

**PETERBOROUGH**



**MINUTES OF THE AUDIT COMMITTEE MEETING  
HELD AT 7:00PM, ON  
MONDAY, 25 SEPTEMBER 2017  
BOURGES/VIERSEN ROOM, TOWN HALL, PETERBOROUGH**

Present: Councillors Aitken (Chairman), Over (Vice-Chairman), King, Mahabadi, S Nawaz, Shaheed and Saltmarsh.

Officers in Attendance: Marion Kelly, Interim Corporate Director Resources  
Pete Carpenter, Service Director Financial Services  
Ian Pantling, Financial Accounting and Control Manager  
Stephen Gerrard, Interim Director Law and Governance  
Dan Kalley, Senior Democratic Services Officer

Also in

Attendance: Suresh Patel, Audit Director, Ernst & Young  
Kay McLennan, Manager Government and Public Audits, Ernst & Young

**16. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Bull, and Sharp. Councillors King and Saltmarsh were in attendance as substitutes.

**17. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**18. MINUTES OF THE MEETING HELD ON MONDAY, 26 JUNE 2017**

The minutes of the meeting held on Monday, 26 June 2017 were approved as an accurate and true record.

**19. AUDIT OF STATEMENT OF ACCOUNTS TO THOSE CHARGED WITH GOVERNANCE (ISA260)**

The Audit Committee received a report in relation to the Audit of Statement of Accounts to those charged with Governance (ISA260).

The purpose of the report was for the Audit Committee to receive and note the "Audit Results Report" for the year ended 31 March 2017 from Ernst and Young on behalf of the Council. In addition the Audit Committee was asked to approve the audited statement of accounts.

Ernst & Young introduced the report and informed the Committee that reports were nearly finalised, there was still some work to do around clearing some receipts and school payroll. The Management representation letter had now been received. Ernst & Young were still finishing work on governance accounts and statements, this was to be signed off on Wednesday 27 September 2017.

The Committee were informed that there were no areas of concern to bring to the attention of the Committee and the Annual Governance statement was clear and coherent.

Overall the report was positive report and there were no matters outstanding or in question with regards to value for money. The finance team had demonstrated that they were up for the challenge in producing the statement of accounts within the new timeframes.

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

- The issues around the school payroll were only follow up questions and queries and seeking some clarity.
- The accounts were free from any errors, the work carried out by the finance team and Ernst & Young showed both to be extremely capable.
- There were no common levels of underspend within local authority budgets. Each local authority had their own criteria. Ernst & Young were satisfied with the level of reserves and how they had been reached. However, the finance team would put in place a robust process to examine the reserves.

The Audit Committee considered the report and **RESOLVED** to:

1. Receive and approve the "Audit Results Report - (ISA260) for the year ended 31 March 2017" from Ernst & Young (EY), the Council's external auditors.
2. Receive and approve the audited Statement of Accounts 2016/17.

## **20. RESPONSE TO THE PUBLIC SECTOR AUDIT APPOINTMENTS PROPOSAL TO APPOINT ERNST & YOUNG LLP AS EXTERNAL AUDITORS FOR 5 YEARS FROM 2018/19**

The Audit Committee received a report in relation to the response to the Public Sector Audit Appointments (PSAA) proposal to appoint Ernst & Young LLP as external auditors for 5 years from 2018/19.

The purpose of the report was for the Audit Committee to consider whether to make a representation to Public Sector Audit Appointments on the proposed appointment of Ernst & Young LLP as external auditors for 5 years from 2018/19.

The Service Director - Financial Services, introduced the report and stated that in June 2017 the PSAA completed a procurement to let audit contracts from 2018/19. Ernst & Young were successful in winning the contract and have now been proposed as external auditors for Peterborough City Council

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

- The PSAA undertook on behalf of a number of local authorities the procurement of external auditors, there was no reason to doubt the process and the recommendation of appointing Ernst & Young as external auditors for Peterborough City Council.
- This was the first time local authorities appointed external auditors for a five year period.
- The PSAA undertook the procurement process to ensure that each local authority receives value for money in the services being offered by external auditors.
- In terms of overall cost Ernst & Young came in cheaper than PWC, however it was more about the service and value for money that Ernst & Young offered over PWC.

- All statutory bodies had to appoint external auditors in order to satisfy statutory requirements.

The Audit Committee considered the report and **RESOLVED** to:

1. Confirm to Public Sector Audit Appointments that it is satisfied with the appointment of Ernst & Young LLP as external auditors for 5 years from 2018/19.

## 21. TREASURY MANAGEMENT MID YEAR UPDATE

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

The purpose of the report was for the Audit Committee to consider current performance and the forecast outturn position against prudential indicators and to seek approval of the use of loans as a form of investment to organisations delivering services for the Council.

The Service Director - Financial Services, introduced the report and outlined to the Committee that the approval to use loans for investment was a change to existing policy. Currently the Council had £20 million invested, with a 2.7% return.

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

- The purpose behind the loans was for investment companies that were to provide infrastructure or services to help Peterborough, which could include the potential of a hotel.
- This was a process of tidying up current practices and making them more transparent.
- There were always risks when issuing loans, however currently most of the ones currently issued involved ensuring good housing provisions. In addition there would be a number of due diligence tests and processes to follow before any loan was to be issued. Individual loans would need to be approved by the Cabinet.
- The envisaged loan for the hotel was necessary to speed up the regeneration of Fletton Quays by the summer of 2019.
- It was hard to fully understand and quantify the benefits of money being spent on social housing or on projects that did not have a return on investment in monetary form.
- There was no ceiling as to the limit of the value of loans to be made, each authority needed to look at their own circumstances. In addition these limits would be set when full Council meets to discuss council tax rates and financial strategies.
- It was still the Council's responsibility to provide transport for school children even if they went to academies.
- Due diligence processes would be in place to set commercial interest rates.
- A further report on Treasury Management would be presented at the meeting in November.
- A breakdown of the loans currently issued and for what purpose would be provided to members of the Committee.

The Audit Committee considered the report and **RESOLVED** to:

1. Note the current performance against the Treasury Management Strategy (TMS) set in the Medium Term Financial Strategy (MTFS).
2. Approve the use of loans as a form of investment to organisations delivering services for the Council.

**ACTION AGREED:**

1. Briefing note to be sent to Members of the Audit Committee outlining current loans issues and for what purpose.

**INFORMATION AND OTHER ITEMS**

**22. USE OF REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**

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

**23. APPROVED WRITE-OFFS EXCEEDING £10,000**

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

**24. FEEDBACK REPORT**

The Senior Democratic Services Officer introduced the report and informed Members on the status of actions agreed at the previous meeting.

**ACTION AGREED:**

The Committee noted the Feedback Report and work completed since the last meeting.

**25. WORK PROGRAMME 2017/18**

The Senior Democratic Services Officer introduced the report and informed Members that the Work Programme for the year 2017/18 was in line with previous years.

It was agreed that the Draft 2018/19 Treasury Management report was to be presented at the November Committee. In addition the item on Use of Consultants would move to the meeting in February.

**ACTION AGREED:**

The Committee noted the Work Programme for the Committee 2017/18.

7:00pm – 7.53pm  
Chairman