



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 7:00PM, ON
MONDAY, 20 NOVEMBER 2017
BOURGES/VIERSEN ROOM, TOWN HALL, PETERBOROUGH**

Present: Councillors Over (Chairman), Mahabadi, Bull, S Nawaz, King, Shaheed

Officers in
Attendance:

Marion Kelly, interim Corporate Director Resources
Peter Carpenter, Service Director Financial Services
Steve Crabtree, Chief Internal Auditor
Louise Cooke, Group Auditor
Julie Taylor, Group Auditor
Ian Pantling, Financial Accounting and Control Manager
Kevin Dawson, Head of Resilience
Karen Dunleavy, Democratic Services Officer

Also in

Attendance: Kay McLennan, Manager Government and Public Audits, Ernst & Young

26. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Aitken. Councillor King was in attendance as substitute.

27. DECLARATIONS OF INTEREST

No declarations of interest were received.

28. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 25 SEPTEMBER 2017

The minutes of the meeting held on 25 September 2017 were agreed as a true and accurate record.

29. EXTERNAL AUDIT: ANNUAL AUDIT LETTER AND OTHER EXTERNAL REPORTS

The Audit Committee received a report in relation to Annual Audit letter of Ernst Young LLP in accordance with The National Audit Office's 2015 Code of Audit Practice.

The purpose of the report was to present the formal letter setting out the detailed findings already reported to 25 September 2017, Audit Committee.

The Service Director Financial Services introduced the report and requested the Committee to note the Annual Audit Letter.

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

- The grant equalisation reserve would be used to balance the 2017/18 budget. The Council's plans for 2019/2020 were not to rely on grant budgets.
- The statement of accounts restatement outlined in page 24 of the report had been in relation to a new format requirement for all Councils. The new format had been intended to provide a more user friendly approach for the general public. None of the figures that had been restated, had changed.

The Audit Committee considered and **RESOLVED** (Unanimously) to note the report.

30. ERNST & YOUNG PROGRESS REPORT ON 2017/18 AUDIT

The Audit Committee received a report in relation to the Ernst & Young LLP Progress Report on 2017/18 Audit.

The purpose of the report was to provide an outline to Members of the Ernst & Young progress report 2017/18.

The Service Director Financial Services introduced the report and requested that Members note the report.

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

- The external auditors would review the content of the Medium Term Financial Plan and whether it would be robust enough to manage the size of the budget gap and to identify what the risks would be for the Council.
- The external audit fee would remain the same even if the work was completed at an earlier date.
- All the audit progress letters would appear on the Council's web site. Ernst & Young would be challenged by the FRC to ensure that the audit process for the Council was being conducted effectively.
- All audit work previously reported to the audit commission, which no longer existed and this was a key issue for CiPFA regarding the level of financial regulation.
- A suite of audit tools would be used to analyse data capture such as the payroll analytics tool. Monthly trends and pay rise data would be explored in order to streamline the audit process.
- Anti-fraud risk assessments undertaken in regards to services which were outsourced such as payroll were captured by external audit ensuring that there had been no material misstatements. This task would be undertaken by conducting a series of substantive and control work including liaison with the internal audit team. The audit of the outsourced payment systems would also include all transactions within the Council's accounts such as schools.
- External contracts outside of the Council's control such as academies or foundation schools would not show in Council's accounts.
- Funding for academies and foundations was out of the Council's control and therefore would not be included in the audit of the accounts.

The Audit Committee considered and **RESOLVED** (Unanimously) to note the report.

31. INTERNAL AUDIT: MID-YEAR PROGRESS REPORT

The Audit Committee received a report in relation to the Internal Audit: Mid Year Progress Report.

The purpose of the report was to provide Members with an overall opinion on the soundness of the control environment internal audits from the Annual Audit Plan 2017 / 2018 as at 30 September 2017.

The Chief Internal Auditor introduced the report and requested Members to note the contents.

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

- The self service Human Resources Information Technology systems detailed within the report on page 58 had been highlighted as a risk due to the project being put on hold. This would be picked up by the Audit Team when the project restarts.
- The Internal Audit Team were due to audit the payroll system, which would be conducted alongside EY, the Council's external auditors. The team would ensure that audit work would not be duplicated.

The Audit Committee considered and **RESOLVED** (Unanimously) to note the report.

AGREED ACTIONS

The Audit Committee also agreed that:

1. The Chief Internal Auditor would provide details over when the self service HR IT systems project would be restarted.

32. RISK MANAGEMENT: STRATEGIC RISKS

The Audit Committee received a report in relation to the Risk Management – Strategic Risks.

The purpose of the report was to outline the risk management approach to corporate and services levels across the Council, which sought to identify key risks which might prevent the Council's priorities from being successfully achieved. The Committee was also informed that the risk management reports would be service led in future and overseen by a Risk Management Board. The Corporate Director of Growth and Regeneration would be the corporate sponsor for the Risk Register and would provide the update to Members at future Audit Committee meetings.

The Interim Corporate Director of Resources and the Head of Resilience introduced the report and requested the Committee to comment on and note the latest Risk Management Report.

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

- There had been a great deal of work being undertaken by the Council to mitigate the risk in regards to safeguarding. The number of actions to mitigate risks would have presented safeguarding as a risk on the register.
- Compared to county risk registers, the red and amber risks were reflective in terms of areas such as safeguarding.
- A half yearly sense check would be conducted on the risk register by Corporate Management Team.
- It had been too early to identify whether there were significant risks politically or economically in regards to the Combined Authority, however, they had

been using Peterborough's risk management tool in order to monitor their risks.

- Significant stress factors such as increased health resource requirements, which may impact the Council, was monitored through the impact of social and demographic change risk on the register.

The Audit Committee considered and **RESOLVED** (Unanimous) to note the report.

AGREED ACTIONS

The Audit Committee agreed that:

- The Interim Corporate Director would arrange a briefing note for Members which would outline the measures being undertaken to mitigate the risks in regards to safeguarding.

33. Treasury Management: Strategy 2018-2028

The Audit Committee received a report in relation to the consultation on 2018/19 Treasury Management Strategy.

The purpose of the report was to provide Members with a draft narrative of the Treasury Management Strategy 2018/19 for comment and input on Treasury Management policies before receipt of a completed revised version in February 2018 once the Capital Programme for the next 10 years was agreed.

The Service Director Financial Services introduced the report and asked Members to review and comment on the draft 2018/19 Treasury Management Strategy (TMS) before a final strategy was produced once the Revenue Budget and Capital Programme were finalised in February 2018.

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

- Some Section 106 money agreements were specific and could only used for those purposes. There were many developers that would challenge how Section 106 funding had been implemented by the Council.
- The Council's interest rates on loans had been fixed and were borrowed from the Public Works Loan Board. The Council would review what the borrowing requirement was for future years and take advantage of low interest rates accordingly. However, the Government were monitoring how local authorities were using their Capital Programmes for investments out of areas and it was anticipated that the process would tightening up. For this reason, the Council were looking very carefully at their Capital Programme and what the borrowing need was for the next three years in order to take advantage of the current low rates.
- The supported and unsupported borrowing details outlined on page 83 of the report were the only two debts that the Council had entered into of this type. The loans had been entered into outside of the Public Works Loan Board and were a type of borrowing that most councils had entered into.
- Capital programmes were used on highways, schools and rolling programmes such as updating IT and buildings.
- Members complimented officers on the way they reported to Committee.

The Audit Committee considered and **RESOLVED** (Unanimously) note the draft 2018/19 Treasury Management Strategy.

AGREED ACTIONS

The Audit Committee noted the report and agreed that the Service Director Financial Services would provide Members with:

1. A breakdown of the pre and post 2007/08 debt figures.
2. A further breakdown of the supported and unsupported borrowing totals.
3. An analysis of what loans entered into with the PWLB had been used for in order to identify the amount spent by highway, schools and rolling programme investments.
4. A full analysis on Private Finance Initiative funding.

34. IMPACT OF CHANGED STATUTORY DEADLINE FOR APPROVAL OF STATEMENT OF ACCOUNTS

The Audit Committee received a report in relation to the proposed change of statutory deadline approval of the statement of accounts.

The purpose of the report was to inform Members that there was a need to approve the deadline date for approval of the statement of accounts and amend the work programming schedule accordingly.

The Service Director Financial Services introduced the report and asked Members to consider and approve the proposal.

The Audit Committee considered the report and **RESOLVED** (Unanimously) in favour to change the dates and work programme to accommodate the change in the statutory deadline for approval of the Statement of Accounts.

AGREED ACTIONS

The Audit Committee agreed:

1. to change the dates and work programme to accommodate the change in the statutory deadline for approval of the Statement of Accounts.

INFORMATION AND OTHER ITEMS

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

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

36. APPROVED WRITE-OFFS EXCEEDING £10,000

The Committee noted that there had been no write-offs amounts to report since 25 September 2017, which exceeded the Council's Financial Regulation threshold of £10,000.

37. FEEDBACK REPORT

The Chairman introduced the report and informed Members on the status of actions agreed at the previous meeting. Members also received a tabled briefing note in relation to investment loan arrangements to third party organisations.

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

- There was no specific agreement on how the £30 million loan for Axiom housing would be drawn.
- There was governance in place to explore the financial health of Axiom Housing Association and other third party organisations.

The Audit Committee considered and **RESOLVED** (Unanimously) to note the report.

38. WORK PROGRAMME

The Service Director Financial Services introduced the report and informed Members that the Work Programme for the year 2017/18 was in line with previous years.

ACTION AGREED

The Committee noted the Work Programme 2017/18.

- The Audit Committee also agreed that the Corporate Director Growth and Regeneration would be invited to attend future meetings of the Audit Committee in relation to Risk Management items.
- The Internal Audit Plan would move from February to March 2018
- The statement of accounts would need to be presented to Members in July 2018.

7:00pm – 7:55 pm
Chairman