

PETERBOROUGH



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 7:00PM, ON
MONDAY, 24 SEPTEMBER 2018
BOURGES/VIERSEN ROOM, TOWN HALL, PETERBOROUGH**

Present: Councillors Over (Chairman), Jones, Elsey, Aitken and Warren

Officers in

Attendance: Peter Carpenter, Service Director Financial Services (arrived for last 2 items)
Steve Crabtree, Chief Internal Auditor
Sue Addison, Insurance Manager
Fiona McMillan, Interim Director Law and Governance
Dan Kalley, Senior Democratic Services Officer
Suzanne Jones, Head of Commercial Finance
Kirsty Nutton, Head of Corporate Finance

Also in

Attendance:

15. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Shaz Nawaz and Mahabadi. Councillor Jones attended as substitute.

16. DECLARATIONS OF INTEREST

No declarations of interest were received.

17. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 16 JULY 2018

The minutes of the meeting held on 16 July 2018 were agreed as a true and accurate record.

18. INSURANCE SERVICE AND INSURANCE FUND ANNUAL REPORT 2017/18

The Audit Committee received a report in relation to the Insurance Service and Insurance Fund Annual Report 2017/18.

The Chief Internal Auditor introduced the report. The report was to present to Members the work carried out during the past year to provide an effective insurance function, covering all aspects of the Council activities, whilst minimising cost. Insurance cover was a large expense for the Council. The report outlined claims over the past five years in terms of numbers and value. A number of the figures included outline the worst case scenarios. Various initiatives had been put in place to reduce the impact of claims. There had been success in managing the claims which had resulted in a reduction of approximately £100k on the annual cost at the recent tender exercise. Current risks had seen the return of insurance in relation to terrorism, which was due to the heightened risk outlined by central government. One area going forward that would require attention was in relation to services currently provided by Amey, which would revert back to the Council in February 2019 in the form of the Local Authority Trading Company (Latco).

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

- The Insurance Fund was internal money that was used to cover things that were not externally insured. There was no insurance premium tax on those areas. A rolling programme was looked at every three years to see what could be kept in house.
- When a claim comes in, the reserve is set for the 'worst case scenario', however once a claim had been investigated, the Council will often have a valid defence and so most cases result in a reduction in the amount that would need to be paid out. The reserve would be maintained at full level until the case had been closed.
- The Peterborough Investment Partnership carried their own insurance and was therefore no risk to Peterborough City Council.
- The Council insured externally for the most serious risks, such as Public Liability. Most of the claims that had been covered in the Insurance Fund over the past ten years were around property damage. The Council did not benchmark against other authorities, however there were comparisons with other nearby authorities who were less risk averse.

The Audit Committee considered and **RESOLVED** (Unanimously) to endorse the attached annual report on the provision of the Insurance Service and the Insurance Fund during 2017/2018.

19. ERNST & YOUNG LLP ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2018

The Audit Committee received a report in relation to the Ernst and Young LLP Annual Audit Letter for the year ended 31 March 2018.

The Head of Commercial Finance introduced the report. The detailed findings were presented at the meeting on 16 July 2018. Nothing significant had been changed to the overall opinion.

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

- The unqualified opinion was as good an outcome as the Council could hope to achieve.
- The Council had three Lender Option, Borrower Option (LOBO) loans. The interest rates on these varied from 4.5-4.75%. There were no concerns or risks with regards to the current status of these loans.
- Treasury advisers had commented that if the Lenders called in their option then the Council would likewise call in their option and look for alternative financing.

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

20. TREASURY MANAGEMENT MID YEAR UPDATE

The Audit Committee received a report in relation to the Treasury Management Mid Year Update

The Head of Commercial Finance introduced the report. The reporting on the Treasury Management followed appropriate guidelines. There were no anomalies found in the current update.

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

1. Review the current performance against the Prudential Indicators as approved in the Treasury Management (TMS) contained in the Medium Term Financial Strategy (MTFS).
2. Note as outlined in Cabinet Reports for Tranche 1, it is expected that the capital programme will reduce in future months due to re-profiling of the programme to a more deliverable level of £100m, with exact details to be confirmed.

21. RISK MANAGEMENT REPORT

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

The Head of Commercial Finance introduced the report. Regular report sets out what the key risks were and shows how these were spread across departments.

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

- Some of the detail around terrorism and the risks sat with external partners such as the Police taking a lead. The Local Authority were engaged in the overall contingency planning. Members were informed that the Council was currently going through a review of its contingency and emergency planning arrangements.
- When looking at insurance from schools, all schools should have their own risk management plans in place. A number had a reference of action to take should there be a terrorist attack. The Council was looking at this issue in more detail going forward as the Council were responsible for insuring local authority funded schools.
- There was no set time period for risks to remain at a particular level. Some risks such as safeguarding needed to be looked at on a regular basis. Management teams reviewed risks at regular intervals and CMT also looked into the risks on a regular basis. Risk Management Board meets on a monthly basis which challenges each departmental register before the risk management report is referred to CMT.
- There were no plans at the current time to increase the number of meetings around Brexit, however this would be monitored on a regular basis. If risks materialised then a review of how this was managed would be taken.

The Audit Committee considered and **RESOLVED** (Unanimous) to note the Risk Management Report

22. UNCOLLECTABLE DEBTS IN EXCESS OF £10,000

The Audit Committee received a report in relation to Uncollectable Debts in excess of £10,000.

The Head of Commercial Finance introduced the report. This followed the Cabinet Member Decision Notice and was good practice to write off the debts on a regular basis.

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

- The report focused mainly on business rates. Debt was not written off lightly. This generally occurred when there was no further option of recourse to collect the outstanding debt.
- The legal limit in terms of being able to take action was generally six years.

The Audit Committee considered and **RESOLVED** (Unanimously) to note the write-offs contained in the report.

23. FEEDBACK REPORT

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

24. WORK PROGRAMME 2018/19

The Committee commented on the work programme and asked that a report on the Combined Authority and on the Asset Investment Strategy be brought to Committee.

The Acting Director Corporate Resources agreed to both reports being presented. In terms of the Combined Authority report that would look at governance processes and how they worked..

The Audit Committee considered and **RESOLVED** (Unanimously) to note the report and include further items on Asset Investment Strategy and the Combined Authority.

7:00pm – 7.32pm
Chairman