeting held on 21 November 2016

4. **External Audit: Annual Audit Letter and Other External Reports.** 9 – 50

To receive and approve the External Audit report in relation to issues identified as part of their audit works

INFORMATION AND OTHER ITEMS

5. **General Dispensation For Allowances** 51 – 54

6. **Use of Regulation of Investigatory Powers Act 2000 (RIPA)**

The Committee is asked to **NOTE** that there have been no RIPA authorisations in this quarter.

7. **Approved Write-Offs Exceeding £10,000**

he Committee is asked to **NOTE** that there have been no approved write-off amounts to report since 21 November 2016, which exceed the Council's Financial Regulation threshold of £10,000.

- | | |
|---------------------------|----------------|
| 8. Feedback Report | 55 – 58 |
| 9. Work Programme | 59 – 64 |



There is an induction hearing loop system available in all meeting rooms. Some of the systems are infra-red operated, if you wish to use this system then please contact Karen Dunleavy on 01733 452233 as soon as possible.

Emergency Evacuation Procedure – Outside Normal Office Hours

In the event of the fire alarm sounding all persons should vacate the building by way of the nearest escape route and proceed directly to the assembly point in front of the Cathedral. The duty Beadle will assume overall control during any evacuation, however in the unlikely event the Beadle is unavailable, this responsibility will be assumed by the Committee Chair.

Recording of Council Meetings: Any member of the public may film, audio-record, take photographs and use social media to report the proceedings of any meeting that is open to the public. A protocol on this facility is available at:

<http://democracy.peterborough.gov.uk/ecSDDisplay.aspx?NAME=Protocol%20on%20the%20use%20of%20Recording&ID=690&RPID=2625610&sch=doc&cat=13385&path=13385>

Committee Members:

Councillors: Fuller (Chairman), Aitken (Vice Chairman), D Over, Sims, E Murphy, K Sharp and A Shaheed

Substitutes: Councillors: King, Hussain, B Saltmarsh and Bond

Further information about this meeting can be obtained from Karen Dunleavy on telephone 01733 452233 or by email – karen.dunleavy@peterborough.gov.uk

Public Document Pack



MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 21 NOVEMBER 2016

Present: Councillors Aitken, King, Ayres, Sims, Murphy, Saltmarsh and Shaheed.

Also Present: Councillor Seaton Cabinet Member for Resources

Officers in

Attendance: Steven Pilsworth, Service Director Financial Services
Steve Crabtree, Chief Internal Auditor
Karen S Dunleavy, Democratic Services Officer

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Fuller, Over, and Sharp. Councillors King, Ayres and Saltmarsh were in attendance as a substitutes.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE MEETING HELD ON MONDAY, 22 September 2016

The minutes of the meeting held on Monday, 22 September 2016 were approved as an accurate and true record.

4. Dispensations

The Chief Internal Auditor introduced the report to Audit Committee Members, which requested the Committee grant general dispensation for a four year period as part of the Council's Monitoring Officer's statutory duties, in order to adhere to regulations under the Localism Act 2011.

Discussions held included:

Councillor Murphy raised concerns with regards to the transparency in granting Members a dispensation in relation to an allowance, payment or indemnity given to Members. Councillor Murphy asked the Committee to consider an amendment in regards to the dispensation grant for the Members Allowances Scheme to only allow those in receipt of members' basic allowances to vote on the Members Allowances Scheme at Council in the future.

Members raised concerns regarding Councillor Murphy's proposed amendment to exclude members from voting on the payment or indemnity given to Members, and stated that legal advice would be required as to the lawfulness of the proposed amendment before it could be considered.

The Chairman proposed that the amendment should not be considered and the Committee agreed with this. The substantive recommendations within the report were then put to the vote and carried four in favour, two against, with one abstention.

AGREED ACTION

RECOMMENDATION

The Committee recommended to explore Councillor Murphy's amendment further to consider whether members in receipt of basic allowance only should vote on the allowances scheme at Council and for the Director of Governance to provide Committee with a report at a future meeting to outline whether the amendment would be lawful and whether the amendment should be considered.

The Committee:

Agreed to grant a general dispensation for a four year period ending in November 2020 to all Members who may have a disclosable pecuniary interest in any business of the authority where that business related to the functions of the authority in respect of:

1. Housing, where Members were a tenant of their authority provided that those functions do not relate particularly to Members tenancy or lease;
2. School meals or school transport and travelling expenses, where Members were a parent or guardian of a child in full time education, or were a parent governor of a school, unless it related particularly to the school which the child attended;
3. Statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where Members were in receipt of, or were entitled to the receipt of, such pay;
4. An allowance, payment or indemnity given to Members;
5. Any ceremonial honour given to Members; and
6. Setting council tax or a precept under the Local Government Finance Act 1992.

5. Appointing Person Arrangements For The Appointment Of The External Auditor

The Service Director Financial Services introduced the report to Audit Committee in line with reviewing the arrangements for the appointment of External Audit as set out in the terms of reference.

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

- The preferred and most cost effective option for the LA was the third option included within the report to join a "sector led body" arrangement where a specified appointing person status had been achieved under the relevant regulations as outlined in the report; and
- All the options were set out in the report and would be presented to full Council to make a decision.

AGREED ACTION

The Committee agreed:

1. The adoption of Public Sector Audit Appointments Ltd (PSAA) as the appointing person for the Council, subject to receiving a satisfactory invitation to opt into the PSAA's appointing person arrangements; and
2. To delegate acceptance of the invitation to the Corporate Director: Resources, as the Council's Section 151 Officer.

6. INTERNAL AUDIT: HALF YEAR UPDATE 2016 / 2017

The Head of Internal Audit introduced the report to Audit Committee Members as a routine planned report within the work programme of the Committee. 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. The report had been based on the findings of completed internal audits from the Annual Audit Plan 2016 / 2017 as at 30 September 2016.

The Head of Internal Audit, responded to comments and questions raised by Members. A summary of responses included:

- The outcome of the customer survey was disseminated to departmental managers to communicate process and help to provide a focus on next year's internal audit;
- The Audit Team were asked to assess the LA's approach to the Local Officer scheme outlined on page 33 of the report, in order to provide a wider understanding of the requirements;
- The compliance audits, which were outlined on page 38 of the report had involved a series of quick checks and although important, the team would focus more on strategic risks. Risk registers would also be used to assist in the production of the internal audit plan for the year;
- The response of 40% for the Internal Audit Customer Survey (ACS) had been considered as good. The Audit Team had not made it compulsory for departments to respond to the ACS;
- There would always be a risk of Audits slipping as the team could be requested to conduct ad hoc audits, which would impact on the team resource available. There would be a cost implication to increase audit resources and this was not possible due to current austerity measures;
- There had been some issues over the development of the Human Resources Information Technology system due to a member of staff leaving the Authority. The audit of the HR system would commence once the project was underway;
- Winyates School had been given a no assurances score in a recent audit, however, the report was draft and the Audit team would provide feedback to the Committee when the audit was complete.
- The Audit Team aimed to approach School Governors to investigate an audit service at a cost to schools; and
- There were a number of Authority Finance Officers that had provided services to schools. If the Officers had concerns such as failure to submit budget returns then the Finance Officers would refer their concerns onto the Audit Team.

AGREED ACTION

The Committee noted the report in particular to:

- (a) Progress made against the plan and overall performance of the section;
- (b) Reports with an opinion of Limited or No Assurance; and
- (c) Initial outcomes of the Internal Audit Customer Survey.

7. Use of Consultants

The Service Director Financial Services introduced the report to Audit Committee following the Sustainable Growth Scrutiny Committee review into Peterborough City Council's use of consultants, the subsequent endorsement of their recommendations by Cabinet, and the agreement of Audit Committee to undertake an on-going monitoring role.

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

- There had been no expenditure for Deloitte within a six month period and the information included within the report should have been deleted;
- There had been expenditure made in relation to a Human Resources interim resource to conduct a piece of work on staff terms and conditions;
- There had been an increased interim resource spend in order to provide support on transformation programmes in order to avoid using resources for staff carrying out their day job; and
- There was a policy, to follow in order to appoint consultancy and interim staff resources, which had been developed in consultation with Scrutiny. There had also been a Cabinet Member decision process to follow if the interim appointment was likely to reach over £50,000. In some cases it may be necessary to obtain interim staff resources by using the Authorities Framework agreement where appropriate.

AGREED ACTION

The Committee noted the use of Consultants for the period 1 October 2015 – 30 September 2016.

The Committee also agreed that where Members raise items of interest in relation to the hourly payment rate of consultants, the Service Director Financial Services would provide feedback.

8. Treasury Management

The Service Director Financial Services introduced the report to Audit Committee Members. The Committee was advised that Treasury Management in the Public Services: Code of Practice 2011 recommended that Members received reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

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

- Credit rates were set by rating establishments and if establishments' rates were to reduce, then the Authority would no longer be permitted to invest with them. The LA could place investments with Barclays and the approved institutions for government management funds, which must be AAA rated;
- Capital expenditure projects would need to be included in 'Invest to Save' schemes and follow the appropriate decision making route rather than being a type of development; and
- A recent Invest to Save scheme that had been used which involved capital expenditure, had been in relation to Axiom Housing. The finance would be made available for the project to use as and when required.

AGREED ACTION

The Committee noted the current performance against the Treasury Management Strategy (TMS) set in the Medium Term Financial Strategy (MTFS).

INFORMATION AND OTHER ITEMS

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

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

10. APPROVED WRITE-OFFS EXCEEDING £10,000

The Committee noted that there had been no write-offs for the Council exceeding £10,000.

11. 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.

The Committee noted the report.

12. 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.

The Committee noted and approved the 2016/2017 Work Programme.

7:00pm – 20.00pm
Chairman

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AUDIT COMMITTEE	AGENDA ITEM No. 4
13 FEBRUARY 2017	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	John Harrison, Corporate Director: Resources Steven Pilsworth, Service Director Financial Services	☎ 452520 ☎ 384564

EXTERNAL AUDIT REPORTS

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director Resources	Deadline date : NA
The Audit Committee is asked to:-	
1. Consider and endorse the 2015/16 Annual Audit Letter; and	
2. Consider and endorse the 2015/16 Grant Claims: Annual Certification Report.	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee in line with its Work Programme for 2016/17.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to introduce various reports from Ernst & Young (EY), the Council's external auditors, in accordance with the Committees' Terms of Reference – 2.2.1.5 *To consider the external auditors annual letter, relevant reports, and the report to those charged with governance.*

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. EXTERNAL AUDIT REPORTS

- 4.1 During the year, EY have undertaken various reviews on behalf of the authority, the Annual Audit Letter collates and summarises those reports, the bulk of which was reported to Audit Committee in the ISA 260 on the 22nd September 2016. The following reports have been received and agreed with senior management.

Appendix	Report	Issue Date
A	2015/16 Annual Audit Letter	26 th October 2016
B	2015/16 Certification of Claims and Returns Annual Report	16 th January 2017

2015/16 Annual Audit Letter

- 4.2 The External Auditor produces an Annual Audit Letter reviewing the Council's arrangements and progress in relation to the Audit of the Accounts. The report notes that EY issued an unqualified audit opinion on the 2015/16 Statement of Accounts and that they concluded that the Council has put in place proper arrangements to secure value for money in its use of resources. Cabinet will also consider this report in February 2017. The letter is attached at Appendix A for review by Audit Committee.

- 4.3 As the letter is issued in October summarising reports from earlier in the year and is reported to members in the February meeting cycle some of the information has now changed and we continue to update EY. For example the Value for Money section mentions a budget gap for 2017/18 of £4m. This was the position in September when the Report to Those Charged with Governance (ISA 260) was produced. Since then, significant work has been undertaken on the budget, and Cabinet will have considered proposals for a balanced budget for 2017/18 on the 6th February 2017.
- 4.4 The Focused on Your Future section mentions changes are around the accounting for Highways Networks Assets (HNA) which were due to take effect from 1st April 2016. The CIPFA/LASAAC Local Authority Accounting Code Board decided at its 9th November 2016 meeting to delay the implementation of these changes due to the need to revise some nationally set rates which form part of the required valuation calculations. CIPFA/LASAAC will review this position at its meeting in March 2017 with a view to implementation in 2017/18.

2015/16 Certification of Claims and Returns Annual Report

- 4.5 This is an annual report into the review and verification of grant claims across PCC. For 2015/16 this covers Housing Benefit certification work. It is attached at Appendix B.
- 4.6 The report notes that the due EYs own staff resourcing issues they were unable to meet the DWP's certification deadline of 30 November. They applied to the DWP for an extension to 31 December which was granted and they issued their certificate on 14 December 2016. Council officers did all that they could to support EY to meet the deadline.
- 4.7 Although the work resulted in a £3,768 increase in the claim to £73,534,614 and a qualification letter to the DWP, this is because EY follow a methodology determined by DWP. This requires no materiality threshold to be applied to the audit work and a qualification letter must be issued for any amendment to the claim, no matter how small. The issues identified were relatively minor and no audit recommendations were made on the basis of these findings.

5. CONSULTATION

- 5.1 The various appendices have been discussed, and actions agreed by senior management at various times before being finalised. In addition, will Cabinet discuss and approve their content.

6. ANTICIPATED OUTCOMES

- 6.1 Acknowledgement and approval of the works undertaken by External Audit.

7. REASONS FOR RECOMMENDATIONS

- 7.1 Audit Committee to note the contents of the report and to comment on issues identified within the various commissioned works.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 None

9. IMPLICATIONS

- 9.1 Implications have been identified separately in each agreed Action Plan

10. BACKGROUND DOCUMENTS

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

- 10.1 Council Constitution

11. APPENDICES

- Appendix A – 2015/16 Annual Audit Letter
- Appendix B – 2015/16 Certification of Claims and Returns Annual Report

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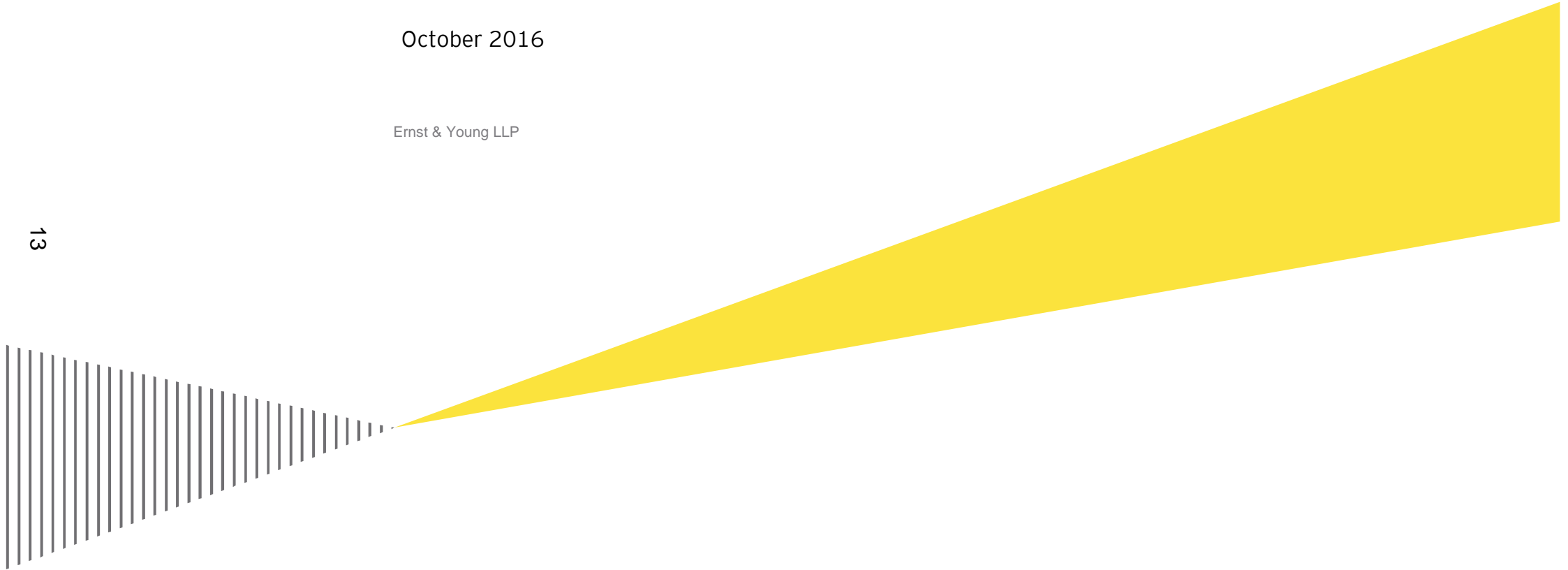
Peterborough City Council

Annual Audit Letter for the year ended 31 March 2016

October 2016

Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Peterborough City Council (the Council) following completion of our audit procedures for the year ended 31 March 2016.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 29 September 2016.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 20 October 2016, after we had concluded the work on the WGA return by the deadline of 21 October 2016.

In January 2017 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Janet Dawson

Partner
For and on behalf of Ernst & Young LLP

Purpose



Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to the 22 September 2016 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.



Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with the Audit Plan that we issued on 7 June 2016 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2015/16 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 29 September 2016.

Our detailed findings were reported to the 22 September Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.</p> <p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>
<p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.</p>	<p>We reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised. Our testing did not identify any expenditure which had been inappropriately capitalised.</p>

Significant Risk	Conclusion
<p>Revenue and expenditure recognition</p> <p>Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.</p> <p>We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end.</p>	<p>Our testing has not revealed any material misstatements with respect to revenue and expenditure recognition.</p> <p>Overall our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Council's financial position.</p>
<p>Property, Plant and Equipment valuation</p> <p>The Council's previous auditor raised two issues in their annual audit letter relating to PPE valuations, re:</p> <p>Lack of reconciliation of Gross Internal Area (GIA) documentation. However, their work in this area concluded that the amounts on the valuation certificates were appropriate and no adjustments were required to the accounts as a result of this matter.</p>	<p>We completed our planned audit procedures and, for a sample of revaluations:</p> <ul style="list-style-type: none"> ▶ Concluded that we were able to place reliance on the work undertaken by management's valuation expert. ▶ Concluded that the basis of the valuations was in accordance with relevant guidance, in particular the 2015-16 Code of Practice on Local Authority Accounting. ▶ Concluded that the accounting treatment applied to changes in the valuation of property assets was appropriate.
<p>Accounting for schools' non-current assets. Your previous auditor identified matters in relation to 5 schools with a total netbook value of £9.5m. It is the Authority's view that legal ownership should reside with, and is in the process of transferring to, the governing bodies of the schools, who have substantive control over these assets. Therefore, the Authority does not have control over the assets and has not included these assets in the balance sheet. The Council's previous auditor was satisfied with the conclusions made by the Council not to recognise these assets but requested disclosure of this matter, including the net book value of the non-current assets of £9.5m, in a note to the accounts.</p>	<ul style="list-style-type: none"> ▶ We discussed the latest position on the school's transfer with the finance team, and understand that these schools are still in the process of transferring to the governing bodies. The decision to exclude the assets from the balance sheet is in line with the Code and consistent with the Council's approach for this category of assets. However, although these assets have been correctly excluded from the balance sheet there has been no progress in completing the legal transfer to the governing bodies of the schools.

Significant Risk	Conclusion
<p>Private Finance initiative</p> <p>The Council recognises on its Balance Sheet a PFI liability for a PFI agreement with IIC BY Education (Peterborough Schools) Limited which the Council signed in 2006 for the delivery of new and improved facilities and services for three secondary schools in Peterborough. The contractor will maintain these three schools and provide them with a range of other services such as caretaking, cleaning and catering for 30 years. One of the three schools has transferred to Academy status therefore the associated assets are not recognised on the Council's Balance Sheet. The value of the two schools which are recognised on the Council's Balance Sheet is £25.1m.</p> <p>The PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.</p> <p>The accounting entries are based on a complex range of assumptions via a PFI accounting model.</p>	<p>We completed our planned audit procedures and concluded that the Council's Operator Model calculations are in accordance with the CIPFA Code requirements for a service concession.</p>

Significant Risk	Conclusion
<p data-bbox="349 371 1050 402">Minimum Revenue Provision (MRP) methodology change</p> <p data-bbox="349 413 1050 571">In common with many other local authority bodies in 2015/16 Peterborough City Council has reviewed the basis on which they calculate the required “prudent” MRP amount. The change is proposed to assist with funding the budget gap which has been identified by the Council.</p> <p data-bbox="349 582 1050 866">The Council is currently applying MRP at a rate of 4% which is the previously accepted methodology for the capital expenditure incurred prior to 1 April 2008 which was funded by borrowing, and for supported borrowing undertaken from 2008/09 to 2010/11. The key element of the Council’s revised approach is to link the MRP calculation to the weighted average life of these assets. In addition, the annuity basis is to be applied to unsupported borrowing post 2008.</p> <p data-bbox="349 877 1050 940">The MRP adjustment is material and we considered that there were risks around:</p> <ul data-bbox="349 951 1050 1091" style="list-style-type: none"><li data-bbox="349 951 1050 1013">▶ Whether the weighted average life of the assets has been correctly calculated;<li data-bbox="349 1024 1050 1054">▶ The treatment of Adjustment A ; and<li data-bbox="349 1066 1050 1091">▶ Whether the revised calculation of MRP is correct.	<p data-bbox="1079 427 2110 489">We completed our planned audit procedures and concluded that that the recalculated amount of MRP for 2015/16 is fairly stated.</p>

Significant Risk	Conclusion
<p>Assessment of the Group boundary</p> <p>Peterborough City Council has a number of joint arrangements which may necessitate the preparation of group accounts.</p> <p>The Council will need to identify and consider all of its relationships with its subsidiaries and other partners and assess the nature of these arrangements to determine whether they create functional bodies and other group entities which now fall within the group boundary and therefore require consolidating into the Council's Financial Statements. Group accounts have not previously been prepared by the Council.</p> <p>The review will need to consider the new accounting practices introduced in the 2014/15 CIPFA Code of Practice.</p> <p>There is a risk that associated group boundary changes may go undetected, and that the required disclosures are not made in accordance with the new standards.</p>	<p>We completed our planned audit procedures and we agreed with the Council's conclusion that it did not need to prepare Group consolidated accounts for 2015/16.</p>

A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with some showing their edges and others showing their faces. The lighting is dramatic, highlighting the metallic texture and the ridges on the edges. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Value for Money'.

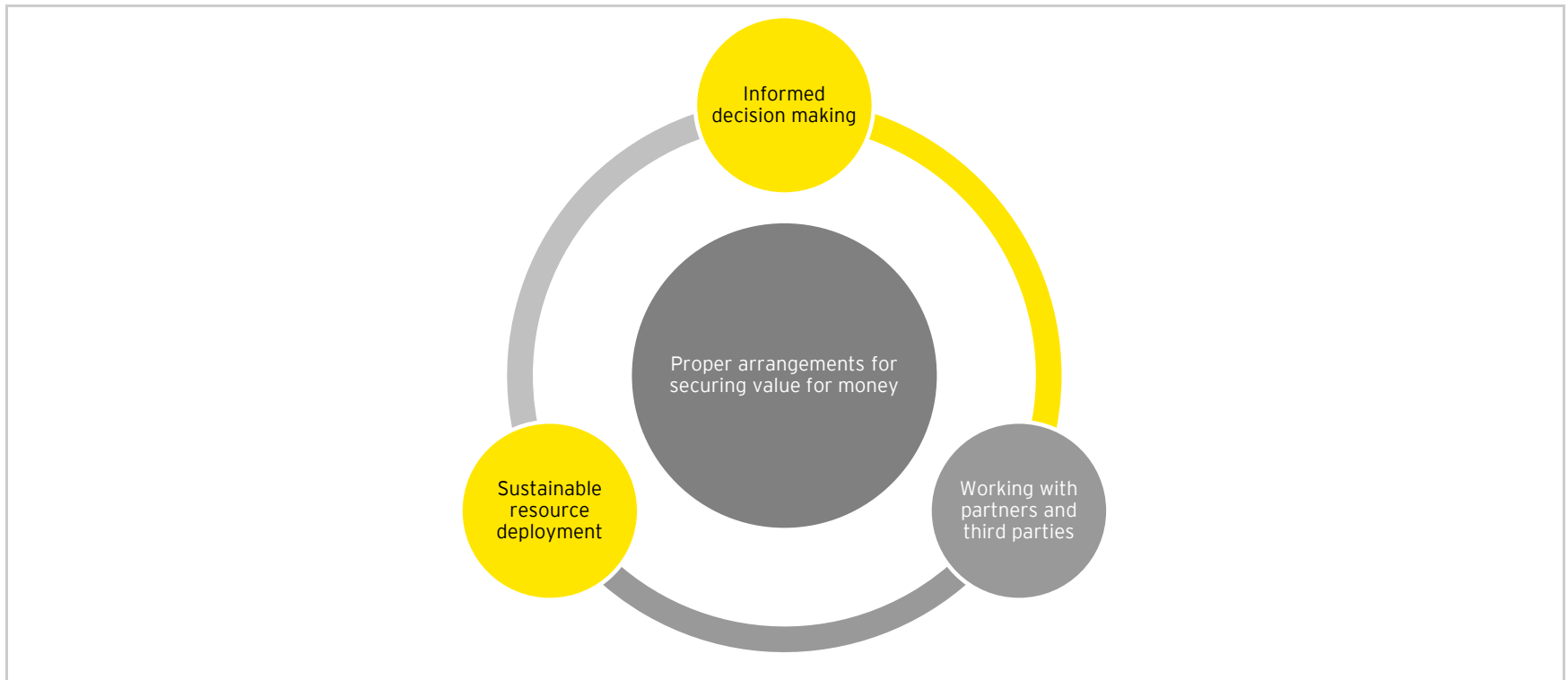
Value for Money

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We issued an unqualified value for money conclusion on 29 September 2016.

We identified one significant risk in relation to our value for money conclusion. This related to the budget pressures faced by the Council.

We performed the procedures outlined in our Audit Plan and concluded that the Council had adequate arrangements in place.

As part of our work we considered the following areas and made the following observations:

Key Findings

Budget pressures

Councils are funded by grants from central government and locally raised revenue from council tax and business rates or from fees, charges, or other revenue generating activities. Since 2010/11 funding for Councils from central government has reduced by 37 per cent in real terms, and further reductions for the period 2016-17 to 2019-20 are likely.

The Council is taking action to address longer term financial resilience issues identified in the Medium Term Financial Strategy. The budget for 2016/17 is balanced; however, there are still some gaps to cover in subsequent years: £4 million in 2017/18, £24 million in 2018/19 and £31 million in 2019/20.

Achieving the 2016/17 budget will be reliant on savings plans of £24m being realised. £5 million savings are planned in each year as a result of changing the methodology of calculating Minimum Revenue Provision (MRP).

We reviewed the Council's 2016/17 budget and the medium term forecast, assessing the extent of the savings plans in place. This took into account the Council's historic record.

In 2015/16 the Council continued its track record of achieving its annual budget, delivering a surplus of £1m, along with approximately £25m of savings, and it has established a Grant Equalisation reserve with a balance of £12m, created to defer the impact of funding reductions. The general fund balance stands at £6m as at 31 March 2016, and total earmarked reserves at £30m.

The 2016/17 budget is balanced, through the use of efficiencies and income plans. Although it is still relatively early in the financial year, we assessed these as reasonably-based taking into account the Council's track record of delivering savings over the recent financial periods. While incrementally savings can become harder to achieve over time, the Council's performance in delivering its plans gives confidence that it can continue to do so.

We also reviewed the key assumptions in the budget and MTFs, which adequately took into account the economic environment at that time for business rate projections, and the forecast for reduced central government funding and the potential four-year settlement.

The budget gap for 2017/18 is £4m, 2018/19 £24m and 2019/20 £31m. Compared to a gross expenditure of approximately £520m per annum, and historic performance of closing the gap we judge this to be a manageable budget gap.

Therefore, based on the known information as at the end of the financial year, we assess the Council to have adequate arrangements.

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We had no issues to report.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2015/16 financial statements from member of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 22 September 2016. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

We have adopted a fully substantive approach and have therefore not tested the operation of controls. As part of our work, we obtain an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit is not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have not identified any matters to bring to your attention.

A close-up photograph of a person's face as they look through a pair of black binoculars. The person's eyes are focused on the lenses. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Focused on your future".

Focused on your
future

Focused on your future

Area	Issue	Impact
EU referendum	<p>Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. For entities in the public sector, there is likely to be an impact on investment property valuations if confidence in the wider UK property market falls; and the valuation of defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact of these issues, but there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.</p>	<p>Many of the issues and challenges that face the UK public sector will continue to exist, not least because continued pressure on public finances will need responding to. Additionally it may well be that the challenges are increased if the expected economic impacts of the referendum and loss of EU grants outweigh the benefits of not having to contribute to the EU and require even more innovative solutions.</p>
Highways Network Assets (HNA)	<p>The Code of Practice on Transport Infrastructure Assets (TIA Code) was first published in 2010 and updated in 2013. The key aim of this document was to improve the asset management of TIA. During 2016, this guidance has been renamed and updated, with the Highways Network Asset (HNA) Code, Guidance Notes and Accounting Guidance being published. Local Government has historically used depreciated historic cost (DHC) as the valuation approach for infrastructure assets. The introduction of the HNA Code will see this valuation basis change to depreciated replacement cost with effect from 1 April 2016. The change will be applied prospectively from that date, so Highways Authorities are not required to disclose comparative information.</p>	<p>The impact on the Council's Balance Sheet will be a significant increase in the Net Book Value of Property, Plant and Equipment. The impact on the audit will also be significant, as auditors will need to obtain sufficient assurance over the material accuracy of the assets.</p> <p>We will work closely with the Council at both the local level, regarding system implementation, valuation procedures and accounting, and at the wider level through the continuation of our HNA Client Workshops.</p>

Area	Issue	Impact
Devolution	<p>The UK has lagged behind other countries in decentralising its governance. But in recent years, 'localism' has gained momentum. Large parts of England have started to agree Devolution Deals, which transfer powers in policy areas such as housing, planning and transport, education, employment, skills, health and policing. If managed well, it could help stimulate local economies to achieve higher levels of job creation and growth; improve public service outcomes through better local coordination of resources and funding; revitalise local democracy through more accountable governance; and improve the sustainability of public finances.</p> <p>In March, the Chancellor published an offer to local authorities in East Anglia - to form an East Anglia Combined Authority covering Norfolk, Suffolk, Cambridgeshire and Peterborough. Communities and businesses in Cambridgeshire and Peterborough were consulted on the proposals.</p> <p>Negotiations between the Councils in the East Anglian region concluded that the interests of the region would be best met through two combined authorities - Cambridgeshire and Peterborough, and Norfolk and Suffolk.</p> <p>Cambridgeshire and Peterborough have now negotiated a new devolution deal, proposing the formation of a Combined Authority including: Peterborough City Council, Cambridgeshire County Council, Fenland District Council, Huntingdonshire District Council, East Cambridgeshire District Council, South Cambridgeshire District Council, Cambridge City Council and the Greater Cambridge Greater Peterborough Local Enterprise Partnership. This proposals remains subject to ratification by each Council.</p>	<p>The Cities and Local Government Devolution Act came into force on 28 March 2016. Orders and regulatory amendments relating to constitutional or electoral issues need to be in place by late 2016 to ensure that the combined authority can come into effect early in 2017 and the Mayoral elections can take place in May 2017.</p> <p>The Secretary of State must first make an Order for the creation of the combined authority and then seek consent to the draft Order from each authority. The draft Order will be considered by both Houses of Parliament before being made.</p> <p>In EY's report 'From Whitehall to Townhall Preparing for devolution to England's city regions' we look at progress so far and outline the factors that have driven success in winning more powers. We reflect on the readiness of different areas to make a success of devolution and speculate on the long-term impact on local government.</p> <p>The debate will continue for some time to come, and lessons will be learned along the way. Drawing on our experience of working with a number of local authorities and cities, we are committed to helping facilitate debate and sharing best practices to help local government deliver the best services and outcomes to their communities and citizens.</p> <p>We will also need to consider how Councils are preparing for the transition to the new arrangements, whilst maintaining 'business as usual,' for our 2016/17 Value For Money conclusion.</p>

Appendix A

Audit Fees



Appendix A Audit Fees

Our fee for 2015/16 will be more than the scale fee set by the PSAA as reported in our Annual Results Report.

Description	Final Fee 2015/16 £	Planned Fee 2015/16 £	Scale Fee 2015/16 £	Final Fee 2014/15 £
Total Audit Fee - Code work: Note 1	TBC	117,408	108,533	144,710
Total Audit Fee - Certification of claims and returns: Note 2	TBC	13,619	13,619	18,740

Note 1 - Audit Fee - Code work. We have reviewed our costs now we have completed our outstanding audit procedures. We reported in our Audit Results Report that we expected this additional fee to be no more than 10% of the scale fee. This additional fee will be £8,875, which is 8% of the scale fee. The additional fee covers the work involved in responding to the audit risks outlined in this report, and the issues discussed in our Audit Results Report presented to the Audit Committee on 22 September 2016. It includes an additional fee of £2,856 for the review of the change to the MRP methodology. The additional fee is currently subject to approval by Public Sector Audit Appointments Ltd (PSAA).

Note 2 - We have not commenced our work in this area. Our certification of the Housing Benefit claim will be completed to the 30 November 2016 deadline, and the final fee concluded at that time. We will report the results of our work and the final fee with you in our Annual Audit Letter.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

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ED None

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Certification of claims and returns annual report 2015-16

Peterborough City Council

January 2017

Ernst & Young LLP



Building a better
working world

The Members of the Audit Committee
Peterborough City Council
Town Hall
Bridge Street
Peterborough
PE1 1QT

16 January 2017

Direct line: 020 7951 2340
Email: SPatel22@uk.ey.com

Dear Members

Certification of claims and returns annual report 2015-16 Peterborough City Council

We are pleased to report on the results of our work on Peterborough City Council's 2015-16 grant claims.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2015-16, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions (DWP) and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2015-16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £73,534,614. Owing to our own staff resourcing issues we did not meet the DWP's certification deadline of 30 November and issued our certificate on 14 December 2016. The certificate included reference to a qualification letter – details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments increased the grant due to the Council by £3,768.

Fees for certification are summarised in section 3. The housing benefits subsidy claim fees for 2015-16 were published by PSAA in March 2015 and are now available on PSAA's website (www.psa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at committee on 13 February 2017.



Yours sincerely,



Suresh Patel
Executive Director
Ernst & Young LLP
Enc

Contents

1. Housing benefits subsidy claim.....	1
2. 2015-16 certification fees.....	3
3. Looking forward.....	4

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£ 73,530,846
Amended/Not amended	Amended – subsidy increased by £3,768
Qualification letter	Yes
Fee – 2015-16	£13,619
Fee – 2014-15	£18,740

Recommendations from 2014-15	Findings in 2015-16
None	See detail below

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years' claims. We found errors and carried out extended testing in some areas.

We have reported the extrapolated value of these errors, underpayments, and other observations in a qualification letter. The DWP then decides whether to ask the Council to carry our further work to quantify the errors or to claw back the benefit subsidy paid. These are the main issues we reported:

- Testing of the initial sample of Rent Rebates (non-HRA) identified 1 case where the Council had overpaid benefit as a result of miscalculating the claimant's weekly income. Testing of an additional random sample identified 1 case where the Council had overpaid benefit as a result of miscalculating the claimant's weekly income, and 1 case where the Council had underpaid benefit as a result of miscalculating the claimant's weekly income. As there is no eligibility to subsidy for benefit which has not been paid, the one underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.
- Testing of the initial sample of Rent Allowances identified 2 cases where benefit had been underpaid as a result of the Council miscalculating the claimant's weekly income, and 1 case where the Council had overpaid benefit as a result of miscalculating the claimant's weekly income. Testing of an additional sample of 40 cases identified a further 1 case where benefit had been underpaid as a result of the Council miscalculating the claimant's weekly income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes.

The claim was also amended as a result of testing undertaken:

- Testing of the initial sample of Modified Schemes identified 1 case where the overpayment was misclassified as claimant error instead of local authority error. All overpayments for Modified Schemes cases were therefore tested for classification of overpayments. A further case was identified where the overpayment was mis-classified. The resulting adjustment to the claim was to increase cells 113 and 120 by £193 and £5,543 respectively and reduce cells 114 and 121 by the same value.
- The additional testing on Modified Schemes overpayments identified 2 cases where there was an amount in an overpayment cell but the claimant was not in receipt of a war pension, this was as the result of an incorrect manual adjustment. All modified scheme cases were therefore tested to confirm all claimants were in receipt of war pension. An additional 5 cases were identified where the claimant was not in receipt of a war pension and a manual adjustment had been included incorrectly. The resulting adjustment to the claim was to decrease cells 214 and 225 by £1,253 and increase cell 102 by £1,023; cell 103 by £230 and cell 094 by £1,253.

- Initial testing on rent allowances identified an incorrect manual adjustment. Additional testing was undertaken on all manual adjustments entered by that assessor and no further errors were identified. The resulting adjustment to this claim was to decrease cell 099 by £25; increase cell 102 by £24; increase cell 113 by £22 and decrease cell 114 by £21.

We have made no audit recommendations on the basis of these findings.

2. 2015-16 certification fees

PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by PSAA in March 2015 and are now available on their website (www.psa.co.uk).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	£13,619	£13,619	£18,740

The indicative fee for 2015-16 is based on the actual fee for 2013-14 with a 25% reduction in scale fee.

3. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to PSAA by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016-17 is £14,055. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015-16. Indicative fees for 2016-17 housing benefit subsidy certification work are based on final 2014-15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address:

<http://www.psa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Corporate Director of Resources and the Service Director of Financial Services before seeking any such variation.

PSAA is currently consulting on the 2017-18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018-19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

Looking forward

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AUDIT COMMITTEE	AGENDA ITEM No. 5
13 FEBRUARY 2017	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Contact Officer:	Kim Sawyer, Director of Governance & Monitoring Officer	Tel. 01733 452361

General Dispensation For Allowances

RECOMMENDATIONS	
FROM : Kim Sawyer, Director of Governance	Deadline date : N/A
It is recommended that the Audit Committee note the guidance provided by the Director of Governance relating to dispensations for allowances	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to the Committee following a recommendation requested at its meeting held on 21 November 2016, which considered dispensations which allow members to vote on matters in which they have a pecuniary interest. One of those pecuniary interests relates to the allowances paid to members.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is for the Committee to consider the advice on this matter by the Director of Governance and Monitoring Officer.
- 2.2 This report is being submitted in line with the Committee's Terms of Reference 2.2.1.15 to consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
---	-----------	---	-----

4. DISPENSATIONS

- 4.1 Members are required by law to vote on the scheme of allowances. This requirement means that members will be voting on matters in which they have a pecuniary interest as all members are entitled to receive a basic allowance.
- 4.2 Some members also receive a special responsibility allowance. This is an additional allowance paid to members who carry out additional duties, such as Chair of Committees or Cabinet members.
- 4.3 The allowances are reviewed by an Independent Remuneration Panel who write a report setting out the evidential basis for its conclusions. That report is recommended to Council for members to vote upon.
- 4.4 Under s33 (2) (a) of the Localism Act 2011, the authority may grant a dispensation if it considers that without the dispensation (a) the number of persons prohibited in any

particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business or (b) the representation of different political groups would be so upset as to alter the likely outcome of any vote.

- 4.5 A query was raised at the meeting on the 21 November as to whether the dispensation could apply to members who receive a basic allowance only. This meant that no dispensation would be granted to members receiving an SRA and therefore any member receiving an SRA would not be entitled to vote.
- 4.6 This amendment was correctly refused by the Chair. The effect of such an amendment would mean that members could vote only where they were entitled to receive a basic allowance. This would exclude a large number of councillors from voting on the basis that they may receive a higher allowance than other members. In other words it is acceptable for some members to vote on their pecuniary allowances but not acceptable for other members to do so, even where the whole of those interests have been independently evaluated. This means that the application of the dispensation is unevenly and unfairly applied to members.
- 4.7 Members perhaps understand this better by analogy to the register of interests. In the register of interests members have to declare any body from which they receive remuneration (salary, wages or payment). When it comes to declaring interests and speaking and voting on matters related to their employer, the law does not distinguish voting rights depending on the level of their salary. Members either have a pecuniary interest or they do not. Two members receiving salary from the same employer would not generally be considered eligible for dispensation based upon whether they are paid more or less than another member.
- 4.8 This form of dispensation also assumes that members are voting for a personal allowance, however allowances in this financial year were set for the coming financial year. Are members therefore excluded from voting on an SRA for a position that they may not occupy in the coming year? How then is it to be determined who can and cannot vote on the SRA? The consideration of the SRA ought to be based upon whether the additional responsibilities for that role warrant the additional allowance and whether that allowance is fair for the additional duties being undertaken.
- 4.9 Most importantly this amendment would exclude a significant number of members from voting on the allowances scheme. This would likely result in the outcome of a vote on the payment of SRA's being upset. As the SRA's tend, as in all Councils, to be paid to those charged with the leadership of the Council, this exclusion would reverse the pattern of voting in favour of the opposition parties, contrary to the political balance of the Council. For that reason the second limb of the dispensations was created to counteract any imbalance in political arrangements of the Council as determined by the electorate.

5. CONSULTATION

- 5.1 No consultation is required.

6. ANTICIPATED OUTCOMES

- 6.1 That members are appraised of the reasons for dispensations and why they operate.

7. REASONS FOR RECOMMENDATIONS

- 7.1 The Council is required to abide by the provisions of the Localism Act 2011.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Alternative options are not relevant.

9. IMPLICATIONS

9.1 There are no specific legal or financial implications, other than the legal requirement and implications set out in the report.

10. BACKGROUND DOCUMENTS

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

10.1 Openness and transparency on personal interests: A guide for Councillors (DCLG).

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AUDIT COMMITTEE	AGENDA ITEM No. 8
13 FEBRUARY 20172016	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Fuller, Chair of Audit Committee	
Contact Officer(s):	Karen S Dunleavy, Democratic Services Officer	☎ 452233

FEEDBACK REPORT

1. ORIGIN OF REPORT

This is a standard report to Audit Committee which forms part of its agreed work programme.

2. PURPOSE AND REASON FOR REPORT

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

3. APPENDICES

Appendix A – Summary of Feedback Responses

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AUDIT COMMITTEE: RECORD OF ACTION TAKEN

MUNICIPAL YEAR: MAY 2016 - APRIL 2017

AGENDA ITEM	ACTION ARISING	OFFICER RESPONSIBLE	ACTION TAKEN	ACTION RAISED	SIGN OFF DATE
Dispensations	To explore Councillor Murphy's proposed amendment further to consider whether members in receipt of basic allowance only should vote on the allowances scheme at Council and for the Director of Governance to provide Committee with a report at a future meeting to outline whether the amendment would be lawful and whether the amendment should be considered.	Kim Sawyer	Report to February 2017 Committee	21 November 2016	30/02/17
Use of Consultants	The Committee also requested that the Service Director Financial Services would provide information on hourly rates of particular consultants, which were to be highlighted by Members.	Steven Pilsworth	Members to highlight.	21 November 2016	30/02/17
WORK PROGRAMME	The Committee also agreed that the Service Director Financial Services would circulate the Annual Audit letter to Members prior to the agenda publication for the Audit Committee meeting scheduled for 13 February 2016.	Steven Pilsworth	Completed	21 November 2016	30/02/17

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AUDIT COMMITTEE	AGENDA ITEM No. 9
13 FEBRUARY 2017	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Fuller, Chair of Audit Committee	
Contact Officer(s):	Karen S Dunleavy, Democratic Services Officer	☎ 452 233

WORK PROGRAMME

1. ORIGIN OF REPORT

This is a standard report to Audit Committee which forms part of its agreed work programme. This standard report provides details of the Draft Work Programme for the following municipal year.

2. UPDATE

2.1 Work Programme 2015 / 2016 (Appendix A)

The Work Programme is based on previous years agendas. The programme has been refreshed throughout the year in consultation with senior officers and the Committee membership to ensure that it remains relevant and up to date. In addition, any delays in reporting issues are recorded so that they do not drop off the committee agenda.

2.2 Training for members on specific aspects of the Audit Committee agenda are available throughout the year and will be arranged on request and will take place on a separate day to that of the Committee meeting.

DATE: 29 JUNE 2016			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Internal Audit: Annual Audit Opinion	Internal Audit Steve Crabtree	To receive, consider and endorse the annual Audit Opinion of Internal Audit for the year ended 31 March 2016.
	Investigations Team Annual Report 2015 / 2016	Internal Audit Steve Crabtree	To receive, consider and endorse the annual report on the investigation of fraud and irregularities for the year ended 31 March 2016
	Draft Annual Governance Statement	Internal Audit Steve Crabtree	To receive, consider and endorse the draft Annual Governance Statement for the year ended 31 March 2016
	Budget Monitoring Report Final Outturn 2015 / 2016	Finance Steven Pilsworth	To receive, consider and endorse the final outturn position for the year ended 31 March 2016
	Draft Statement of Accounts 2015 / 2016	Finance Steven Pilsworth	To receive, consider and comment on the draft Statement of Accounts for the year ended 31 March 2016
	Audit Plan	EY	To receive the Audit Plan from EY, to review their proposed approach and scope for the 2015/16 audit in accordance with requirements, and to ensure that the EY audit is aligned with the Committee's service expectations.
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Draft Work Programme 2016 / 2017	Democratic Services Karen Dunleavy	

OTHER POSSIBLE AGENDA ITEMS

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Ben Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

DATE: 22 SEPTEMBER 2016			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Risk Management: Strategic Risks	Governance Kevin Dawson	To receive details of the strategic risks impacting on the Council and the mitigating actions to address these.
	Audit of Statement of Accounts To Those Charged with Governance (ISA260)	Finance Steven Pilsworth & EY	To receive the final Statement of Accounts for the year ended 31 March 2016 incorporating the Annual Governance Statement together with the annual report to those charged with governance following their scrutiny by External Audit.
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required. To also include the outcome of a recent Surveillance Commission Inspection.
	Approved Write-Offs Exceeding £10,000	Finance Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2016 / 2017	Democratic Services Karen Dunleavy	

OTHER POSSIBLE AGENDA ITEMS

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Bens Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

DATE: 21 NOVEMBER 2016			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Internal Audit: Mid Year Progress Report	Internal Audit Steve Crabtree	To receive an update on progress against the Annual Audit Plan together with details of any concerns
	Use of Consultants	Finance Steven Pilsworth	To receive an update on the Use of Consultants across the organisation
	Treasury Management	Finance Steven Pilsworth	To receive an update on the policy and effectiveness of treasury management
	Appointing person arrangements for the appointment of the external Auditor	Steven Crabtree	
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2016 / 2017	Democratic Services Karen Dunleavy	

OTHER POSSIBLE AGENDA ITEMS

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Ben Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

DATE: 13 FEBRUARY 2017			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous meeting	Democratic Services Karen Dunleavy	
	External Audit: Annual Audit Letter and Other External Reports.	EY	To receive and approve the External Audit report in relation to issues identified as part of their audit works
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Finance Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	General Dispensation for Allowances	Governance Kim Sawyer	To consider a report following a recommendation made by members in regards to the dispensation granted.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2016 / 2017	Democratic Services Karen Dunleavy	

OTHER POSSIBLE AGENDA ITEMS

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Ben Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)

DATE: 27 MARCH 2017			
		Section / Lead	Description
Standard	Apologies for Absence		
Standard	Declarations of Interest		
Standard	Minutes of previous Meeting	Democratic Services Karen Dunleavy	
	Risk Management: Strategic Risks	Governance Kevin Dawson	To receive an update on the strategic risks for the Council
	Internal Audit: Draft Internal Audit Plan 2017 / 2018	Internal Audit Steve Crabtree	To receive and approve the Internal Audit Plan 2017 / 2018
	Draft Annual Audit Committee Report	Democratic Services Karen Dunleavy	To receive the Draft Annual Audit Committee Report prior to submission to Council
	External Audit plan	EY	To receive and approve the Draft External Audit Plan
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Steven Pilsworth	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
Standard	Feedback report	Democratic Services Karen Dunleavy	
Standard	Work Programme 2017 / 2018	Democratic Services Karen Dunleavy	

OTHER POSSIBLE AGENDA ITEMS

	Governance Reports	Governance Ben Stevenson	Major changes to governance arrangements, policies and procedures requiring approval. Examples would include updates to Financial Regulations or Contract Rules.
	Member Reports	Governance Ben Stevenson	Specific reports relating to the Members Code of Conduct and / or the Hearing Panel (sub-committee to the Audit Committee)