



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 7:00PM, ON
MONDAY, 16 JULY 2018
BOURGES/VIERSEN ROOM, TOWN HALL, PETERBOROUGH**

Present: Councillors Over (Chairman), Mahabadi, Joseph, Azher Iqbal and Warren

Officers in

Attendance: Peter Carpenter, Service Director Financial Services
Steve Crabtree, Chief Internal Auditor
Ben Stevenson, Compliance (Governance) Manager
Fiona McMillan, Interim Director Law and Governance
Dan Kalley, Senior Democratic Services Officer
Ian Pantling, Financial Control and Control Manager
Kirsty Nutton, Head of Corporate Finance

Also in

Attendance: Kay McClennon, Manager, Governance & Public Sector Audit, Ernst & Young
Suresh Patel, Director, Ernst & Young

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Shaz Nawaz, Aitken and Shaheed. Councillor Joseph attended as substitute.

2. DECLARATIONS OF INTEREST

No declarations of interest were received.

3. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 26 MARCH 2018

The minutes of the meeting held on 26 March 2018 were agreed as a true and accurate record.

4. ANNUAL GOVERNANCE STATEMENT

The Audit Committee received a report in relation to the Annual Governance Statement progress on the audit of the Council's 2017/18 statement of accounts.

The Interim Finance Director introduced the report. The report was to ensure that there was integrity in the way the accounts were delivered and these were based on the seven CIPFA principles.

The report outlines from the head of the paid service and the lead member of the Council that the governance processes were in place to ensure that the Council was on the correct footing. The report had been strengthened to take account of the number of joint arrangements between Peterborough and Cambridgeshire County Council. Further delivery targets and dates had been added to the governance statement to ensure that work was being kept on track.

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

- The report took account of three different areas, firstly self-assessment in terms of delivering on the Council. In terms of internal and external views are mostly quantitative as the evidence used comes from the Council's accounts. Samples of data are used by the external auditors and this goes through one of their models to produce reports that look for any errors within the system. The qualitative side is done more internally through the finance team.
- The written diary of progress was the governance statement from the previous year. This is used to check processes and procedures as set out in the Councils financial rules and regulations.
- In the public review of the accounts, any member of the public could come in and ask for the data. Councils could now however redact commercially sensitive data from being provided to any members of the public.

The Audit Committee considered and **RESOLVED** (Unanimously) to:

1. Note the arrangements for compiling, reporting on and signing the Annual Governance Statement;
2. Review and comment on the Annual Governance Statement including any areas which should be amended; and
3. Agree and approve the statement for signature by the Chief Executive and Leader of the Council for inclusion in the statement of accounts.

5. ANNUAL INTERNAL AUDIT OPINION 2017/18

The Audit Committee received a report in relation to the Annual Internal Audit Opinion 2017/18.

The Chief Internal Auditor introduced the report. It was of the opinion that the Council had adequate and effective systems in place to manage its objectives. Resources within the team, were split between the Council, work for the Combined Authority and work carried out for Vivacity. The team had also undertaken work for other local authorities - an audit in relation to RECAP for all Cambridgeshire authorities had been completed. An external assessor visited the Council's audit team in March as part of an assessment against the Public Sector Internal Audit Standards. Once the results are received, these will be provided to Committee.

Annual Surveys had been undertaken, to Members and Officers, which continue to show how the service was respected across the organisation. It also identified potential areas for improvement.

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

- There were checks carried out on blue badges across the Council, however these were not as robust as they could be. However, there had been improvements in this area.
- It was important to remember that the opinion was only based on a snapshot of the Council's systems - audit cannot review every system. A risk assessment at the beginning of the year identifies the key risk areas to undertake reviews due to the limited amount of resources to be able to cover as many areas as possible. From the work undertaken the Chief Internal Auditor was happy with the statement provided to the Committee.

- There were regular meetings within the Cambridgeshire Audit Group to bring to the attention any learnings from the Northamptonshire experiences. The Council was in a good position currently, but it was important to learn from what happened in Northamptonshire. There were a lot of councils that were struggling financially and a lot was dependent on the settlements they received from Central Government.
- Car parking issues were raised and it was stated that there was a PES enforcement service in place and it was hoped that in the future far more could be employed and that they could then pay for themselves. As part of budget process parking was in two different departments, one of the aims of the budget process was to look closely at those services that were managed across a number departments to see if savings could be made and if they were being managed effectively. It was agreed that officers would do a risk assessment on online parking and feedback at a later date.
- Parking enforcement was difficult to administer due to the capacity of officers. The system currently in place did not have the functionality to check online who had what parking permit. If this was to be done there would be some concerns over privacy over who had a parking permit. If the Council was to go ahead a full impact assessment would need to be carried out.

The Audit Committee considered and **RESOLVED** (Unanimously) to endorse the Chief Internal Auditor's annual report for the year ended 31 March 2018.

6. FRAUD AND INVESTIGATIONS ANNUAL REPORT 2017/18

The Audit Committee received a report in relation to the Fraud and Investigations team Annual Report 2017/18.

The Chief Internal Auditor introduced the report and commented that fraud and investigations was an ongoing problem for all local authorities and as part of this in March 2018 members of the Audit Committee were provided with revised policies in order to tackle these issues. The report highlighted both proactive and reactive work.

There had been twelve alleged breaches by employees, which could result in dismissals, resignation or no case to answer. In terms of Blue Badge misuse 36 cases had been referred for review, if found to have been misused people had been given warnings and informed how to use them properly. There had been two cases which the team had sought prosecutions.

A National Fraud Initiative is undertaken every two years, the next being due in October.

Separate fraud training is being developed for staff and members. These training sessions would be conducted via e-learning or face to face. Risk assessments were taking place across all areas of business to see where there could be potential fraud and this would form the basis of the fraud training.

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

- It was noticeable that there was a correlation between the high benefit claims and the housing waiting list. There was concern over people who were in a difficult situation, which was made more difficult if there had been errors made over housing benefit claims and money that was then owed to the landlord.
- The Council did identify areas where there had been no fraud committed and in those situations the Council would look to put things back to normal.

- There were over £300 million of fraud cases going on across councils in the UK. The Council needed to make sure that there were policies in place and that these were continually being updated.

The Audit Committee considered and **RESOLVED** (Unanimously) to endorse the annual report on the investigation of fraud and other issues during 2017 / 2018

7. BUDGET OUTTURN REPORT 2017/18

The Audit Committee received a report in relation to the Budget Outturn 2017/18.

The Interim Finance Director introduced the report and informed the Committee that it set out the revenue position of the Council. The Council had underspent by £6.9 million, which was £3.4 million better than reported in January 2018. All of the underspend was used for future transformational use. The Capital expenditure was in line with forecasts. Members were informed that the Council was now building a sustainable capital programme, which linked to resources year on year. A Capital review group was instigated over the past year, which on a monthly basis looked at capital across the Council to make sure things were done properly and were achievable. General reserves had increased by £2 million in comparison to the previous year. No prudential indicators had been breached over the past year.

The Council had improved its performance in relation to debt collection, payment of invoices and collection of Council Tax.

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

- It was impressive that the Council was able to show an underspend compare to previous years of overspending. This was a credit to the staff within the finance team.
- It was important to keep policing the budget and ensuring that the money was spent in the right way.
- It was important that there had been a precept for adult social care. Some things had to be carried forward to the next year.
- In terms of temporary accommodation, processes had been put in place to deal with these issues. The relationship with Meedsham homes was set to have 288 units going forward and more in the pipeline.
- The best solution for the Council was to try and help keep people in their own homes wherever possible.

The Audit Committee considered and **RESOLVED** (Unanimous) to:

1. Note the final outturn position for 2017/18 (subject to finalisation of the statutory statement of accounts) of a £6.9m underspend on the Council's revenue budget.
2. Note the reserves position outlined in section 6, which includes a contributions to the capacity building reserve of £6.9m, as a result of departmental underspends as highlighted in the revenue outturn.
3. Note the outturn spending of £80.164m in the Council's capital programme in 2017/18 outlined in section 7.
4. Note the performance against the prudential indicators outlined in Appendix B.

5. Note the performance on payment of creditors, collection performance for debtors, local taxation and benefit overpayments outlined in Appendix C.

8. **AUDIT OF STATEMENT OF ACCOUNTS TO THOSE CHARGED WITH GOVERNANCE (ISA 260)**

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

The Interim Finance Director introduced the report and commented that this was the external auditors view on the accounts. In comparison to these accounts had to be signed off two months earlier than previous years.

The Director, Ernst and Young, informed members that this was the culmination of work in preparing the reports earlier than previously. Subject to the completion of some outstanding matters an unqualified audit opinion was to be issued and would be before the 31 July deadline. There was also to be an unqualified view given on value for money arrangements. The auditors had re-visited the audit plan to look at risks and had tweaked some of the detail.

The Manager, Governance & Public Sector Audit, Ernst and Young commented that most of the school invoices and queries had almost been completed. The property valuation work had been completed, a recent query had been raised that was being looked at. There were two areas that were unable to be completed at the current time, namely pension procedures and Whole of Government (WGA) account procedures. The pension fund auditors had yet to give their assurances although the work on this had been completed. In terms of the WGA procedures this was received late and there had been little time to investigate these properly as yet, however it would be completed by the end of August deadline.

There had been no deficiencies within the internal accounting process. There were proper arrangements in place to achieve value for money. It was important to highlight that there were financial challenges to the Council, however this was the case across all local authorities.

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

- The external auditors examined how the Council arrived at a decision to award or buy services, in terms of value for money. The consideration for value for money was much wider than purely just financial expenditure.
- In terms of other authorities most were going to deliver within the new timelines, however some were struggling to meet this and would require further work.
- It was to be recorded the thanks to the finance team, who had worked hard in meeting the new deadlines.
- A further recommendation needed to be added, in terms of possible changes to the accounts, it was therefore necessary to delegate to the Chairman to approve the changes when finalised.

The Audit Committee considered and **RESOLVED** (Unanimously) to

1. Approve the "Audit Results Report - (ISA260) for the year ended 31 March 2018" from Ernst & Young (EY), the Council's external auditors.

2. Approve the 2017/18 Management Representation Letter.
3. Approve the audited Statement of Accounts 2017/18.
4. To delegate to the Chairman to approve further changes if needed before the deadline of 31 July 2018.

9. FEES REPORT

The Audit Committee received a report in relation to the fees for the external audit of accounts.

The Interim Director of Finance introduced the report, two years ago the Council joined the National External Audit scheme and from this the Council chose the NAO allocation and appointed Ernst and Young as external auditors until 2022-23. The fees for this had been set by statute. The Council had to go out and look for the housing benefit audit and this was to be done by KPMG following a tender process.

The Audit Committee considered and **RESOLVED** (Unanimously) to approve the 2018/19 external audit fee proposal.

INFORMATION AND OTHER ITEMS

10. QUARTER 2 LOCAL GOVERNMENT BRIEFING

The Audit Committee received a report in relation potential issues that might affect local authorities in the future. The briefing set out where members of the Committee could get more information on issues affecting audits.

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

- The updates and briefings were useful and helped explain what was happening nationally.
- A report on the gender pay gap could be circulated to members and any members could discuss this with the head of HR.

The Audit Committee considered and **RESOLVED** (Unanimously) to note the sector update

ACTION AGREED:

1. Report on Gender Pay Gap to be circulated.

11. USE OF REGULATORY INVESTIGATORY POWERS ACT (RIPA)

The Audit Committee received a report in relation to an updated Regulation Investigatory Powers Act (RIPA) policy.

The Compliance Manager (Governance) introduced the report. It was deemed good practice to update the policy. It was important to note that this did not compel surveillance and as a Council this power was rarely used.

Although the Council didn't use the powers, it was important that staff received training over the powers and other ways of investigating without using that power. The policy would be updated on a regular basis going forward and this would be brought back to Committee on an annual basis if necessary.

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

- In terms of parking, RIPA was restrictive under the Protection of Freedoms Act. There had to be an outcome of possible sentencing in order for the power to be used.
- There were a number of options that the Council could use instead of resorting to RIPA. Officers of the Council would examine what was proportionate at the time of investigation.

The Audit Committee considered and **RESOLVED** (Unanimously) to review the updated RIPA policy and agreed the proposed amendments as detailed in this report.

12. APPROVED WRITE OFFS

The Audit Committee considered and **RESOLVED** (Unanimously) that there were no write-offs to report.

13. FEEDBACK REPORT

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

14. WORK PROGRAMME 2018/19

The Committee noted the work programme and for the inclusion of two further items namely:

- Residents car parking scheme to be brought back in February.
- Winayates school funds to be looked at in November or February.

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

7:00pm – 8.28pm

Chairman