PETERBOROUGH CITY COUNCIL

MINUTES OF THE AUDIT COMMITTEE MEETING HELD AT 7:00PM, ON MONDAY, 16 SEPTEMBER 2019 BOURGES/VIERSEN, TOWN HALL, PETERBOROUGH

Present: Councillors Over (Chairman), Joseph, Fower, A Coles, Skibsted and Warren

Officers in Attendance: Peter Carpenter, Acting Corporate Director of Resources
Dan Kalley, Senior Democratic Services Officer
Fiona McMillan, Director of Law and Governance and Monitoring Officer

Also in Attendance: Suresh Patel, Associate Partner Ernst & Young LLP

15. APOLOGIES FOR ABSENCE

There were no apologies for absence.

16. DECLARATIONS OF INTEREST

No declarations of interest were received.

17. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 15 JULY 2019

The minutes of the meeting held on 15 July 2019 were agreed as a true and accurate record.

18. ERNST & YOUNG LLP ANNUAL AUDIT LETTER FOR THE YEAR ENDED MARCH 2019

The Audit Committee received a report in relation to the Annual Audit Letter for the Year Ended March 2019.

The purpose of the report was for the Committee to receive the detailed findings that had been reported in the Audit report on 15 July 2019.

The Associate Partner, Ernst & Young (EY), informed members that the report summarised the completed audit and reported back to the Committee the key findings. An unqualified Audit was given to the Council on 31 July 2019. A couple of issues around property plans had now been concluded.

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

- EY had been working at recruiting more people in order to deal with workloads. Work had also been undertaken at looking at ways of retaining staff. There was confidence that the process of auditing would be better across the region in comparison to the previous year.

- It was confirmed that the Committee had delegated the Chairman of the Audit Committee the power to sign of the Statement of Accounts in July.
- Peterborough City Council was one of the few organisations in the region that had a signed set of accounts by the 31 July deadline.
- In terms of irregularities with procurement arrangements, this had been around how strategies were formed. For example some of the strategies precluded the Council from allowing competition when awarding contracts. This had now been resolved and updated.
- The Audit fee charged had reduced over the past couple of years, however the scope of work being carried out had changed and the focus was now on the core audit. EY had expressed a view to the Government consultation around the fees and work that was expected to be carried out.
- The Council did not currently have a lot of leases in place. Most of these were the dust carts that were currently in use. In some instances it was cheaper for the Council to buy equipment instead of leasing it.
- In terms of the pension fund the Council was currently 80% funded, which was different to previous years when it was 60% funded. Over the past ten years the fund itself had been weighted more to equities. In the last two or three years when things had been going well the value of the pension actuary had gone down, this was mainly due to the cost of living and what we would be paid in terms of pensions. One of the key issues had been the length of time people were living, this had placed a strain on the pension fund. In terms of comparison to the private sector and the government pension scheme the Council's fund was better funded. Some authorities were 100% funded however this was due to the fact that they had put more money from underspend into the pension fund.
- The £171 million PFI payments related to schools.
- The reporting threshold identified by EY was in place so that only spends above £471k would be subject to EY auditing standards and be reported to the Audit Committee.
- The Finance team at the Council were commended on their work over the past year in getting the accounts ready for sign off.

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

19. RISK MANAGEMENT REPORT

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

The purpose of the report was for the Committee to note and comment on the Risk Management Report.

The Acting Corporate Director Resources introduced the report which sets out what the Council perceives as major risks and how the Council tries to mitigate the risks. The red risks generally don't change and revolve around the Council's financial position, government funding and school places. In addition Brexit was a red risk as this was still happening on 31 October. The Government had made funding available for Councils to think through risks around Brexit and how this could be mitigated. In terms of funding the Government in the Chancellor's speech made more funding available for local government than in the past six years, this was estimated to be around £6 million, however it was stressed that this was just a one year settlement.

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

- There was still a risk around school places even though there was a higher percentage of children getting their first choice. There were a number of new developments that could impact on the number of children needing to go to school and this was outside of the Council's control.
- In terms of the business continuity this was red due to the fact that there had been a number of issues around fire control in both Sand Martin House and the Town Hall. This had now been resolved and was likely to be only an amber risk going forward. In terms of IT resilience this was now far more advanced than before. Sand Martin House now had extra resilience in place.
- There were a number of schools that had not filled up all places available, this had an impact on those specific schools receiving the necessary income and funding because of this.
- In terms of Shared services this was not moving as quickly as the Council would like, this was mainly due to the break up of LGSS and mainly affected back office support. In terms of front line services the sharing arrangements with Cambridgeshire County Council and other organisations was moving along well.
- There were potentially risks to resources dependent on whether Brexit took place on 31 October, this included having to change Council stationary and any other relationships with suppliers that were based in the EU. Members of the Committee were informed that most of the Councils partners were based in the UK so this should not have a major impact if the UK leaves the EU on 31 October.
- A lot of work had been carried out in conjunction with the Local Government Association (LGA) around financial pressures. The Council currently used the CIPFA resilience test indicators. The Council faced higher risks if there was to be another recession as there was a higher commercial value risk to the Council.
- In terms of affordable housing this needed to be raised at Planning Committee.
- In terms of shared services one of the issues that needed resolving was ensuring that organisations agreed to a common base and how services were upgraded to ensure that they were deliverable. It was important that any shared service was as efficient as possible. There also needed to be a mindset change in terms of shared working to ensure that the services being delivered were adequate.
- There were discussions with the NHS as to the deficit that they were currently running with. There were still issues with how Public Health were funded and this was being investigated.

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

20. USE OF CONSULTANTS

The Audit Committee received a report in relation to the use of Consultants for the financial year 2019/20.

The purpose of the report was to provide the Committee with an update on the use of Consultants over the past financial year.

The Acting Corporate Director Resources introduced the report and explained that when the reports were originally presented in 2012 there were a number of issues with spend on Consultants and Agency staff. Current projections showed that there would be £2.3 million less spent on agency staff this financial year. Recruitment processes were now in place so that vacancies were analysed before going out to recruitment.

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

- The high spend a decade ago was most likely down to the lack of expertise within the Council, however the Council now had more expertise at its disposal. In addition Councils were now had shared service arrangements enhancing the expertise across different organisations.
- A large percentage of agency spend was on adult social care as there was more money to be earned as a locum than a permanent member of staff.
- A training session on consultancy fees would be beneficial to members of the Committee.

The Audit Committee considered and **RESOLVED** (Unanimous) to note the update report on the use of Consultants for the financial year 2019/20.

21. FEEDBACK REPORT

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

22. WORK PROGRAMME

The work programme was to be updated to include an item on the Committee selecting its start times from 2020-21 onwards.

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

7:00pm – 7.56pm
Chairman