

AUDIT COMMITTEE

MONDAY 24 SEPTEMBER 2018
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 16 July 2018** **3 - 10**

4. **Insurance Service and Insurance Fund Annual Report 2017/18** **11 - 20**

To receive, consider and endorse the attached annual report on the provision of the Insurance Service and the Insurance Fund during 2017 / 2018.

5. **Ernst & Young LLP Annual Audit Letter for the Year Ended 31 March 2018** **21 - 48**

To note the Annual Audit Letter for the Year Ended 31 March 2018.

6. **Treasury Management Mid Year Update** **49 - 56**

To report current performance and the forecast outturn position against the Prudential Indicators in the strategy.

7. **Risk Management Update** **57 - 64**

INFORMATION AND OTHER ITEMS

8. 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.

9. Approved Write-Offs Exceeding £10,000 65 - 74

To note the approved debt write-offs exceeding £10,000.

10. Feedback Report 75 - 78

11. Work Programme 79 - 86



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Committee Members:

Councillors: Nawaz, Mahabadi, D Over (Chairman), A Shaheed, Warren, Aitken (Vice Chairman) and G Elsey

Substitutes: Councillors: Fuller, Hogg and Joseph

Further information about this meeting can be obtained from Dan Kalley on telephone 01733 296334 or by email – daniel.kalley@peterborough.gov.uk



**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 Council's 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 revisited 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.
- Winyates 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

AUDIT COMMITTEE	AGENDA ITEM No. 4
24 SEPTEMBER 2018	PUBLIC REPORT

Report of:	Pete Carpenter, Acting Director of Corporate Resources	
Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384 557

INSURANCE SERVICE AND INSURANCE FUND ANNUAL REPORT 2017 / 2018

R E C O M M E N D A T I O N S	
FROM : Steve Crabtree, Chief Internal Auditor	Deadline date : N / A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Receive, consider and endorse the attached annual report on the provision of the Insurance Service and the Insurance Fund during 2017 / 2018. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee as a scheduled report on the provision of Insurance Services to Peterborough City Council and other third parties. It is in line with the established Work Programme.

2. PURPOSE AND REASON FOR REPORT

2.1 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following

2.2.1.12: To monitor the effective development and operation of risk management and corporate governance in the Council.

2.2 The purpose of this report is to present the work carried out during the past year to provide an effective insurance function which provides cover for all aspects of the Council whilst minimising the cost.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet	-
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4. BACKGROUND AND KEY ISSUES

4.1 The Insurance Team now form part of the wider Audit, Insurance and Investigations Team and provide the following main services:

- Assess the insurance needs of Peterborough City Council and put in place an insurance programme that best reflects these needs, through a mixture of external insurance and use of the Insurance Fund;
- Handle all insurance claims pursued against Peterborough City Council up to the insurance deductible and liaise with insurers concerning all claims over the deductible;
- Evaluate insurance claims to identify both individual areas of risk mitigation and general risk trends, then implement strategies to reduce these; and
- Provide insurance services to other bodies, such as schools including academies, Vivacity and the Cambridgeshire and Peterborough Combined Authority

The key issues dealt with by the Insurance Team over the past year are as follows:

4.2 Insurance

- Assessment of the current insurance programme led to a recommendation to Corporate Management Team that Terrorism insurance be placed back in the portfolio of external insurances. This was accepted and has been put in place.
- A procurement exercise was undertaken to place all the external insurances for the next 3 to 5 years. Following tender evaluation, this has resulted in savings of approximately £100k per year from 2018/19, against the 2017/18 figures.
- A restructure of the service was carried out which reduced personnel from 2.5 FTE to 2.0 FTE, making savings on staffing costs whilst maintaining service levels.
- An external audit of the Insurance Team's claims handling was carried out by Zurich Insurance. A score of 95.47% was achieved, with the areas assessed of Evaluation, Anti-Fraud, Negotiation, Litigation Management and Recoveries all scoring 100%. The Auditors commented on the service *'The overall quality of the claims handling found at Peterborough CC was of a very high standard with evidence of a good customer service being provided. The new claims were set up and acknowledged promptly, and the investigations were proactive on the majority of cases reviewed. All relevant documentation was sought during such investigations and the correct liability decisions were made on all files. Full supporting documentation was provided in respect of any repudiations.'*

4.3 The Insurance Fund

Peterborough City Council utilises a mix of external insurance and internal funding of risk to ensure best value – for example Insurance Premium Tax on external insurance is currently 12% and so there is an instant saving on any risks that are at an acceptable level to be carried by the Council internally.

It is important that the Insurance Fund maintains sufficient balances to meet the Council's liabilities, but also that it is not over-funded, when budgets elsewhere are so stretched. For this reason, an Actuarial review of the Insurance Fund is undertaken every three years to ensure the level is as accurate as possible. The latest review has been carried out this year, resulting in an identified potential surplus of £1.5m.

4.4 Risk Mitigation

The Insurance Team do not only handle insurance claims made against the Council, this data is also analysed to identify the greatest risks and claims trends. Actions are then taken to reduce these risks.

The two main risks faced by Peterborough City Council presently are Highways and tree-related subsidence. The following actions have been taken in connection with these:

- The long dry spell over the summer may lead to a rise in tree-induced subsidence claims against the Council. The Insurance Team have been working with the Natural and Historic Environment Manager to reduce the Council's liabilities for such claims,

through targeted tree works in higher-risk areas, better recording of tree stock and inspections, a review of the Tree Management Strategy to take into account subsidence risk and meetings with/seminars for the Tree Team, to aid their understanding of the insurance position.

- The new Well-Managed Highway Infrastructure Code of Practice is due to come into effect from October 2018. The Insurance Team have been working with Highways to prepare for this, including arranging a mock trial for the Highways Inspectors run under the new rules to help them understand this and meetings to discuss the changes necessary with both the Inspectors and the Management Team. Amendments have been made to the Highways records to demonstrate compliance with the new Code.

4.5 Working with schools

Schools are not obliged to arrange their insurance through the Local Authority and so for the past 20 years the Insurance Team have been offering the bespoke 'Choice' service, which allows schools to choose from a range of insurances they may need, including specialist schemes for school journeys, Governors and legal expenses, as well as the usual buildings, contents, liabilities and motor covers.

The schools can choose the level of excess they are comfortable with and receive claims handling, insurance advice and risk management support from the Insurance Team.

For example, if there is a claim at a school and the investigation shows that risk assessments are either not in place or are not sufficient, this can demonstrate a potential problem with risk management at the school which could lead to future claims. The Insurance Team will work with the school and on occasion involve the Council's Health & Safety Team to improve the risk assessments, put in place policies to support risk improvement and provide match funding for risk improvement initiatives.

Many schools have converted to Academy status and so can no longer remain as part of the Council's schools policy. The Insurance Team have therefore been working with our insurers to make an offering to schools on a standalone basis that can rival the Risk Protection Agreement, which allows the school to remain with a commercial insurer and also retain the services of the Insurance Team. Six Academies have remained so far and the scheme will be offered to all future schools when they are looking to convert.

- 4.6 The attached report (**Appendix A**) provides more detail on the points above, including a breakdown of claims received and provides an insight into how this service will continue to operate, the insurance challenges facing the Council and how these will be mitigated.

5. **CONSULTATION**

- 5.1 This report has been issued to the Acting Director of Corporate Resources for consideration.

6. **ANTICIPATED OUTCOMES OR IMPACT**

- 6.1 That the Audit Committee is informed of the proactive measures taken across the Council to reduce the impact of insurance claims both from a financial and reputational perspective.

7. **REASON FOR THE RECOMMENDATION**

- 7.1 To enable the Audit Committee to continue to monitor the Council's approach to the areas dealt with by the team

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The option is not to present a report on the insurance function and the activities undertaken. This is not in line with open and transparent corporate governance and could result in a lack of awareness.

9. IMPLICATIONS

Financial Implications

- 9.1 The Council will become more aware and will continue to consider the insurable risks and potential consequences. Every effort is undertaken across the Council to reduce the insurance need and mitigate for potential claims in the first place but where it occurs, robust processes will be in place to ensure high service standards are maintained.

Legal Implications

- 9.2 None applicable.

10. BACKGROUND DOCUMENTS

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

- 10.1 None

11. APPENDICES

- 11.1 Appendix A: Insurance Report 2017 / 2018

Peterborough City Council

Insurance Services Annual Report

2017 / 2018

Introduction

This report documents the Council's approach to managing the insurance requirements for the Council and is presented to Audit Committee in order to discharge its responsibility in "overseeing risk management and corporate governance arrangements" as outlined in its Terms of Reference.

This report seeks to:

- provide an update on insurance activities within Peterborough City Council over the past financial year;
- look at claims received over the past financial year;
- provide a comparison with claims received in previous years and identify trends and the reasons for them;
- set out the proactive risk mitigation work being carried out by the Insurance Team
- forecast likely future risks and the work proposed for the next financial year and beyond

Claims Reviews

Analysis of the Councils claims are reflected below.

Table 1: Claims received over 5 Years (Broken Down By Claim Type: Numbers)					
	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Employers Liability	6	3	5	3	2
Motor	14	15	18	19	12
Other	3	6	3	6	2
Property	43	29	35	27	22
Public Liability	168	134	116	156	147
Total	234	187	177	211	185

Claim numbers were already low in 2013/2014 and have reduced further across each area. Reasons for this are difficult to pinpoint precisely but are likely to include:

- The effects of the Claims Portal. The Portal was introduced in 2010 for Motor claims and extended in 2013 to include Employers Liability (EL) and Public Liability (PL) claims with a value between £1000 and £25,000. Solicitors' costs are fixed in the Portal, which discourages Solicitors from taking anything but straightforward cases with good prospects of success.
- A very efficient Highways service. The Highways Inspectors are currently achieving 100% of their inspections, which means both that the repairs on the network are up to date leading to less claims and also that we have a valid defence to claims submitted.
- Risk management initiatives carried out by the Insurance Team have had an effect on claim numbers. For example, an initiative to provide funding to schools for fencing and CCTV has reduced the numbers of property damage claims. There were 7 school claims in 2017/2018, compared to 44 in 2010/2011, which is an 84% reduction.

Table 2: Claims received over 5 Years (Broken Down By Claim Type: Value in £)					
	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Employers Liability	24,349.58	-	-	15,000.00	20,000.00
Motor	13,396.06	33,700.83	38,449.55	37,844.17	1,390.49
Other	862.95	2,801.99	420.00	625.11	-
Property	99,917.61	53,369.80	80,176.14	46,068.77	66,913.01
Public Liability	177,178.45	177,993.54	128,273.43	401,319.57	435,285.34
Total	315,704.65	267,866.16	247,319.12	500,857.62	523,588.84

- EL claim numbers have been very low over the past 5 years and have in the main been successfully defended. The figures for 2016/2017 and 2017/2018 are outstanding and so will change by completion.
- The Motor figure for 2017/2018 is not representative. Motor claims are handled by insurers rather than the Insurance Team and so the values are only provided by insurers once the claims are completed.
- The 2016/2017 and 2017/2018 figures for PL are not representative. Full reserves are maintained on all claims, even those that have been repudiated, until the claims are closed. There are 25 open claims in 2016/2017 and 51 in 2017/2018. The claims figures will reduce once these claims are closed.

Table 3: Repudiation Rate (%age)					
	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Public Liability	88%	88%	94%	92%	92%
Highways	94%	95%	100%	99%	100%

- The Highways repudiation rates are excellent rates based on the proactive works undertaken within the Highways section.
- The majority of claims payments now being made relate to direct damage to walls and fences caused by trees and tree-related subsidence to property. Work is being done to reduce this risk: the entirety of the Council's tree stock has been listed and is regularly inspected and maintained.

Insurance Team Work

The Insurance Team now form part of the wider Audit, Insurance and Investigations Team and provide the following main services:

- Assess the insurance needs of Peterborough City Council and put in place an insurance programme that best reflects these needs, through a mixture of external insurance and use of the Insurance Fund
- Handle all insurance claims pursued against Peterborough City Council up to the insurance deductible and liaise with insurers concerning all claims over the deductible
- Evaluate insurance claims to identify both individual areas of risk mitigation and general risk trends, then implement strategies to reduce these
- Provide insurance services to other bodies, such as schools including academies, Vivacity and the Cambridgeshire and Peterborough Combined Authority

The key issues dealt with by the Insurance Team over the past year are as follows:

- A procurement exercise was undertaken to place the external insurances for the next 3 to 5 years from 1 April 2018. This exercise drew considerable interest from the market place and has resulted in savings of approximately £100k per year from 2018/2019, against the 2017/2018 figures. The greatest savings were made to the Property insurances.
- The insurance programme was reviewed to ensure that all risks were still being appropriately covered by either external insurance or internal funding. Given the Central Government terrorism risk rating of level 4 (severe) and the new Council office building due to complete in July / August 2018, it was felt that Terrorism insurance should be placed back in the portfolio of external insurances. This was approved and was put in place from 1 April 2018.
- A restructure of the team was carried out, reducing personnel from 2.5 FTE to 2.0 FTE, making savings on staffing costs whilst maintaining service levels. This was made possible by new technologies allowing more flexible and efficient working practices, together with the reduction in claims being received. This reduction has been a result of both services being outsourced and risk reduction initiatives leading to fewer claims.
- An external audit of the Insurance Team's claims handling was carried out by Zurich Insurance. A score of 95.47% was achieved, with the areas assessed of Evaluation, Anti-Fraud, Negotiation, Litigation Management and Recoveries all scoring 100%. The Auditors commented on the service *'The overall quality of the claims handling found at Peterborough CC was of a very high standard with evidence of a good customer service being provided. The new claims were set up and acknowledged promptly, and the investigations were proactive on the majority of cases reviewed. All relevant documentation was sought during such investigations and the correct liability decisions were made on all files. Full supporting documentation was provided in respect of any repudiations.'*

The Insurance Fund

Peterborough City Council utilises a mix of external insurance and internal funding of risk to ensure best value – for example Insurance Premium Tax on external insurance is currently 12% and so there is an instant saving on any risks that are at an acceptable level to be carried by the Council internally.

It is important that the Insurance Fund maintains sufficient balances to meet the Council's liabilities, but also that it is not over-funded, when budgets elsewhere are so stretched. For this reason, an Actuarial review of the Insurance Fund is undertaken every three years to ensure the level is as accurate as possible.

The latest review has been carried out this year. The review looks at claims data, 'incurred but not reported' likely levels, the level of funding necessary to account for the self-insured risks, emerging risks and any other factors that might impact upon the Insurance Fund.

The Actuary's report, having reviewed all the above areas, believes that claims levels have dropped significantly and the risks borne by the Insurance Fund have also decreased and so has identified a potential surplus of £1.5m.

Risk Mitigation

The Insurance Team do not only handle insurance claims made against the Council, this data is also analysed to identify the greatest risks and claims trends. Actions are then taken to reduce these risks.

The two main risks faced by Peterborough City Council presently are Highways and tree-related subsidence. The following actions have been taken in connection with these:

- The long dry spell over the summer may lead to a rise in tree-induced subsidence claims against the Council. The Insurance Team have been working with the Natural and Historic Environment Manager to reduce the Council's liabilities for such claims, through targeted tree works in higher-risk areas, better recording of tree stock and inspections, a review of the Tree Management Strategy to take into account subsidence risk and meetings with/seminars for the Tree Team, to aid their understanding of the insurance position.
- The new Well-Managed Highway Infrastructure Code of Practice is due to come into effect from October 2018. The Insurance Team have been working with Highways to prepare for this, including arranging a mock trial for the Highways Inspectors run under the new rules to help them understand this and meetings to discuss the changes necessary with both the Inspectors and the Management Team. Amendments have been made to the Highways records to demonstrate compliance with the new Code.

Working with schools

Schools are not obliged to arrange their insurance through the Local Authority and so for the past 20 years the Insurance Team have been offering the bespoke 'Choice' service, which allows schools to choose from a range of insurances they may need, including specialist schemes for school journeys, Governors and legal expenses, as well as the usual buildings, contents, liabilities and motor covers.

The schools can choose the level of excess they are comfortable with and receive claims handling, insurance advice and risk management support from the Insurance Team. For example, if there is a claim at a school and the investigation shows that risk assessments are either not in place or are not sufficient, this can demonstrate a potential problem with risk management at the school which could lead to future claims, so the Insurance Team will work with the school and on occasion involve the Council's Health & Safety Team to improve the risk assessments, put in place policies to support risk improvement and provide match funding for risk improvement initiatives.

Many schools are now converting to Academy status and so can no longer remain as part of the Council's schools policy. The Insurance Team have therefore been working with our insurers to make an offering to schools on a standalone basis that can rival the Risk Protection Agreement, which allows the school to remain with a commercial insurer and also retain the services of the Insurance Team. Six Academies have remained so far and the scheme will be offered to all future schools when they are looking to convert.

Conclusions / Going Forward

Local authorities need to carefully plan and manage its business. Insurance arrangements and proactive action in place look to mitigate as much as practical the cost to the authority. Steps taken by the Insurance Team has been able to reduce the current cost of insurance (based on current levels).

In addition to the general ongoing work identified earlier, the Insurance Team will be working on the following areas over the next year:

- From February 2019, the Local Authority Trading Company (LATCo) will bring Council services back in-house, including grounds maintenance, bin collections, parks and open spaces, tree services, street cleansing and property maintenance. The Insurance Team will work with the current provider, Amey, to ensure a smooth transfer of the insurance arrangements and will handle claims going forward from that point.
- The Insurance Team is working with Procurement to tender for broker services from November 2018. This will include general broking advice, assistance with the insurance tender every 3 to 5 years and the Actuarial review of the Insurance Fund every 3 years.
- The Insurance Team have been working with insurers to provide a suitable alternative to the RPA for Academy schools when they have to leave the Council's blanket policy and this will be offered to all converting schools going forward.
- Claims handling assistance has been offered to other Local Authorities and this will continue for as long as resources allow.
- Further work will be undertaken with the Natural & Historic Environment Manager to reduce tree-related risks.

AUDIT COMMITTEE	AGENDA ITEM No. 5
24 SEPTEMBER 2018	PUBLIC REPORT

Report of:	Peter Carpenter - Acting Director of Corporate Resources	
Cabinet Member(s) responsible:	Cllr Seaton - Resources	
Contact Officer(s):	Peter Carpenter - Acting Director of Corporate Resources	Tel. 384564

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

R E C O M M E N D A T I O N S	
FROM: Peter Carpenter - Acting Director of Corporate Resources	Deadline date: N/A
<p>It is recommended that Audit Committee:</p> <p>1. Note the Annual Audit Letter</p>	

1. ORIGIN OF REPORT

- 1.1 Annual Audit letter of the Council's external auditors Ernst Young LLP (EY) in accordance with The National Audit Office's 2015 Code of Audit Practice.

2. PURPOSE AND REASON FOR REPORT

- 2.1 This is a formal letter setting out the detailed findings already reported in the Audit Results Report (ISA260) to 16 July 2018 Audit Committee, updated 31 July 2018 following the conclusion of the audit.
- 2.2 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.1.5 To consider the external auditors annual letter, relevant reports, and the report to those charged with governance and 2.2.1.7 To comment on the scope and depth of external audit work and to ensure it gives value for money.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	n/a
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4. BACKGROUND AND KEY ISSUES

- 4.1 The Auditors tested revenue and expenditure recognition. The audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Council's financial position, (page 9 of the Annual Audit Letter.)
- 4.2 The Auditors tested whether management had the ability to override controls and therefore

potentially perpetrate fraud. The Auditors did not identify any material weakness in controls or evidence of management override, (page 10 of the Annual Audit Letter.)

- 4.3 The report considers two other key areas that were tested, the valuation of Property, Plant and Equipment (PPE), and Pension Liability Valuation (page 11 of the Annual Audit Letter). When the accounts and draft audit results report were presented at 16 July Audit Committee by EY, audit work to agree these two areas was still outstanding. The two areas of audit work were successfully resolved and the final 2017/18 Statement of Accounts were signed by EY and published on the Council's website by the statutory deadline, alongside an updated Audit Results Report. The changes are summarised in the audit letter and, more fully, on page 23 of the audit results report. There was no impact on Usable Reserves.

Delegated authority was given to the Chair to sign off the Council's Statement of Accounts on behalf of the Committee, and a revised set of accounts was signed by the Chair on 27 July. Further non material changes were required after this, however the auditors did not require the accounts to be re-certified.

- 4.4 The Auditors also assessed the Council's Value For Money (VFM) arrangements (page 14 of the Annual Audit Letter). EY provide an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. However, they highlight risks around the Council's long term financial resilience due to national and local pressures. The Council is continuing to work to review its financial strategy and notes that the size of the budget gap presents a significant challenge. Work is ongoing to ensure that future year pressures have been fully identified, as well as identifying actions for Members to consider to close what is a considerable gap, particularly in the next financial year.

- 4.5 The letter outlines some changes to accounting standards which will be introduced for the 2018/19 accounts and some changes currently being consulted on for introduction to the 2019/20 accounts (pages 19-20 of the Annual Audit Letter). Management will report to a future Audit Committee on the impact to the Council of these new standards.

- 4.6 Audit Fees of £6,750 have been agreed with EY over and above the £108,533 scale fee set by Public Sector Audit Appointments. This mainly relates to additional work undertaken to resolve the PPE Valuation work (see 4.3) in order to enable the accounts to be signed off within the deadline.

5. ANTICIPATED OUTCOMES OR IMPACT

- 5.1 To note the Auditors' letter.

6. REASON FOR THE RECOMMENDATION

- 6.1 To note the report.

7. ALTERNATIVE OPTIONS CONSIDERED

- 7.1 None

8. IMPLICATIONS

Financial Implications

- 8.1 The cost of audit, including an estimate for additional fees were accounted for in 2017/18 accounts.

Legal Implications

- 8.2 None.

Equalities Implications

8.3 None.

9. BACKGROUND DOCUMENTS

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

9.1 The Accounts and Audit Regulations 2015

10. APPENDICES

10.1 App A - 2018/19 Annual Audit Letter

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Peterborough City Council

Annual Audit Letter for the year
ended 31 March 2018

30 August 2018



Building a better
working world

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Focused on your future



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.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 (updated 23 February 2017)' 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 Peterborough City Council, 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.



01 Executive Summary

Executive Summary

We are required to issue an annual audit letter to Peterborough City Council following completion of our audit procedures for the year ended 31 March 2018. 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 2018 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.

Executive Summary (cont'd)

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 4 July 2018
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 30 August 2018

Fees

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Throughout the year we have engaged early and effectively with the finance team on matters relating to the Council's accounts. The finance team have been very receptive to our engagement and we have valued their openness. The finance team prepared the accounts in line with the earlier deadlines and generally working papers were of a good quality. However we were required to input additional and unplanned time to complete our procedures as a result of the late valuation of PPE issue and some weaknesses in supporting working papers for grants and payroll. As a result we have agreed an additional fee with the Section 151 Officer which we outline in Section 7.

In December 2018 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.

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP



02

Purpose and Responsibilities

Purpose and Responsibilities

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 2017/18 Audit Results Report to the 16 July 2018 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 of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued on 12 February 2018 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 2017/18 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 thy 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. We completed our procedures in August and found that the return was consistent with the audited accounts.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). 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.



03

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 NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the NAO and issued an unqualified audit report on 31 July 2018.

Our detailed findings were reported to the 16 July 2018 Audit Committee.

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

Significant Risk

Conclusion

Risk of fraud in revenue and expenditure recognition

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure account.

We did not identify any material misstatements from revenue and expenditure recognition.

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Overall our audit work has not identified any material issues or unusual transactions to indicate any misreporting of the Council's financial position.

Our actions included:

- Testing a sample of additions to property, plant and equipment (PPE) and reviewing for any inappropriate capitalisation of revenue expenditure;
- Reviewing a sample of revenue expenditure funded from capital (REFCUS) to ensure it was appropriately treated as such; and
- Testing a sample of capital grants to ensure appropriate recognition of multi-year funding.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, 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. We identify and respond to this fraud risk on every audit engagement.</p> <p>Our actions included:</p> <ul style="list-style-type: none">• Reviewing the change to the Council's minimum review provision (MRP) approach and testing its application as part of our testing on use of capital receipts and on s106 contributions;• Reviewing changes to accounting policies;• Reviewing material accounting estimates for evidence of management bias; and• Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.	<p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any inappropriate judgements being applied in the Council's change to its MRP approach nor in any changes to accounting policies.</p> <p>We have not identified any inappropriate judgements being applied in the Council's calculation of material estimates.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings

Conclusion

Valuation of Property, Plant and Equipment (PPE)

Property, Plant and Equipment represent a material balance in the Council's accounts. Valuation changes, the impact of impairment reviews and depreciation charges can also be material values.

Our work included:

- Reviewing a sample of valuations for individual assets
- Checking that assets are being revalued over a 5 year cycle
- Reviewing assets not revalued in year for potential material changes
- Testing the accounting entries made for revaluation.

Our programme of work did identify some issues with the valuation of some PPE and as a result the Council made adjustments to the accounts increasing PPE in the balance sheet from £592m to £604m.

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Pension Liability Valuation

The Local Authority Accounting Code of Practice (the Code) and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council.

The Council's pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £277m.

We reviewed the assessment of the actuary employed by Cambridgeshire Pension Fund to value the scheme liabilities. The National Audit Office commission PWC to undertake this work and their report is in turn reviewed by EY pension specialists. The audit team followed up on the issues arising from the reports.

There was a change in the total value of the pension fund net assets from the estimated year end balance used for IAS 19 reporting purposes and the actual. The impact of this was an overstatement of the Council's share of the pension fund assets by almost £6m. As a result the Council revised the disclosure of the pension liability from £277m to £271m.

We did not identify any other issues with the accounting entries and disclosures made within the financial statements.

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £10.9m (2016/17 : £10.5m), which is 2% of gross expenditure reported in the accounts. We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £550,000 (2016/17 : £520,000)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Audit fees;
- ▶ Members allowances;
- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits; and
- ▶ Related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



04 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.

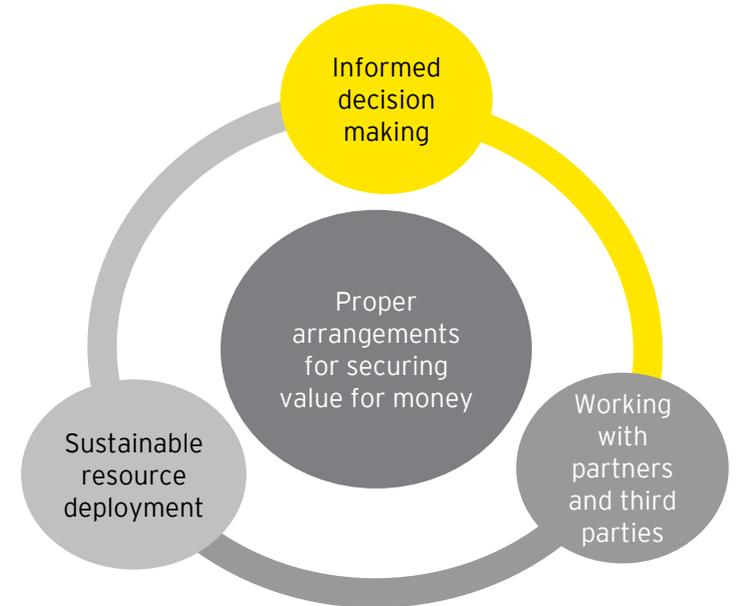
Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

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

We identified one significant risk around these arrangements. The table below presents our findings in response to the risk in our Audit Planning Report.

We performed the procedures outlined in our audit plan and did not identify any significant weaknesses in the Council's arrangements.

We therefore issued an unqualified value for money conclusion on 31 July 2018.



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Significant Risk	Conclusion
The Council had identified significant budget gaps over the 3 years from 2018/19.	<p>The Council has closed the 2018/19 budget gap through budget reductions and a planned use of the Grant Equalisation reserve. Whilst the Council's track record points to it being likely to achieve its finance plans significant gaps remain for 2019/20 and 2020/21. It is now in its next phase of its financial strategy to create a sustainable budget with less reliance on one-off measures and by identifying repeatable savings. This approach includes implementing a rolling budget process which will bring forward decision making and implementation, with the aim of improving accountability.</p> <p>Despite these plans and arrangements the Council, like many other councils across the country, faces several challenges that are driven by national policy and decisions outside of its control. As such there remain risks around its long term financial resilience.</p>



05 Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts (WGA)

We performed the procedures required by the National Audit Office (NAO) on the accuracy of the consolidation pack prepared by the Council for WGA 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 had no matters to report.

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.

Other powers and duties

We did not receive any objections to the 2017/18 financial statements from members of the public and had no issues 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 16 July 2018. 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.



Other Reporting Issues (cont'd)

Control Themes and Observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We did not identify any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



06 Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. These are set out below however the impact on the Council is not considered to be significant.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty.</p>
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> ▶ Leases; ▶ Financial instruments; ▶ Insurance contracts; and ▶ For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>The standard likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers.</p>

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Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>The standard will affect authorities with significant leases.</p>

A close-up photograph of a person's hand reaching into a filing cabinet to touch a folder. The cabinet is filled with numerous folders of various colors (yellow, blue, white) and sizes, each containing stacks of papers. The background shows the perforated metal of the cabinet drawers.

07 Audit Fees

Audit Fees

As part of our reporting on our independence, we set out below a summary of the fees for the year ended 31 March 2018.

For 2017/18 we undertake the housing benefits certification work under the PSAA arrangements and we confirm that we have not undertaken any other non-audit work.

The additional fees for 2017/18 have been agreed with the Section 151 Officer and are now subject to PSAA approval.

	Final fee 2017/18	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£	£
Standard fee	108,533	108,533	108,533	108,533
Additional audit work:				
- Issues with supporting working papers	1,755	-	-	2,500
- Late issue with PPE valuations	4,995	-	-	-
Total audit fee - code work	115,283	108,533	108,533	111,033
Other non-audit services not covered above (Housing Benefits)	Tbc	13,619	13,619	24,075
Total fees	Tbc	122,152	122,152	135,108

About EY

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AUDIT COMMITTEE	AGENDA ITEM No. 6
24 SEPTEMBER 2018	PUBLIC REPORT

Committee Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	Peter Carpenter, Interim Corporate Director: Resources Kirsty Nutton, Head of Corporate Finance	☎ 452520 ☎ 384590

TREASURY MANAGEMENT MID YEAR UPDATE

R E C O M M E N D A T I O N S	
FROM : Peter Carpenter , Acting Corporate Director: Resources	Deadline date : N/A
<p>Audit Committee is asked to</p> <ol style="list-style-type: none"> To review current performance against the Prudential Indicators as approved in the Treasury Management Strategy (TMS) contained in the Medium Term Financial Strategy (MTFS). To 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, however exact details are to be confirmed. 	

1. ORIGIN OF REPORT

- The Treasury Management in the Public Services: Code of Practice 2017 recommends that Members receive 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 annual strategy is approved by Council as part of the MTFS. The original strategy was approved on 7 March 2018. The final performance against the revised strategy will be reported to Audit Committee in July 2019 alongside the Statement of Accounts. This report forms the mid-year review against the Prudential Indicators as set out in the TMS.

2. PURPOSE AND REASON FOR REPORT

- To report current performance and the forecast outturn position against the Prudential Indicators in the strategy.
- This is in accordance with the Committees' Terms of Reference – 2.2.2.15 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
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4. TREASURY MANAGEMENT STRATEGY PRUDENTIAL INDICATORS

- The Prudential Code underpins the system of capital finance. Local authorities determine their own programmes for capital investment in long term and current assets that are central to the delivery of quality local public services. Prudential indicators are developed as part of the annual MTFS process to ensure that:

- a) Capital investment plans are affordable;
- b) All external borrowing and other long term liabilities are within prudent and sustainable levels; and
- c) Treasury management decisions are taken in accordance with professional good advice.

- 4.2 The 2018/19 Prudential Indicators are shown in Appendix 1. The Council's performance to date and forecast performance are all within the limits set in the MTFS.
- 4.3 The Council has continued to operate a restrictive lending list due to the continued economic uncertainty. Surplus cash is only invested for short periods with Barclays, Bank of Scotland (part of the Lloyds Banking Group) and the Churches, Charities and Local Authorities (CCLA) money market fund. The Council also invests with other Local Authorities and the Debt Management Office (DMO).
- 4.4 The Council forecasts to borrow to fund the capital investment programme. The Council's approach is for loans to be arranged at fixed interest rates to achieve budget certainty and over varying periods to fit in with the Councils debt maturity profile. However, due to cash flow timings, the Council's borrowing has actually reduced by £3m to date.
- 4.5 The Bank of England Monetary Policy Committee increased the Base Rate from 0.50% to 0.75% in August 2018. This was the second interest rate rise since August 2016. This increase is anticipated to have an impact on the cost of any new borrowing taken after this date as well as on income received from investing surplus cash balances.

5. CONSULTATION

- 5.1 The Council's Prudential Indicators and Treasury Management Strategy 2018/19 - 2020/21 have undergone full consultation, and been through the scrutiny process, as it forms part of the Annual MTFS.
- 5.2 The Council continues to liaise with its treasury advisors, Link Asset Services.

6. ANTICIPATED OUTCOMES

- 6.1 As set out in the report.

7. REASONS FOR RECOMMENDATIONS

- 7.1 This report is given to the Committee to review performance against the Prudential Indicators in the TMS set in the MTFS.

8. ALTERNATIVE OPTIONS CONSIDERED

The Treasury Management Strategy 2018/19 – 2020/21 is required to be prepared in accordance with the Treasury Management in the Public Services: Code of Practice 2017. This report sets out the performance against the associated prudential indicators. The options are therefore limited.

9. IMPLICATIONS

- 9.1 To provide the Committee the opportunity to review current performance against the revised Prudential Indicators.

Legal Implications

9.2 Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance.

10. BACKGROUND DOCUMENTS

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

- The Prudential Code for Capital Finance in Local Authorities –2017 Edition, CIPFA; and
- Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance Notes – 2017 Edition, CIPFA

11. APENDICES

- Treasury Management Strategy – Prudential Indicators – Forecast Outturn as at 31 August 2018.

Treasury Management Strategy – Prudential Indicators – Forecast Outturn as at August 2018

The Prudential Code for Capital Finance in Local Authorities provides a framework for local authority capital finance to ensure that:

- (a) capital expenditure plans are affordable,
- (b) all external borrowing and other long term liabilities are within prudent and sustainable levels;
- (c) treasury management decisions are taken in accordance with professional good practice.

In taking decisions in relation to (a) and (c) above, the local authority is accountable by providing a clear and transparent framework.

The Code requires the Council to set a range of Prudential Indicators for the forthcoming financial year and at least the following two financial years. The Council has set out indicators for the next three financial years in line with setting a three year budget.

In the current financial year to date, the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Revised Annual Treasury Management Strategy.

The actual and forecast outturn, compared to those contained in the MTFs for the Prudential Indicators for this financial year are detailed below. The indicators include the Invest to Save schemes however the costs of borrowing associated with these schemes will be offset by the income generated by these projects. All performance is within the limits.

1. Indicator 1: Capital Expenditure

This indicator is the estimated capital expenditure for the year based on the Capital Programme for that period.

Capital Expenditure	2018/19 Indicator £m	2018/19 Actual at 31.08.2018 £m	2018/19 Forecast Outturn £m
Capital Expenditure	115.3	30.6	115.7
Invest to Save	43.4	0.3	18.0
Total	158.7	30.9	133.7

2. Indicator 2: Capital Financing Requirement (CFR)

The CFR measures the Council's underlying need to borrow money in the long term for capital purposes. Any capital expenditure which has not immediately been paid for will increase the CFR.

Capital Financing Requirement	2018/19 Indicator £m	2018/19 Actual at 31.08.2018 £m	2018/19 Forecast Outturn £m
CFR b/fwd	555.4	540.1	540.1
Underlying Need to Borrow	51.6	15.6	73.5
Underlying Need to Borrow - Invest to Save	43.4	0.3	18.0
Repayment of debt - Minimum Revenue Provision	(13.1)	(14.5)	(14.5)
Repayment of loan – capital receipt	(1.0)	(1.0)	(1.0)
Total CFR C/fwd	636.3	540.5	616.1

3. Indicator 3: Actuals and Estimates of the Ratio of Financing Costs to Net Revenue Budget

The Council must estimate the proportion of the revenue budget, which is taken up in financing capital expenditure i.e. the net interest cost and to make provision to repay debt.

Ratio of net financing costs to net revenue stream	2018/19 Indicator	2018/19 Actual at 31.08.2018	2018/19 Forecast Outturn
	£m	£m	£m
Total Ratio	7.4%	3.7%	5.0%

4. Indicator 4: Proportion of Gross Debt to the Capital Financing Requirement (CFR)

This indicator shows the proportion of the Council's external borrowings (Gross Debt) against the CFR. In order to ensure that borrowing levels are prudent over the medium term and only for capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2017/18) plus the estimates of any additional capital financing requirement for the current (2018/19) and the next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure.

Proportion of Gross Debt to the CFR	2018/19 Indicator	2018/19 Actual at 31.08.2018	2018/19 Forecast Outturn
	£m	£m	£m
Gross Debt	558.8	451.3	532.4
CFR	636.3	540.5	616.1
% of Gross Debt to CFR	87.8%	81.2%	86.4%

This indicator shows that the Council is maintaining an under-borrowed position. This means that the capital borrowing need (the CFR), is not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow is being used. This strategy continues to be prudent as investment returns remain low and counterparty risk continues variable.

5. Indicator 5: The Operational Boundary

The Operational Boundary is a measure of the day to day likely borrowing for the Council. The code recognises that circumstances might arise when the boundary might be exceeded temporarily, but if this continues for a lengthy period then it ought to be investigated.

This indicator takes into consideration the capital programme over the life of the MTFS and the ability to phase the borrowing over this period. The indicator provides flexibility for the Council to take advantage of favourable interest rates in advance of the timing of the actual capital expenditure.

Operational Boundary	2018/19 Indicator	2018/19 Actual at 31.08.2018	2018/19 Forecast Outturn
	£m	£m	£m
Borrowing	659.7	416.6	495.6
Other Liabilities	36.8	34.7	34.7
Total Operational Boundary	696.5	451.3	530.3

6. Indicator 6: The Authorised Limit

The Authorised Limit represents the maximum amount the Council may borrow at any point in time in the year. It is set at a level the Council considers is “prudent”.

The indicator takes account of the capital financing requirement estimated at the start of each year, plus the expected net borrowing requirement for the year. This makes allowance for the possibility that the optimum time to do all borrowing may be early in the year.

The limits also incorporated margins to allow for exceptional short-term movements in the Council’s cash flow, bids from service departments to finance efficiencies, changes to the timing of capital payments and fluctuations in the realisation of capital receipts.

Authorised Limit	2018/19 Indicator £m	2018/19 Actual at 31.08.2018 £m	2018/19 Forecast Outturn £m
Borrowing	706.5	416.6	505.6
Other Liabilities	36.8	34.7	34.7
Total Authorised Limit	743.3	451.3	540.3

It is ultra vires to exceed the Authorised Limit so this should be set to avoid circumstances in which the Council would need to borrow more money than this limit. However, the Council can revise the limit during the course of the year. The forecast outturn is lower than the indicator as the Council does not currently anticipate borrowing in advance of need due to the additional cost of holding the funds until required.

7 Indicator 7: Fixed Interest rate exposure

This indicator places an upper limit on the total amount of net borrowing which is at fixed rates secured against future interest rate movements. The upper limit allows flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflects a position where the majority of borrowing is at fixed rate which provides budget certainty with 100% of borrowing being at fixed rate. The upper limit for fixed interest rate exposure was set to allow for flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflected a position where the majority of borrowing was at fixed rates to provide budget certainty.

Upper limit for fixed rate exposure	2018/19 Indicator £m	2018/19 Actual at 31.08.2018 £m	2018/19 Forecast Outturn £m
Upper Limit	669.7	416.6	505.6
% of fixed interest rate exposure	100%	100%	100%

8. Indicator 8: Variable interest rate exposure

This indicator places an upper limit on the total amount of net borrowing (borrowing less investment) which is at variable rates subject to interest rate movements. The intention is to keep the variable rate borrowing below 25% of the total gross borrowing (CFR). The limit is expressed as the value of total borrowing less investments.

Upper limit for variable rate exposure	2018/19 Indicator £m	2018/19 Actual at 31.08.2018 £m	2018/19 Forecast Outturn £m
Upper Limit	167.4	0.0	0.0
% of variable interest rate exposure	25%	25%	25%

The indicator for actual and forecast outturn is zero due to the current borrowing strategy of borrowing only at a fixed interest rate in the current economic climate of volatile interest rates. Borrowing at fixed interest rates provides budget certainty for the Council.

Indicator 9: Maturity structure of borrowing

The prudential limits have been set with regard to the maturity structure of the Council's borrowing, and reflected the relatively beneficial long term rates that were expected to be available over the next few years. The borrowing that the Council has actually taken up to the end of August is £416.6m shown in the indicator below.

Period	Upper Limit Indicator	Actual at 31.08.2018	
	%	%	£m
Under 12 months*	40	6	27.0
1 – 2 years	40	9	38.0
3 – 5 years	80	4	16.1
6 – 10 years	80	4	15.7
Over 10 years	100	77	319.8
Total Borrowing			416.6

* The borrowing for under 12 months includes £17.5m of Lenders Option Borrowers Option (LOBO) loans. Although the loans are due to mature in 23-35 years time, they are classed as loans repayable within the financial year due to LOBO's having a call-in date every 6 months.

9. Indicator 10: Total Investments for periods longer than 365 days

Authorities are able to invest for longer than 365 days excluding loans. This can be advantageous if higher rates are available. However it would be unwise to lend a disproportionate amount of cash for too long a period particularly as the Council must maintain sufficient working capital for its operational needs.

	2018/19 Indicator £m	2018/19 Actual at 31.08.2018 £m	2018/19 Forecast Outturn £m
Principal sums invested >364 days	10.0	0.0	0.0

This indicator reflects the Council's current lending policy of keeping investments short term for liquidity purposes. Also the Council has run down its cash balances as an alternative to new borrowing and does not have the available cash balances to invest for long periods.

This indicator was set at £10m to allow for the accounting treatment of the Local Authority Mortgage Scheme (LAMS) which was treated as capital expenditure, as a loan to a third party. The Council can confirm that these capital loans have now been fully returned.

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AUDIT COMMITTEE	AGENDA ITEM No. 7
24 SEPTEMBER 2018	PUBLIC REPORT

Report of:	Peter Carpenter, Acting Director of Corporate Resources	
Cabinet Member(s) responsible:	Cllr David Seaton	
Contact Officer(s):	Peter Carpenter, Acting Director of Corporate Resources Katherine Hlalat, Head of the PMO	Tel. 452520 07834315674

RISK MANAGEMENT REPORT

RECOMMENDATIONS	
FROM: Corporate Director Resources	Deadline date: N/A
<p>It is recommended that Audit Committee</p> <p>1. Note and comment on the Risk Management Report</p>	

1. ORIGIN OF REPORT

1.1 This report is submitted as an update on the analysis undertaken by the Project, Programme and Assurance Office for each Directorates Risk and Issue register.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is for the Audit Committee to note and comment on the Risk Management Report.

2.2 This report is for the Audit Committee to consider under its Terms of Reference No 2.2.2.12:

To monitor the effective development and operation of risk management and corporate governance in the council.

2.3 *How does this report link to the Corporate Priorities?*

This report sets out identified risks and mitigating actions in order that the Council delivers its Statutory and Corporate priorities.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	
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4. BACKGROUND AND KEY ISSUES

4.1 The effect of uncertainty on an organisation's objectives is risk. Risk management is the process of identifying what might go wrong, what the potential consequences could be, and how to best mitigate the likelihood of the risk occurring. If it does go wrong, as is inevitable sometimes, proactive risk management will ensure the impact is kept to a minimum.

4.2 In order to formalise risk management arrangements across the business, Peterborough City Council has developed a Risk Management Strategy.

The objectives of this strategy are to maintain the effective management of risk through:

- Increasing the likelihood of achieving the organisation’s goals and delivering outcomes;
- Improving the identification of opportunities and threats across the project portfolio;
- Improving governance, stakeholder confidence and trust;
- Establishing a reliable basis for informed decision making and planning;
- Effectively allocate and use resources for risk treatment;
- Improving organisational resilience.

4.3 Peterborough City Council is committed to effective risk management arrangements as a means of achieving the council’s strategic objectives. As such the risk management vision is to consolidate and improve existing arrangements to bring about the following benefits:

- Key risks are identified, are being managed and mitigated, both by the council and its partners;
- Resources are directed to the risks that matter away from risks that don’t, and there are fewer surprises;
- Opportunities are exploited from risk taking, because risks are understood and managed.

4.4 This report sets out in appendix A the Council’s Corporate Risks as at July, their likelihood, impact, and factors being taken to mitigate them.

Overall the Council, by department has the following Corporate Risks identified:

Department	High level Risks	Medium level Risks	Low Level Risks
Legal & Governance	0	6	4
Human Resources	0	0	6
Growth & Regeneration	1	2	0
People & Communities	6	3	0
Resources	3	11	1

The high level Corporate Risks, which are set out in more detail in the Appendix are:

- The risk around the Amey contract and its replacement (note this was before the decision to evaluate the move to the LACTO and subsequent extension);
- The impact of social demographic change;
- Meeting demand for School Places;
- Safeguarding;
- Health debt levels with the CCG;
- Lack of Financial Reserves and its potential effect on the Ofsted inspection;
- Shared Services impacts on Service delivery;
- “Brexit” impact on EU funding and the regulatory framework;
- The outcome of the upcoming Local Government Funding Review;
- Failure to maintain an effective business continuity plan.

It should be noted, that the risks are taken at a snapshot in time, and due to mitigation and circumstances will move in level from period to period.

5. CONSULTATION

5.1 Departmental Risk Registers are submitted to CMT for review. The July reports were submitted to the Corporate Management Team in August for review.

There is a monthly Risk Management meeting where Lead Officers update Departmental Risk Registers and review the complete lists on a Council wide basis.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 That Risks to the delivery of Council services are identified and rated in a timely manner and mitigating actions are put in place to minimise their impact.

That Risks are reviewed on a periodic basis to ensure their impact and likelihood are correctly stated and mitigating actions are being delivered.

7. REASON FOR THE RECOMMENDATION

7.1 The Audit Committee must be assured that the Council has processes in place to identify risks on a timely basis and that actions are put in place to monitor and mitigate their effects.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 *N/A*

9. IMPLICATIONS

Financial Implications

9.1 None in this Report, however for individual Risk mitigations that are identified there might be costs. These are picked up in the normal monthly monitoring process.

Legal Implications

9.2 *N/A*

Equalities Implications

9.3 *N/A*

10. APPENDICES

10.1 Corporate Risk Register – High and Severe level Risks

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Risk Assessment

RAYG Status	Last Update	Risk Title	Risk Description	Financial Impact	Financial Impact Value (£)	Mitigating Action	Mitigating Action Cost (£)	Likelihood	Impact	Over Risk Appetite?	Risk Type	Trend	Corporate Risk	Risk Owners
People and Communities ■ 6 ■ 3 ■ 0														
PR002417 : People and Communities Departmental Risk Register ■ 6 ■ 3 ■ 0														
20	03/07/18	Impact of social demographic change	<p>There is a risk that an ageing population, increased birth rate, migration and disability will result in insufficient capacity to support specialist services. Services that could be affected include foster carers, adoption placements, special school places, residential nursing places and domiciliary care capacity.</p> <p>The consequence is significant additional financial costs to support need within the independent sector.</p>	Yes		<p>1) Finalisation and implementation of Prevention, Early Help and Demand Management Strategy including workforce reform, development of community capacity and resilience and Customer Experience Programme.</p> <p>2) SEN strategy. Adult Social Care enablement and prevention models to be implemented. CWD work programme includes a prevention work stream.</p> <p>3) Recruit alternatively qualified staff to support social workers, improved retention package</p> <p>4) Delivery of the demand management programmes - specifically the Front Door, Health and Social Care Integration and Home Services Delivery Vehicle</p> <p>5) Development and delivery of tangible community focussed preventative programmes.</p>		4	5	Yes	Technical / Operational / Infrastructure	Steady	Yes	Bill Pickbourn
20	03/07/18	Meeting demand for School Places	<p>There is a risk that the authority will fail to meet its legal requirement for every child of statutory school age to access a school place and within a 'reasonable' distance from their home (less than 2 miles for 4 to 8 year olds and up to 3 miles for 9 to 16 year olds)</p> <p>This is as a result of the impact of further inward migration as EU borders open up, increasing demand and a cut in Government funding for school places.</p> <p>The consequences are:</p> <p>1) Significant additional costs incurred in terms of transport.</p> <p>2) Impact on schools in terms of attendance, less engagement from parents and increased churn of pupils when places become available nearer to home - all having a significant impact on outcomes.</p> <p>3) Potential legal action from parents for failure to meet legal requirements</p>	No		<p>1) Keep under review.</p> <p>2) Local and national lobbying (inc EFA capital funding options, inc Free Schools)</p> <p>3) Continue to review options around reducing costs including modular technology, use of existing buildings and procurement savings</p> <p>4) Plans for emergency places being developed including pulling forward schemes and additional mobiles</p> <p>5) Continue to monitor in year admissions and trends around numbers leaving the city (new In Year form being developed to improve data collection)</p>		5	4	Yes	Organisational / Management / Human Factors	Steady	Yes	Brian Howard

15	03/07/18	Safeguarding	<p>There is a risk that safeguarding functions fail to prevent a child or vulnerable adult being placed at significant risk of harm.</p> <p>The consequence is an increase in costs across the public sector, increased fear of crime, reduced confidence in public sector, community tensions and conflict.</p>	No		<p>1) Sustain current improvement journey and adhere to JTAI improvement plan in Children's Services;</p> <p>2) Permanent leadership team recruited to/in place - recruitment and retention package for social workers developed and to be implemented;</p> <p>3) Continuing focus on high priority areas including domestic violence, neglect and child sexual exploitation;</p> <p>4) Practice development emphasising continuing importance of evidencing management oversight and journey of child in work with families</p> <p>Adults:</p> <p>a) Care Act brings significant changes to the role of the SAB and the nature of enquiries to be undertaken. Revised procedures under development including in relation to Large Scale Investigations</p> <p>b) Strengthened Safeguarding Adults board arrangements</p> <p>c) Consultant practitioners in frontline teams</p>	3	5	No	Organisational / Management / Human Factors	Steady	Yes	Wendi Ogle-Welbourn, Will Patten
15	03/07/18	Health Debt - Special Measures	<p>There is a risk that Peterborough's CCG will enter financial "special measures" due to missing its financial controls target. The CCG's current debt to PCC is over £7m. CCG may not be able to reduce the debt owed to PCC.</p> <p>The consequence is financial pressure on PCC and an adverse affect on the future relationship with the CCG.</p>	Yes		<p>CMT to agree policy. Needs to be raised at Health Executive</p> <p>WOW and PC written to CCG Chief Exec and Finance Director requesting payment of Debt.</p> <p>Monthly meetings between finance teams. Position monitored closely. Status reviewed monthly at joint commissioning board.</p>	3	5	No	Economic / Financial/Market	Steady	Yes	Will Patten
15	16/07/18	Lack of financial reserves	<p>There is a risk that, owing to a lack of financial reserves, the council would be unable to respond rapidly to the actions required following a negative Ofsted inspection.</p> <p>The consequences of this would mean a reduction in other budgets in order to fund the Ofsted recommendations.</p>	Yes		CMT to consider as part of budget setting	3	5	Yes	Economic / Financial/Market	Steady	Yes	Peter Carpenter
15	03/07/18	Shared Service	<p>There is a risk that there are financial and service implications from implementing the plan to share services with CCC.</p> <p>The consequences are that this process could result in a reduction in performance and an increase in costs. In addition to this, plans may not deliver the desired benefits and objectives, or meet the timescales required.</p>	Yes		Shared service Programme Board established, meeting monthly. Close monitoring of performance and progress in place.	3	5	Yes	Organisational / Management / Human Factors	Steady	Yes	Wendi Ogle-Welbourn
Resources ■ 3 ■ 11 ■ 1													
PR002415 : Resources BAU ■ 3 ■ 11 ■ 1													
20	09/05/18	"Brexit" impact on EU funding and regulatory framework	<p>There is a Risk that the vote to leave EU impacts procurement arrangements and costs / availability of services. The consequence is uncertainty around EU funding, possible disruptions to the labour market / uncertainty around service demand / provision."</p>	Yes		<p>Consequences of vote UK's decision to leave the UK to be monitored as they emerge</p> <p>Consequences of policy developments / funding changes to be reported to CMT at the earliest opportunity.</p>	4	5	Yes	Political	Steady	Yes	Peter Carpenter
16	09/05/18	Local Government Funding Review outcome & a possibility of losing grant with short notice	<p>There is a risk that the impact of funding review on PCC finances is not currently known. There is a risk that this is adverse. The consequence is a possibility of losing grant with short notice</p>	Yes		Monitor position and evaluate impact at earliest opportunity	4	4	Yes	Strategic / Commercial	Increasing	Yes	Kirsty Nutton

15	09/05/18	Failure to maintain an effective business continuity plan	There is a risk of failure to maintain an effective business continuity plan for all relevant service areas. The consequence is disruption caused by service failure leading to hardship for individuals, potential loss of business and significant reputation damage. Loss of IT Loss of key records Loss of office accommodation.	Yes		Revisit all business continuity plans 1/2 yearly review going forward Establish emergency response toolkit and re-issue		3	5	No	Strategic / Commercial	Steady	Yes	Peter Carpenter
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AUDIT COMMITTEE	AGENDA ITEM No. 9
24 SEPTEMBER 2018	PUBLIC REPORT

Report of:	Peter Carpenter – Acting Director of Corporate Resources	
Cabinet Member(s) responsible:	Cllr Seaton - Resources	
Contact Officer(s):	Peter Carpenter – Acting Director of Corporate Resources	Tel: 384564

UNCOLLECTABLE DEBTS IN EXCESS OF £10,000

R E C O M M E N D A T I O N S	
FROM: Peter Carpenter – Acting Director of Corporate Resources	Deadline date: 24 September 2018
<p>It is recommended that Audit Committee:</p> <p>1. Note the Uncollectable Debts in excess of £10,000 report.</p>	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee for information from Cllr Seaton (Cabinet Member for Resources) following the publication of a Cabinet Member Decision Notice (CMDN).

2. PURPOSE AND REASON FOR REPORT

2.1 This report is for information following the Cabinet Member for Resources exercising delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (n).

2.2 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.2.11

To review any issue referred to it by the Chief Executive or a Director, or any Council body.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	
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4. BACKGROUND AND KEY ISSUES

4.1 The attached CMDN report details the Cabinet Member's approval to write-off uncollectable debts that exceed £10,000 in relation to non-domestic (business) rates and accounts receivable (sundry debt). The aggregate total value of these debts is £328,084.

4.2 All cases requested for write-off follow a lengthy process to recover the outstanding money, sometimes dating back many years. Only once all avenues have been exhausted will the council consider writing off debt.

- 4.3 It is acknowledged that given the high volume and value of invoices and bills issued there will always be a requirement to write off an element of debt as uncollectable, however, a number of the debts included within the report are historic and should have been considered for write off a number of years ago.
- 4.4 The largest type of debt raised each year is non-domestic rates at approximately £100 million per annum. When the sum recommended for write off is expressed as a percentage of the total debt raised over the period, it represents only 0.002% for business rates and only 0.07% for sundry debt accounts.
- 4.5 The debt to be written off has been provided for in the council's debt provisions. As a result, there will be no adverse impact on the Council's revenue position as a result of this write off exercise, and no adverse financial impact as a result of not writing these debts off sooner.

5. CONSULTATION

- 5.1 Information concerning the consultation undertaken is detailed within the attached CMDN report.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 It is anticipated that the Committee will note the attached 'Uncollectable Debts in Excess of £10,000' Cabinet Member Decision Notice.

7. REASON FOR THE RECOMMENDATION

- 7.1 Reasons for recommendation are detailed within the attached CMDN report.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Alternative options are detailed within the attached CMDN report.

9. IMPLICATIONS

Financial Implications

- 9.1 Financial implications are detailed within the attached CMDN report.

Legal Implications

- 9.2 Financial implications are detailed within the attached CMDN report.

Equalities Implications

- 9.3 There are no significant equalities implications.

10. BACKGROUND DOCUMENTS

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

- 10.1 Cabinet Member Decision Notice: To approve the write-off of any uncollectable debts in excess of £10,000.

11. APPENDICES

- 11.1 Cabinet Member Decision Notice: To approve the write-off of any uncollectable debts in excess of £10,000.

UNCOLLECTABLE DEBTS IN EXCESS OF £10,000
COUNCILLOR DAVID SEATON, CABINET MEMBER FOR RESOURCES
July 2018
Deadline date:

Cabinet portfolio holder: Responsible Director:	Councillor David Seaton, Cabinet Member for Resources. Peter Carpenter, Acting Director of Corporate Resources
Is this a Key Decision?	NO
Is this decision eligible for call-in?	NO
Does this Public report have any annex that contains exempt information?	NO
Is this a project and if so has it been registered on Verto?	NO

R E C O M M E N D A T I O N S

The Cabinet Member is recommended to authorise the write off of the debt shown as outstanding in respect of non-domestic rates and accounts receivable (sundry debt) accounts included in the Appendices. This details the financial year and the category for the write off request.

1. SUMMARY OF MAIN ISSUES

- 1.1 This report seeks the Cabinet Member's approval to write-off uncollectable debts that exceed £10,000 in relation to non-domestic (business) rates and accounts receivable (sundry debt), as detailed in the appendices to this report. The aggregate total value of these debts is £328,084.
- 1.2 All cases requested for write-off follow a lengthy process to recover the outstanding money, sometimes dating back many years. Only once all avenues have been exhausted will the council consider writing off debt.
- 1.3 It is acknowledged that given the high volume and value of invoices and bills issued there will always be a requirement to write off an element of debt as uncollectable.
- 1.4 The largest type of debt raised each year is non-domestic rates at approximately £100 million per annum. When the sum recommended for write off is expressed as a percentage

of the total debt raised over the period it represents only 0.002% for business rates and only 0.07% for sundry debt accounts.

- 1.5 Debt to be written off is set out in Appendix 1. The majority of this is over 3 years old and has been fully provided for in the council's debt provisions. As a result, there will be no adverse impact on the Council's revenue position as a result of this write off exercise and no adverse financial impact as a result of not writing these debts off sooner.
- 1.6 This report is the first quarterly write-off of debt over £10,000 following the significant exercise undertaken in February 2018 to write-off over £4.6m of historic debt across non-domestic rates, council tax, housing benefit overpayments and accounts receivable (sundry debt) accounts.

2. PURPOSE OF THIS REPORT

- 2.1 This report is for the Cabinet Member for Resources to consider exercising delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (n).

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO
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4. DETAILS OF DECISION REQUIRED

- 4.1 The Cabinet Member for Resources is requested to approve the write off of uncollectable debt in excess of £10,000. These debts relate to non-domestic rates and accounts receivable (sundry debt) accounts.

Financial Context

- 4.2 The Council is committed to taking all appropriate action necessary before considering a debt for write off. This includes multiple written reminder letters early in the recovery process, telephone call follow up, senior management dialogue with counterparts, and where necessary, court and enforcement agent action. It can take several years before all actions have been undertaken.
- 4.3 Per annum, the Council currently expects to receive approximately £100m in non-domestic rates and in excess of £50m of sundry invoice income. As a result of business activity on this scale, the Council recovers millions of pounds every year in unpaid debt, sometimes dating back years, due to being persistent in recovery activity.
- 4.4 Despite our best endeavours, it is inevitable that a small percentage of debt will not be collected and will ultimately have to be written off. There are a number of reasons why this occurs with the most common being where a company has gone into liquidation, an individual has been made bankrupt, a debtor has died with no funds available, or where it has not been possible to trace a debtor. It is very common for large organisations in both the public and private sectors to incur debt, and the Council is no different in that respect. Writing off debt is standard practice and recommended as part of good budget management.
- 4.5 In respect of non-domestic rates, although the Council continues to collect arrears after the year it becomes due, the amount collected 'in year' is still measured. The in year collection of non-domestic rates as at 31 March 2018 was 97.9%, which is 0.05% above the target set.

4.6 As an indication of the equivalent amounts of income raised over the corresponding period, Table 1 in Appendix 1 shows that the total write off being considered for each debt type is less than 0.1% of the total expected to be received, and that the debts span a number of financial years.

4.7 In addition to the balances to be written off as part of this report, debts with a value less than £10,000 also require write-off consideration. While not forming part of this governance process (due to delegation limits as part of the Council's financial regulations), the values are shown in Appendix 2 for completeness and overall context.

5. CONSULTATION

5.1 Consultation between relevant Council Officers, the Head of Finance, the Local Taxation section and key Heads of Service within the Peterborough-Serco Strategic Partnership was undertaken to provide the relevant information for this report.

6. ANTICIPATED OUTCOMES

6.1 It is anticipated that the Cabinet Member for Resources will approve the write-off of the debt amounts summarised in Appendix 1.

7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION

7.1 In all cases included in this Cabinet Member Decision Notice the authorisation for write-off is requested due to one of the following scenarios:

- a company being placed into administration of liquidation;
- the ratepayer is an individual being made bankrupt;
- the ratepayer is deceased with no further income due from the estate; or
- following extensive enquiries being made it has not been possible to trace the debtor and therefore collect payment.

7.2 Where debt being written off is in relation to companies that have gone into administration/ individuals being made bankrupt, proof of debt has been lodged with the Administrators or Liquidators in all appropriate cases and either it has been confirmed that no dividend is payable or a final dividend payment has been received. Recovery action has therefore been exhausted and there is no further action that can be taken to obtain any further payments in relation to the debt. Table 2 in Appendix 1 summarises the rationale for the different reasons for write off decisions by year and by value.

7.3 The majority of the aged debt outlined in Appendix 1 has been fully provided for in the council's debt provisions in accordance with the council's debt provision policies, local accounting procedures and statutory accounting regulations. As a result, there has been no adverse impact on the Council's revenue position as a result of this write off exercise and no adverse financial impact as a result of not writing these debts off sooner. All debt recovery actions available to the council must be exhausted before outstanding debt can be recommended for write-off.

7.4 To further strengthen its debt collection procedures, the Council has now implemented a robust end-to-end accounts receivable process, including ensuring that all future debt write off exercises take place on a quarterly basis. This report is the first iteration of that new process.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 The alternative option is to not write off this debt but this would result in an uncollectable debt continuing to be shown as outstanding and a bad debt provision for this debt. Once a debt is no longer collectable it should be written off in the Council's accounts and the debt provision adjusted accordingly.

8.2 All other alternative options available to the Council to collect the debt have already been undertaken before making a decision to recommend a debt for write off.

9. IMPLICATIONS

9.1 Financial and legal implications have been included within this report.

9.2 Section 151 of the Local Government Act 1972 requires a local authority to make arrangements for the proper administration of their financial affairs and the write-off of debts falls within such duties.

10. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

None

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985) and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

There are no documents.

12. APPENDICES

Appendix 1 - Debt Write-Offs With A Value Over £10,000

Appendix 2 - Debt Write-Offs With A Value Under £10,000

Consultation (officers/ward councillors)	Section	Name	Outcome	Date
<i>Legal and finance should be consulted regarding the proposals. Ward Councillors, other Cabinet Members and officers should be consulted if the proposals will have an impact on their service area/ward.</i>	Ward Councillors <i>(if decision is ward specific)</i>			
	Legal	Fiona McMillan	Approved	03/07/2018
	Finance	Nick Hutchins	Approved	26/06/2018
	Democratic Services	Dan Kalley	Approved	02/07/2018
	Procurement Project Director <i>(if decision is contract/procurement related)</i>	N/A		
	Head of Strategic Property <i>(if decision is property related)</i>	N/A		
	Other Officers / Members	N/A		
Director's approval <i>Directors are requested not to sign if the above section is incomplete</i>	Peter Carpenter			03/07/2018
Date sent to Cabinet Member if key decision	<i>To be inserted by Democratic Services</i>			
If key decision – date decision may be taken	<i>To be inserted by Democratic Services</i>			
Cabinet Member approval				Date
Reasons for making decision Please tick one of the Options	Option 1 I agree with the officer's reasons for recommending the decision.			
	Option 2 I agree with the officer's reasons for recommending the decision and have the following additional comments to make.			
Once signed by Director, please pass to Democratic Services. We will contact the Cabinet Member and arrange for signature.				

Appendix 1 - Debt Write-Offs With A Value Over £10,000

Table 1: By financial year and % of total debt raised

Financial Year	Non Domestic Rates			Sundry Debt		
	Write-off (Inc. costs of collection) (£)	Debt raised in year (£)	% Write-off in-year	Write-off (£)	Debt raised in-year (£)	% Write-off in-year
Up to 2008/09	-	-	-	52,635	-	-
2009/10	-	86,843,886	0.000%	63,338	51,430,000	0.12%
2010/11	-	84,526,730	0.000%	18,130	51,450,000	0.04%
2011/12	-	89,444,197	0.000%	16,225	47,270,000	0.03%
2012/13	-	92,745,954	0.000%	40,515	48,540,000	0.08%
2013/14	-	94,532,290	0.000%	20,929	46,140,000	0.05%
2014/15	3,664	96,008,318	0.004%	22,592	45,140,000	0.05%
2015/16	4,800	100,664,032	0.005%	32,664	54,270,000	0.06%
2016/17	4,840	101,768,770	0.005%	46,431	56,610,000	0.08%
2017/18	1,320	100,459,326	0.001%	-	56,914,648	0.00%
Total	14,624	846,993,503	0.002%	313,460	457,764,648	0.07%

Note – the profile above is impacted by the effects of the recession

Table 2: By financial year and write-off rationale

	Company/ ratepayer placed into Administration/ Liquidation/ Bankruptcy	Unable to trace the debtor and collect payment	The ratepayer is deceased with no further income due from the estate	Statute barred - disputed debts and recovery action attempted but no longer not enforceable under the Limitation Act 1980	Total
Up to 2008/09	-	-	-	52,635	52,635
2009/10	-	-	5,603	57,735	63,338
2010/11	-	-	1,535	16,594	18,130
2011/12	-	448	-	15,777	16,225
2012/13	-	3,218	26,146	11,151	40,515
2013/14	-	20,929	-	-	20,929
2014/15	3,664	22,592	-	-	26,256
2015/16	14,860	22,604	-	-	37,464
2016/17	18,813	2,907	29,552	-	51,271
2017/18	1,320	-	-	-	1,320
Total	38,656	72,699	62,836	153,893	328,084

Appendix 2 - Debt Write-Offs With A Value Under £10,000

Financial Year	Sundry Debt		
	Write-off (£)	Debt raised in-year (£)	% write-off in-year
Up to 2008/09	42,794	-	
2009/10	56,208	51,430,000	0.11%
2010/11	39,556	51,450,000	0.08%
2011/12	52,031	47,270,000	0.11%
2012/13	47,221	48,540,000	0.10%
2013/14	51,451	46,140,000	0.11%
2014/15	51,214	45,140,000	0.11%
2015/16	63,697	54,270,000	0.12%
2016/17	28,769	56,610,000	0.05%
2017/18	4,714	56,914,648	0.01%
2018/19	69	-	0.00%
Total	394,929	457,764,648	0.09%

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AUDIT COMMITTEE	AGENDA ITEM No. 10
24 SEPTEMBER 2018	PUBLIC REPORT

Report of:	Councillor Over, Chair of Audit Committee	
Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296334

FEEDBACK REPORT

RECOMMENDATIONS

It is recommended that Audit Committee:

1. Note the Feedback Report and work completed since the last meeting

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

- 2.1 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. IMPLICATIONS

Financial Implications

- 3.1 There are none.

Legal Implications

- 3.2 There are none.

Equalities Implications

- 3.3 There are none.

4. APPENDICES

- 4.1 Appendix A - Feedback report

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AUDIT COMMITTEE: RECORD OF ACTION TAKEN

MUNICIPAL YEAR: MAY 2018 - APRIL 2019

AGENDA ITEM	ACTION ARISING	OFFICER RESPONSIBLE	ACTION TAKEN	ACTION RAISED	SIGN OFF DATE
Sector Update (Q2 Local Government Briefing)	The report on the Gender Pay Gap be circulated	Mandy Pullen (HR)	Note circulated to members		Before next meeting
Annual Fraud and Investigations report	A summary report and key observations in relation to national fraud to be circulated if received.	Steve Crabtree	Direct to members		Before next meeting

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AUDIT COMMITTEE	AGENDA ITEM No. 11
24 SEPTEMBER 2018	PUBLIC REPORT

Report of:	Councillor Over, Chair of Audit Committee	
Cabinet Member(s) responsible:	Councilor Seaton, Resources Portfolio Holder	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296 334

WORK PROGRAMME 2017/18

RECOMMENDATIONS

It is recommended that the Audit Committee:

1. Notes and agrees the Work Programme for the municipal year 2018/19.

1. ORIGIN OF REPORT

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

2. PURPOSE AND REASON FOR REPORT

- 2.1 The Work Programme is based on previous year's agendas. The programme can be refreshed throughout the year in consultation with senior officer 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.

3. IMPLICATIONS

Financial Implications

- 3.1 There are none

Legal Implications

- 3.2 There are none

Equalities Implications

- 3.3 There are none

4. APPENDICES

- 4.1 Appendix A - Work Programme 2018/19

APPENDIX A

DATE: 16 JULY 2018			
		Section / Lead	Description
	Annual Governance Statement	Internal Audit Steve Crabtree	To consider and endorse the development of the Annual Governance Statement as included in the accounts.
	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 2018.
	Investigations Team Annual Report 2017 / 2018	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 2018.
	Capital and Treasury Outturn 2017 / 2018	Finance Pete Carpenter	To receive, consider and endorse the Capital and Treasury outturn 2017/2018
	Update of Treasury Management Strategy 2018/19	Finance Pete Carpenter	
	Audit of Statement of Accounts To Those Charged with Governance (ISA260) including Annual Governance Statement	Finance Pete Carpenter & EY	To receive the final Statement of Accounts for the year ended 31 March 2018 incorporating the Annual Governance Statement together with the annual report to those charged with governance following their scrutiny by External Audit.
	Audit Plan Update	EY	To receive an update on the Audit Plan from EY, to review their proposed approach and scope for the 2017/18 audit in accordance with requirements, and to ensure that the EY audit is aligned with the Committee's service expectations.
	Fees report	Finance Pete Carpenter	To approve the fees for the Municipal year 2018/2019
	INFORMATION AND OTHER ITEMS		

	Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation
	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	Pete Carpenter/Chris Yates	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Draft Work Programme 2018 / 2019	Democratic Services Dan Kalley	

DATE: 24 SEPTEMBER 2018

		Section / Lead	Description
	Treasury Management	Finance Pete Carpenter	To receive an update on the policy and effectiveness of treasury management
	Risk Management: Strategic Risks	Governance Simon Machen	To receive details of the strategic risks impacting on the Council and the mitigating actions to address these.
	Annual Report - Insurance	Audit Steve Crabtree	To receive an annual report on insurance
	External Audit: Annual Audit Letter	EY	To receive and approve the External Annual Audit Letter 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. To also include the outcome of a recent Surveillance Commission Inspection.
	Approved Write-Offs Exceeding £10,000 - None	Finance Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Work Programme 2018 / 2019	Democratic Services Dan Kalley	

DATE: 19 NOVEMBER 2018

		Section / Lead	Description
	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
	Treasury Management: Strategy	Finance Pete Carpenter	For Members to comment on the Treasury Management Strategy
	Winyates School Funding		To receive a report on the Winyates School Funding
	INFORMATION AND OTHER ITEMS		
	Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation

	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	Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Work Programme 2018 / 2019	Democratic Services Dan Kalley	

DATE: 11 FEBRUARY 2019

		Section / Lead	Description
	External Audit plan	EY	To receive and approve the Draft External Audit Plan
	Grants Certification report	EY and Finance	To receive a report on Grants Certification
	Internal Audit: Approach to Audit Planning	Internal Audit Steve Crabtree	To receive a report on the approach to Audit Planning
	Capital Strategy 2018 - 2021	Finance Pete Carpenter	

	Treasury Management Strategy Including the Investment Policy 2018 - 2021	Finance Pete Carpenter	
	Risk Management: Strategic Risks	Governance Simon Machen	To receive an update on the strategic risks for the Council
	Residents Car Parking Scheme		To receive a report on the residents car parking scheme and any updates.
	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 Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Work Programme 2018 / 2019	Democratic Services Dan Kalley	

DATE: 25 MARCH 2019

		Section / Lead	Description
	Draft Annual Audit Committee Report	Democratic Services Dan Kalley	To receive the Draft Annual Audit Committee Report prior to submission to Council
	Internal Audit: Draft Internal Audit Plan 2019 / 2020	Internal Audit Steve Crabtree	To receive and approve the Internal Audit Plan 2019 / 2020
	INFORMATION AND OTHER ITEMS		
	Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation
	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	Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	