

AUDIT COMMITTEE

MONDAY 13 SEPTEMBER 2021

5.00 PM

Sand Martin House, Bittern Way, Peterborough, PE2 8TY

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 29 July 2021** **3 - 14**
- 4. Ernst & Young LLP Audit Plan for the Year Ended 31 March 2021** **15 - 76**
- 5. Use of Regulation of Investigatory Powers Act 2000 (RIPA)** **77 - 136**

INFORMATION AND OTHER ITEMS

- 6. Use of Consultants** **137 - 142**
- 7. Decisions made by the Shareholder Cabinet Committee** **143 - 146**
- 8. Approved Write-Offs Exceeding £10,000**

To note there have been no approved write-offs exceeding £10,000 since the last meeting held on 29 July 2021.

- 9. Feedback Report** **147 - 150**
- 10. Work Programme** **151 - 156**

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Committee Members:

Councillors: D Over (Chairman), A Shaheed, Joseph, Ali, Farooq, Haseeb and Sainsbury (Vice Chairman)

Substitutes: Councillors: Burbage, Iqbal, Jones and Bond

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



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 7:00PM, ON
THURSDAY, 29 JULY 2021
ENGINE SHED, SAND MARTIN HOUSE, PETERBOROUGH**

Present: Councillors Over (Chairman), Sainsbury (Vice-Chair), S Farooq, Joseph, I Ali, Haseeb and Shaheed

Officers in

Attendance: Peter Carpenter, Corporate Director of Resources
Dan Kalley, Senior Democratic Services Officer
Steve Crabtree, Chief Internal Auditor
Fiona McMillan, Director of Law & Governance and Monitoring Officer

Also in

Attendance: Councillor Andy Coles, Cabinet Member for Finance
Neil Harris, Associate Partner Ernst & Young

1. APOLOGIES FOR ABSENCE

There were no apologies for absence received.

2. DECLARATIONS OF INTEREST

There were no declarations of interest were received.

3. MINUTES OF THE AUDIT COMMITTEE MEETING HELD:

3.1 22 MARCH 2021

The minutes of the meeting held on 22 March 2021 were agreed as a true and accurate record.

3.2 21 JUNE 2021

The minutes of the meeting held on 21 June 2021 were agreed as a true and accurate record.

4. EY VERBAL UPDATE

The Audit Committee received a verbal update from the external auditors EY.

The Associate Partner introduced the report and commented that there was a national letter in the pack that was issued by the contact partner for the Public Sector Auditor Appointments (PSAA). The letter set out the scheduling of external audits for the 2020/21 financial year.

The letter sets out the principles that the external auditors would use when completing the audits for this financial year. The particular focus was to ensure that there was no significant delay in the reporting of audit reports. The external auditor were concentrating on completing those authorities with a high threshold by the end of September.

In terms of Peterborough City Council the external auditors were putting a significant amount of resource into the external audit to catch up with the timetable to complete the field work into the audit by the end of September or early October. A final report and opinion would not be ready until the meeting at the end of November. This would bring it back in line with the reporting of other local authorities. A draft audit planning report for 2020/21 was to be presented to Committee at the meeting in September.

Based on preliminary discussions with auditors at EY and with the team at Peterborough City Council the focus on significant risks would be in areas similar to 2019/20. In terms of significant estimations and judgements within the financial statements, the Council's valuation of its property plant and equipment and investment property would remain a significant risk for the current financial year. The Council's valuer had expressed material uncertainty over the value of the Council's office and retail property.

Members were reminded that the external auditor had reported on the governance arrangements with regards to the Empower Loan. External Audit were continuing to look at the follow through of that decision and the accounting of the Empower Loan going forward, with this identified as a significant risk.

One of the new areas of focus was the accounting and processes around Covid-19 and the issuing of grants. The Council were in charge of large sums of money for issuing of grant payments. It was important to look at how the Council dealt with the issuing of these.

With regards to the Council's value for money members were informed that the Council had disclosed material uncertainties in line with the capitalisation directives from MHCLG. The external auditors had undertaken lots of work on the Council's financial resilience over the past year. There were plans to carry on with this work over the next year and stress testing the budget and medium term financial strategy.

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

- The Council undertook a significant programme of work with a valuer to obtain the value of the Council's assets. The valuer set out the assumptions used to come to a figure on the total value of the assets. The external auditors looked to assess how the management of the

valuation was dealt with and if there were any changes in technique or methodology which could heighten the risk to the Council. There would not be any recommendations made by the external auditors unless there were control weaknesses and the way the Council undertook the management of this process.

- It was highlighted that extra work would need to be carried out by the Council and its valuer over assets such as the Council's waste plant facility.
- The external auditors would look at instances when acting as an agent where this had not been properly accounted for. There needed to be an understanding of all of the grants the Council received. There was some inconsistency across local government over this issue.
- In terms of Covid support there had been over 70 different grants given to the Council amounting to £170 million. A large number of these had been to help local businesses in terms of business rate support or grant support. It was normal for external auditors to look at the grant levels. Guidance had been given by central government over how they wanted the grants to be accounted for and whether they had been allocated correctly.

The Audit Committee considered and **RESOLVED** (unanimously) to note an update from Ernst Young LLP (EY) as at 29 July 2021 for the following;

- Current position with scheduling audits,
- Proposed timetable for Peterborough City Council audit
- The areas of external audit focus
- Reference to the recent Public Accounts Committee Report on the timeliness of local auditor reporting on local government.

5. **DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 2020/21**

The Audit Committee received a report in relation to the Draft Statement of Accounts for the year ended 2020/21.

The purpose of the report was to provide Members with the opportunity to consider and approve the Draft Statement of Accounts in accordance with the legislation.

The Corporate Director of Finance introduced the report and explained that it was important for the Audit Committee to look at the draft statement of accounts. These needed to be signed and certified by the end of November. They were available on the website for the public to view. Members were informed that the statement of accounts now included group accounts for the first time this year as there was an entity with over £10 million in turnover.

Members were informed of some key highlights including current assets had increased by £34 million, the majority was an increase in short-term debt, which was mostly money owed to the Council. Long term liabilities had decreased by £101 million, most of this was around pensions. There was concern over this in the balance sheet as there was a large gap reporting a £100 million decrease

in liabilities in the previous financial year and a £100 million increase in liabilities the next year. In addition members were informed on the collection fund, the government had given the Council money upfront to pay retail, hospitality and leisure. This gave the Council an additional £28 million in reserves, however this needed to be used for the payments to those sectors and had been earmarked. More money had also been earmarked for Covid which needed to be used going forward.

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

- There was confidence in overall terms of the pension fund, the value of the pension fund had gone up in real terms over the past couple of years. The main issue was with the liabilities which had flipped drastically over the past few years. One of the key questions being asked was whether the same assumptions had been used as last time.
- In terms of the investment this was set in the pension fund statement on principles. With regards to the liabilities side the interest rates had been lower in previous years. It was important to understand why there had been such a large flip on the liabilities in the last two years.
- With short term debtors there was a number around the collection fund. In terms of sundry debtors this had reduced down by around £5 million. In addition there was a higher number of bad debts as the courts were closed and therefore collection of these debts was made more difficult.

The Audit Committee considered and **RESOLVED** (unanimously) to note the Draft Statement of Accounts 2020/2021 prior to the Chief Finance Officer's certification by the 30 September 2021.

6. ANNUAL GOVERNANCE STATEMENT 2019/20

The Audit Committee received a report in relation to the Annual Governance Statement 2020/21.

The purpose of the report was to provide Members with details of the Annual Governance Statement which formed part of the closure of the previous year's accounting process.

The Corporate Director Resources introduced the report and explained that this was a key control report. The Annual Governance Statement set out how the Council setup its controls and governance and followed the key principles set out by SOLACE and CIPFA. The external auditors were a part of this process in terms of the review they carried out. Internal audit carried out an assessment through a controls statement for key officers and this was included in the final report and action plan. The governance statement itself was split into two sections, Appendix A was the draft Annual Governance Statement while Appendix B shows what had been removed from the previous year as these actions had been carried out. Members were directed to new items that were included for this financial year. These areas were social care integration and

there was a large scale project underway in Cambridgeshire and Peterborough around social care integration. MHCLG were currently undertaking a review alongside the LGA into the Council's financial position. One of the key areas that needed to have through checks was around cyber security as some other local authorities had issues recovering from cyber hacks in the past.

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

- The work with the CCG was more like a partnership rather than a contract. It was important that this new partnership worked for both Peterborough and the CCG. There was a need to work as a health and care community to deliver services to residents. The CCG had a lot of work done by consultancy firms. It was highlighted that most of the additional cost within the CCG was spent on acute services and there was now a need for advocating a move to a communities-based health approach. This was linking more closely with the think communities' strategy.
- It was not possible to state how the funding was to be spent. There was an awareness that there were different requirements between the north and south of Cambridgeshire. The voluntary sector were also important in this situation and would play a key role in the future.
- It was agreed that the issues around the integrated social care system would be added to the work programme for November and March meetings.
- Peterborough City Council were roughly in line with other authorities with regards to collecting business rates, however there were around 2% still outstanding. It was important to work with the business community to ensure that businesses were still able to trade.
- There was concern over the support from central government in relation to grants. There had already been £330 billion spent on grants during Covid and this would need to be paid back over time.

The Audit Committee considered the report on the Annual Governance Statement 2020/2021 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. Subject to changes identified above, agree and approve the statement for signature by the Chief Executive and Leader of the Council for inclusion in the statement of accounts.

7. ANNUAL INTERNAL AUDIT OPINION 2020/2021

The Audit Committee received a report into the Annual Internal Audit Opinion 2020/2021.

The purpose of the report was to provide an overall opinion on the soundness of the control environment in place to minimise risks to the Council. It was based on the findings of completed audits and activities undertaken by the Internal Audit Team during 2020/2021.

The Chief Internal Auditor explained the content of the report to the committee and confirmed that the draft plan for the work in the year ahead was always presented to Audit Committee every March. Members were made aware that the plan was unable to be presented in March 2020 due to Covid. The report in front of committee showed how internal audit had re-prioritised its work to focus on issues surrounding Covid.

There was no limited assurance audits identified in year, this was good for the Council to achieve as focus of works was always on high risk areas. There was a reduction in the number of audits carried out but a lot more focus on specific areas, this was due to reduction in resources and the impact of Covid.

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

- A suggestion was made that a cross grid was developed to show how critical the level of no assurance was.
- The reason for less audits over the last year was because of a reduction in staff and a focus on vital areas of audits impacted by Covid.
- In terms of how the team conducted the audit plan the focus was looking at materiality and risks to the Council. These areas that scored the highest would form the focus of the audit plan. Although some issues were below the line of what was planned to be audited it might move up the list depending on circumstances through the year.
- There was an Issue in terms of IT assets, this arose from a push for all to work from home at the beginning of the pandemic. Most staff members had chromebooks or laptops and in some circumstances staff had other equipment from the offices such as screens or keyboards. It was identified that not everything was accounted for, however the team were in the process of capturing all information relating to IT assets. There was no concern at this moment that there was any issues with materiality. There were discussions taking place over how the Council was going to operate going forward with the ability of staff to work at home or in the office.
- The total budget around cyber security was not known, however this figure could be investigated and would be circulated to members of the committee.
- There had not been any issues or problems with recording IT assets before Covid. The Council had a checklist if staff left the authority which included a section with regards to IT assets.
- The Council was looking at the value of renting space within the buildings it used for staff.
- In terms of Vivacity services this was to be an area the audit team looked at in the near future.

The Audit Committee considered the Annual Internal Audit Opinion 2020/2021 and **RESOLVED** (unanimous) to endorse the attached Chief Internal Auditor's annual report for the year ended 31 March 2021.

ACTION:

Total figure spent on cyber security to be circulated to members of the committee

8. ANNUAL REPORT: INVESTIGATING FRAUD 2020/21

The Audit Committee received a report in relation to investigating fraud 2020/21.

The purpose of the report was to present the work carried out during the past year to minimise the risk of fraud, bribery and corruption occurring in the Council.

The Chief Internal Auditor presented the report on how the investigations team had worked on investigating fraud. It was important to note that managers across the organisation had a duty to report any potential issues of fraud. Members of the committee were directed to the national fraud initiative which identified data sets, which were then shared with the Cabinet Office. This was then matched with other data sets from the authority or other data sets the Cabinet Office held for other Councils. This process also identified if there were any serious anomalies which the Council was then able to investigate. One of the top data matches was around blue badge parking permits, although it was possible that most of the anomalies were from people who had passed away. There might be a lag between when an individual's circumstances had changed to when the Council was informed of the change. Members were advised that although the Council received a lot of potential anomalies, after investigation a lot of these were legitimate and those that were deemed potentially fraudulent were then investigated further. One of the biggest areas was around council tax and single person discounts. The Council tax list and electoral roll were matched every year, as a result it could identify individuals that were on the electoral roll at one property but only one person on the council tax list who was claiming single person discount. This was possible if the other people in the property were students for example who are exempt. However in other cases these matches could be fraudulent. Previous exercises have identified around £100,000 as being saved with regards to the single person discount. A similar process is proposed in terms of business rate grants.

Another area which experienced cases of fraud was around council tax support and changes in circumstances. The Council are informed of these changes either through letters or the fraud hotline. With regards to prosecutions this had been limited over the past year due to the courts being closed. The team were working at making staff more aware of the processes and procedures in place for recognising and reporting fraud.

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

- With regards to parking permits the service department had been contacted to provide an overall figure which would be circulated to members in the future.

- In terms of the electoral roll a canvass was conducted every year to note if there had been any changes in the people living at a property.
- The Council were aware that some properties were empty. There were charges on some of those properties and processes for this were already in place. In terms of verifying individuals this initiative was in pace and information was passed onto the electoral registration team and the council tax team.
- With the courts being backlogged with cases this had an impact during the pandemic, however this also impacted a lot of businesses within the city. It was important to carry out as much business as usual. The team were also looking at learning lessons following the impact of the pandemic, the priority was deliver services as best as possible.
- There was a national organisation that compiled data to show the number of cases of frauds and the value of these. The Council completed a questionnaire providing detail on the number of cases each year. Once the data had been compiled it did not show how Peterborough did as an authority in comparison to other local authorities, it showed trends across all authorities. The last report compiled would be circulated to members.

The Audit Committee considered the report and **RESOLVED** (unanimous) to endorse the attached annual report on the investigation of fraud during 2020 / 2021.

9. ANNUAL REPORT INSURANCE AND INSURANCE FUND 2020/21

The Audit Committee received a report in relation to insurance and the insurance fund 2020/21.

The Chief Internal Auditor introduced the report and commented that the purpose of the report was to provide detail to deliver financial control and governance controls.

There had been a strong focus on continuing business as usual throughout the pandemic. For example Highways had been able to do a lot of work on fixing and repairing roads around the city with less cars on the road. This had also resulted in lower levels of claims made with regards to potholes. Insurance premiums had also come down due to the pandemic.

The team had been able to plot more accurately those areas where claims had increased, for example there had been an increase in the number of claims made around tree subsidence. This was due to a number of trees planted around the same time in the city that were now causing issues for properties. This enabled the team working on the insurance fund to target those responsible for maintaining trees. In an instance where a tree was chopped down it would be replaced.

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

- Past year claims do not always get settled in year. The value was not therefore reflected as it had not yet been agreed.
- Data was shared regularly with the Highways team. When looking at claim they can check records on when a road was inspected and in what condition the road was in. Work was underway with the team looking after trees to plot those areas of greatest concern.
- The comparison over the amount paid in insurance compared to the value of the claims was favourable. The Council did self insure in various areas with differing values.
- With regards to a claim in 2018 for over £600k officers would look into this and report back to members.

The Audit Committee considered the report and **RESOLVED** (unanimous) to endorse the attached annual report on the insurance and insurance fund 2020 / 2021.

10. REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE

The Audit Committee received a report in relation to a review of the effectiveness of the Audit Committee.

The Chief Internal Auditor introduced the report and stated this report was presented to committee to check best practices were being followed. Overall the committee was working well and operating to the standards laid out by CIPFA. A compliance checklist had been completed by internal audit to make sure the committee had carried out their role effectively.

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

- It was important that training before meetings or at pre-meetings was provided to members, this would enable the committee to understand better their role. An Audit Committee handbook was produced and could be re-circulated to members after a refresh.
- Committee members were advised that they had greater functions and powers than other committees. Members were advised to look at the paper in greater detail and ensure that the right questions were being asked.

The Audit Committee considered the report on the Review of the Effectiveness of the Audit Committee and **RESOLVED** (unanimous) to have:

1. Considered the draft response to the CIPFA Toolkit checklist for Audit Committees, which records that the Committee meets all the good practice statements;
2. Considered the draft responses to the CIPFA Knowledge and Skills Framework for local authority audit committees; and
3. Agreed any actions which the Committee considers appropriate to amend or enhance the Committee's arrangements in light of the completed Knowledge and Skills Framework assessment and the CIPFA Audit Committee Toolkit checklist.

11. BUDGET MONITORING REPORT FINAL OUTTURN 2019/20

The Audit Committee received a report in relation to the Budget Monitoring Report Final Outturn 2020/21.

The purpose of the report was to provide the Committee with the outturn position for both the revenue budget and capital programme for 2020/21.

The Corporate Director Resources introduced the report and stated that this had already been presented to Cabinet. As part of the committee's remit on checks and balances it was being presented to Audit Committee. In overall terms the Council had a £3.97 million underspend against the budget. All the prudential indicators last year were fulfilled. Since 2003 Councils were able to set their own debt levels and had to keep within these limits. The report also set out the performance with regards to payments of creditors and the collection from debtors. Members were directed to sections within the report especially around Covid and the impact of business grants and payments made on track and trace. There was also a section on social care demand, the government had paid out a number of grants so that these services could be provided during Covid.

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

- With regards to the Councils reserve a robustness statement was carried out on an annual basis. The Councils reserves were extremely low, there were a lot of adverse issues if the budget was not delivered. The Council was looking at a raft of savings to bridge the budget gap as the reserves were not enough.
- The period to the end of May showed a £3.7 million overspend. The draft figures up to June and this would be presented to the committee in September. At the current time the overspend was around £300k. There was a £6 million overspend in people in communities. There were concerns around the spending in people in communities as a further £8 million had already been placed in that service areas budget.
- The Council was not at tipping point yet however there was still a lot of work to do and one of the biggest factors was how the Council managed its finances as Covid restrictions lifted fully.
- The Council was taking on board comments and recommendations made by Grant Thornton and MHCLG. The Council was also awaiting announcements on the fairer funding for local authorities.

The Audit Committee considered the report on the Budget Monitoring Report Outturn 2020/2021 and **RESOLVED** (unanimous) to:

1. Note the final outturn position for 2020/21 (subject to finalisation of the statutory statement of accounts) of a £3.975m underspend on the Council's revenue budget.
2. Note the reserves position outlined in section 7, which includes a contribution to the capacity building reserve of £3.975m, resulting from the underspend highlighted in the revenue outturn report in Appendix A.

3. Note the implications of the COVID-19 pandemic on the Council's Financial position, as outlined within section 5.
4. Note the outturn spending of £56.8m in the Council's capital programme in 2020/21 outlined in section 9.
5. Note the performance against the prudential indicators outlined in Appendix C.
6. Note the performance on the payment of creditors, collection performance for debtors, local taxation and benefit overpayments outlined in Appendix D.

14. WORK PROGRAMME

The Audit Committee received a report in relation to the work programme for 2021/2022.

The report was introduced by the Senior Democratic Services Officer who advised that the format followed a similar process to previous years and further items could be added to the programme at the Members discretion.

A standing item for November and March was to be added around work with the Integrated Care System (ICS).

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

Chairman
5:00pm –
7.07pm

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AUDIT COMMITTEE	AGENDA ITEM No. 4
13 SEPTEMBER 2021	PUBLIC REPORT

Report of:	Peter Carpenter - Corporate Director: Resources	
Cabinet Member(s) responsible:	Cllr Coles - Finance	
Contact Officer(s):	Peter Carpenter - Corporate Director: Resources Kirsty Nutton - Head of Corporate Finance	Tel. 384564 Tel. 384590

ERNST & YOUNG LLP AUDIT PLAN FOR THE YEAR ENDED 31 MARCH 2021

RECOMMENDATIONS	
FROM: Peter Carpenter - Corporate Director Resources	Deadline date: 13 September 2021
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> Note the key risks set out by Ernst Young LLP in their report and associated audit approach - Appendix A Note the responses to the Audit Report from Peterborough City Council. Note the delay in the Audit start date which is after the 31 July 2021, the date recommended in legislation. Notes the increase of audit fees above the Public Sector Audit Appointments scale fee which may increase if additional work is required as set out on page 49 of the report. Comment on the scope and depth of external audit work and to ensure it gives value for money and identify to Ernst Young LLP any other matters the Audit Committee considers relevant to the audit. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee in line with its Work Programme.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to involve the Audit Committee in determining the audit approach and to identify any additional issues it considers relevant to the audit.

2.2 This report is for Audit Committee to consider under its Terms of Reference -

- 2.2.2.5 *To consider the external auditors annual letter, relevant reports and the report to those charged with governance.*
- 2.2.2.7 *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 Audit Plan has been prepared to inform the Council about the responsibilities of its external auditors and how those responsibilities will be discharged. It has been discussed and agreed

jointly by Council representatives and External Audit (EY).

- 4.2 The plan (Appendix A) has been developed to consider the impact of the recent key developments, understanding of the Council and the local government sector, and risks based upon discussion with management.
- 4.3 The Audit Plan sets out the materiality levels applied by EY, including the level of uncorrected misstatements that will be reported (page 10 with further details on page 33). EY set the materiality level in accordance with national auditing guidelines and standards.
- 4.4 Under the 2020 Code EY are still required to consider whether the Council has in place 'proper arrangements' to secure economy, efficiency, and effectiveness on its use of resources. However, there is no longer an overall evaluation criterion that EY needs to conclude on. Instead, the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period. The Value for Money (VFM) section (from page 26) highlights a significant risk due to the scale of the financial challenge that the Council faces.
- 4.5 The following table provides a summary of those risks marked as Red in the Audit Plan, with an associated PCC management comment, (page references shown refer to the Appendix Audit Plan).

EY Report – summary of points raised as Red Risks	PCC Management comment
1. Valuations of Other Land and Buildings and Investment Properties (p.6, p.17)	<p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet, and PCC uses the expertise of NPS Peterborough Ltd to complete this valuation.</p> <p>Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.</p> <p>The outbreak of the Covid-19 continues to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are starting to function again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. However, for the retail and office sector, there is still an absence of relevant/sufficient market evidence on which to base judgements in the valuers opinion.</p>
2. Accounting for Covid-19 related Government Grants (p.6, p.19)	<p>The Council has received funding for distribution or used to support the Covid-19 response and recovery. The terms and conditions of such grants have required judgment as to whether the Council was acting as agent or principal. Most grants have been considered principal as the use of the grant was for Council services or general funding, and these have been reported within the CIES. In 2020/21 the Council received £58.4m of grant funding where the Council acted as an agent for the government and administered grant funding to businesses, individuals, or care providers, and these are excluded from the CIES.</p> <p>The Council has developed a comprehensive working paper to support the accounting treatment adopted in the Statement of</p>

	Accounts for each grant received. As part of this work, the Council has been in early liaison with EY where there has been a greater level of subjectivity with regards to treatment to ensure consideration and review prior to final close of accounts.
3. Accounting for Empower Loan (p.7, p.20)	The 2019/20 Statement of Accounts was delayed due to the additional audit scrutiny required for the Empower loan and the impact of Covid-19 related economic conditions which led to the Council making a post balance sheet adjustment. Throughout the period, and as the situation progresses, the Council has ensured that EY are apprised of the latest developments and actions the Council is undertaking.
4. Going Concern (p.7, p.21)	The Council has adopted a similar approach to the 2019/20 Statement of Accounts for this note. At the time of publication MHCLG were undertaking their review of the Council as per the conditions outlined in the Exceptional Financial Support granted to the Council for the 2021/22 MTFS.
5. Group Accounting and the scope of the group audit (p.8, p.23)	<p>The Council have prepared Group Accounts again this year due to the level of activity in Peterborough Ltd (trading as Aragon Direct Services) and can be viewed on p.103 of the 2020/21 Draft Statement of Accounts.</p> <p>The additional work that this entails has been factored in to the closure timetable with key team members of the corporate finance team having undertaken relevant training and analysis of the expenditure was undertaken in advance of final year end processes.</p> <p>Peterborough Ltd have engaged Azets as the new auditors in 2020/21 who have already been in contact with EY regarding the year end accounts.</p>
6. Business Rates Appeal Provision (p.9, p.24)	<p>The Council has included this as part of Note 41 - Contingent Liabilities, following early liaison with EY on the Council's proposed accounting treatment and associated justification.</p> <p><i>The Council has experienced a high volume of National Non Domestic Rates (NDR) Material Change in Circumstance (MCC) appeals during 2020/21. This is a result of businesses appealing to the Valuation Office Agency (VOA) for a reduction in their Rateable Value, due to the impact C-19 has had on the operational capabilities to their business. This increase in MCC appeals has impacted local authorities nationally, and in March 2021 the Government announced it would legislate 'to rule out Covid-19 related MCC appeals'. Instead it is to provide a £1.5bn discretionary scheme, to support businesses. At the time of publication, the legislation has not passed, the discretionary scheme has not been confirmed, and the appeals remain on the VOA system. Until such a time when the legislation is passed the Council is exposed to a potential financial liability arising from these appeals.</i></p>
7. Bad Debt Provision (p.9, p.24)	The calculation for the Council's bad debt provision has been thoroughly reviewed considering the possible impact of Covid-19 on the recoverability of income owed. Additional allowance has been provided. Debt recovery continues to be a budget risk that is monitored on a regular basis by CMT throughout the year, with management action identified and implemented.

5. CONSULTATION

5.1 The Plan has been circulated to relevant officers for comment, including the Corporate Director: Resources, and Head of Corporate Finance.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 Approval of the External Audit Plan 2020/21 and comment on any issues the Committee considers relevant.

7. REASON FOR THE RECOMMENDATION

7.1 The Plan provides a summary of the Auditor's proposed work. Members can ask questions and make comments to the External Auditor on its contents and coverage.

7.2 To enable Audit Committee to understand the new accounting standards and the current and any potential future impact on the Council from their adoption into the Code.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 It is a requirement of the Audit Code to agree the plan but the Committee may influence the content of the plan.

9. IMPLICATIONS

Financial Implications

9.1 There are significant direct implications arising from this Plan. Fees identified are no longer commensurate with the Public Sector Audit Appointments (PSAA) agreed Scale Fee of £83,570. The 2019/20 fee saw an increase on fees of 155% over and above that set by the PSAA and that included in Medium Term Financial Strategy. An additional budget of £100k was included in the MTF5 as an estimate for a revised external audit fee with the following description -

The audit procedures now required, and the risk and complexities involved in an organisation such as the Council, have led to our external auditors indicating a final fee estimate of around £185,000, some £100,000 higher than the current scale fee. This compares to a commercial benchmark of £250,000.

The Audit Plan currently estimates a final fee of £220,000, a forecast overspend position of £35,000 and for which additional savings are still required to be identified.

Legal Implications

9.2 None.

Equalities Implications

9.3 None.

10. BACKGROUND DOCUMENTS

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

10.1 The Accounts and Audit Regulations 2015
The Local Audit and Accountability Act 2014
The National Audit Office's 2015 Code of Audit Practice
The Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd

11. APPENDICES

11.1 Appendix A - Peterborough City Council Audit Plan Year ended 31 March 21

Peterborough City Council

Audit Plan

Year ended 31 March 2021

September 2021



Audit Committee
Peterborough City Council

1 September 2021

Dear Audit Committee Members

Audit Plan - 2020/21

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks. At the date of this report, our planning and interim procedures remain ongoing and are subject to quality assurance reviews. We have also commenced our substantive audit procedures on the Council's unaudited financial statements for the financial year ended 31 March 2021. We will inform the Audit Committee if there any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the Audit Committee.

The Council's Chief Financial Officer and Chair of Audit Committee will have received a copy of the letter from Janet Dawson, our UK Government and Public Sector Assurance Leader dated 1 June 2021, which discusses the scheduling of high-quality UK local public audit. In section 7 of this audit plan we report an audit timeline to ensure we deliver a high quality audit in a timeframe agreed with officers.

Our audit plan responds to the current financial, strategic, operational and reputational risks facing the Council. The most significant event that has informed our audit risk assessment is the circumstances which have led to the Council's conditional capitalisation direction from the Ministry of Housing, Communities and Local Government (MHCLG) as part of setting its 2021/22 budget.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 13 September 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully
Neil Harris

Associate Partner
For and on behalf of Ernst & Young LLP
Enc

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the via the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (updated April 2018)” issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Peterborough City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Peterborough City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, and management of Peterborough City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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Overview of our 2020/21 audit strategy



Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud Risk	No change in risk or focus	<p>As identified in ISA 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 would otherwise appear to be operating effectively.</p> <p>The Council is under significant financial pressure to achieve a balanced budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets and one way management override can manifest. As management is in a unique position to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively, we have identified the key areas at risk of manipulation as set out below.</p>
Misstatements due to fraud or error - the incorrect capitalisation of revenue expenditure and REFCUS	Fraud risk	No change in risk or focus	<p>We consider the risk applies to capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS). Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account.</p>
Misstatements due to fraud or error - the incorrect application of MRP accounting	Fraud risk	No change in risk or focus	<p>The Council must make an annual contribution from revenue to reduce its overall borrowing requirement. This is termed the Minimum Revenue Provision (MRP). The MRP is determined prudently in accordance with statutory guidance.</p> <p>Over recent years, the Council's approach to MRP has been subject to media attention as well as scrutiny by Ministry of Housing, Communities & Local Government (MHCLG). Given this level of scrutiny and that MRP could be manipulated to artificially reduce expenditure we have identified the MRP calculation as a significant risk.</p>
Misstatements due to fraud or error - inappropriate use of capital receipts	Fraud Risk	No change in risk or focus	<p>The adjustments between accounting basis and funding basis under regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning the application of capital receipts.</p>

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Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of property, plant and equipment assets under depreciated replacement cost model	Significant Risk	No change in risk or focus	<p>Property, plant and equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet. For assets valued using depreciated replacement cost (DRC) this risk is heightened due to the specialised nature of the assets and insufficient availability of market-based evidence to assist the valuation.</p> <p>As the Council's DRC asset base is significant, and the outputs from the valuer are subject to estimation, there is a significant risk PPE may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.</p>
Valuation of other Land and Buildings and Investment Properties	Significant Risk	Change in audit focus for 2020-21	<p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>Our review of the 2020/21 draft statement of accounts has identified that the Council and its valuer has reported a material uncertainty in the valuation of retail and office sector assets. This is because they determine there is still an absence of relevant/sufficient market evidence on which to base judgements. We have therefore identified this area as a significant risk.</p>
Accounting for Covid-19 related Government Grants	Significant Risk	New risk area for 2020-21	<p>The Council has received a significant level of government funding in relation to Covid-19. There is a need for the Council to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions.</p>

Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Accounting for Empower Loan	Significant Risk	New risk area for 2020-21	Following on from our audit procedures in 2019/20 in relation to the Empower loan the Council has decided to bring the solar panel assets and asset management arrangements in-house. We therefore expect the Council to obtain an up-to-date valuation of the assets as soon as practicable in order that the Council can determine whether there are any indicators of impairment and the basis on which the solar panel assets are recognised for financial reporting and asset management purposes. The Council will need to obtain this information to consider whether an adjusting or non-adjusting event is required and make appropriate disclosures and accounting judgements in the 2020/21 financial statements.
Going Concern	Significant Risk	New risk area for 2020-21	<p>Our 2019/20 statutory audit report concluded a material uncertainty in relation to the Council's ability to continue as a going concern associated with the continuity of service provision for the period of at least 12 months from the date of the authorised 2019/20 financial statements.</p> <p>The Council has flagged the following in the draft 20-21 statement of accounts:</p> <p>There are material uncertainties on the current levels of service provision as set out in Phase Two of the Medium Term Financial Strategy (MTFS) which estimates a budget gap of £26.8 million for 2022/23 rising to £28.9 million in 2023/24. Without additional funding from Government for the future years there remains a risk that the Council may not be able to set a balanced budget for the 2022/23 financial year. Based on the information available at the time of publishing this document these uncertainties cast doubt over the Council's ability to continue operating the level of services currently provided beyond the next 12 months.</p> <p>We have therefore flagged this as a significant risk in our audit strategy.</p>

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Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Pension Liability Valuation & Pensions Assets	Inherent Risk	No change in risk or focus	The Council makes 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 estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £322 million. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.
Accounting for Private Finance Initiative (PFI) Liabilities	Inherent Risk	No change in risk or focus	The Council has a material PFI arrangement for three secondary schools in Peterborough. PFI accounting is a complex area. We undertook a detailed review of the arrangements in 2018/19 and concluded that the accounting disclosures were materially correct. However, given the complexities involved and size of the liabilities we have identified the PFI accounting as an inherent risk.
Group Accounting and the scope of the group audit	Inherent Risk	Change in audit focus for 2020-21	The Council will be preparing group accounts for the second time in 2020/21 due to the consolidation of the Peterborough Limited financial statements with the single entity Council financial statements. We identify this as an inherent risk as we expect the activities of Peterborough Limited to increase in 2020/21. In addition, Peterborough Limited have engaged Azets as their new auditors in 2020/21. We have already held a planning call with Azets and issued our group instructions for 2020/21.

Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Business Rates Appeals Provision	Inherent Risk	New risk area for 2020-21	Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that councils are forecasting net additions to appeal provisions totalling £927 million this financial year, and £1.2 billion next year. The reason behind the forecast increase is that, due to the impact of Covid-19, businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based. In light of this we consider there to be a higher inherent risk of misstatement of the Council's NNDR appeals provision.
Other Bad Debt Provisions	Inherent Risk	Change in audit focus for 2020-21	As a result of the impact of Covid-19, there may be increased uncertainty around the recoverability of receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of Covid-19 and assess the appropriateness of this estimation technique. In 2019/20 we considered this with respect to NHS receivables but in 2020/21 we have extended this to include other trade receivables, Council Tax and Business Rate receivables.

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Auditing accounting estimates

In addition to the above risks and areas of focus, a revised auditing standard has been issued in respect of the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we may see the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area. The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required.

Overview of our 2020/21 audit strategy

Materiality - Peterborough City Council - Single Entity financial statements

Planning
materiality
£4.72m

Materiality for the Council's financial statements has been set at £4.719 million, which represents 1.0% of the draft statement of accounts gross expenditure on net cost of services plus financing and investment expenditure. In the prior year we applied a threshold of 1.0%. We have judged it appropriate to remain at a lower level of materiality based on the risks we have identified around the Council's budget position and the higher public interest and profile this has.

Performance
materiality
£3.54m

Performance materiality has been set at £3.539 million, which represents 75% of materiality. We have considered a number of factors such as the Council's control environment, number of errors in the prior year and any significant changes in our accounts audit risk assessment when determining the percentage of performance materiality. We have used the higher end of the range. We will monitor this during the course of the audit.

Audit
differences
£0.24m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) greater than £0.236 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures including councillor allowances: we will agree all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- ▶ Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

Group materiality - Due to the limited impact on the group statement of accounts of the consolidation of Peterborough Live the group materiality figures are not materially different to those of the single entity shown above.

Overview of our 2020/21 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Peterborough City Council and Group give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness (Value for Money). We include further details on VFM in Section 03, highlighting the changes included in the NAO's Code of Audit Practice 2020.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this Audit Plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as Going Concern disclosure in recent years as well as the expansion of factors impacting the Value for Money conclusion. Therefore, to the extent any of these or any other risks are relevant in the context of Peterborough City Council's audit, we will discuss these with management as to the impact on the scale fee.



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Audit risks



 **Audit risks**

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

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<p>Misstatements due to fraud or error *</p>	<p>What is the risk?</p>	<p>What will we do?</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) 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>As part of our work to identify fraud risks during the planning stages, we have identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation.</p> <p>These are set out on the following pages.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Identifying fraud risks during the planning stages. ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks. ▶ Understanding the oversight given by those charged with governance of management's processes over fraud. ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud. ▶ Determining an appropriate strategy to address those identified risks of fraud. ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements. <p>To address the residual risk of management override we perform specific procedures which include:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, for example using our journal tool to focus our testing on specific journals such as those created at unusual times or by staff members not usually involved in journal processing; ▶ Assessing key accounting estimates for evidence of management bias; and ▶ Evaluating the business rationale for significant unusual transactions



Audit risks

Our response to significant risks (continued)

Misstatements due to fraud or error - the incorrect capitalisation of revenue expenditure and REFCUS *

Financial statement impact

We have identified a risk of expenditure misstatements due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to capitalisation of revenue expenditure and REFCUS and could result in a misstatement of cost of services reported in the comprehensive income and expenditure statement.

In 2020/21 the Council incurred £53.7 million capital expenditure (of which REFCUS represented £9.9 million).

What is the risk?

The Council is under significant financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We consider the risk applies to capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS). Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charge to the comprehensive income and expenditure account.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Sample testing, at a lower testing threshold, additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised; and
- ▶ Using our data analytics tool to identify and test journal entries that move expenditure into capital codes.

 **Audit risks**

Our response to significant risks (continued)

Misstatements due to fraud or error - the incorrect application of MRP accounting *

What is the risk?

The Council is under significant financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We consider the risk applies to application and calculation of the minimum revenue provision.

The Council must make an annual contribution from revenue to reduce its overall borrowing requirement. This is termed the Minimum Revenue Provision (MRP). The MRP is determined prudently in accordance with statutory guidance.

Over recent years, the Council's approach to MRP has been subject to media attention as well as scrutiny by Ministry of Housing, Communities & Local Government (MHCLG). Given this level of scrutiny and that MRP could be manipulated to artificially reduce expenditure we have identified the MRP calculation as a significant risk.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Testing the application of MRP to ensure the calculation met the statutory guidance;
- ▶ Re-performing the MRP calculation; and
- ▶ Engaging our EY MRP technical specialist to review the Council's MRP policy and disclosure.

Financial statement impact

We have identified a risk of expenditure misstatements due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to the calculation of the minimum revenue provision calculation and could result in a misstatement of cost of services reported in the comprehensive income and expenditure statement.

In 2020/21 the Council set aside £10.6 million minimum revenue provision.

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 **Audit risks**

Our response to significant risks (continued)

Misstatements due to fraud or error - inappropriate use of capital receipts *

Financial statement impact

We have identified a specific risk of misstatements due to fraud or error that could affect the income and expenditure accounts and the balance sheet.

We consider the risk applies to the application of capital receipts in the comprehensive income and expenditure statement (CIES) and balance sheet (via the capital financing requirement).

In 2020/21 the Council applied £6.3 million of capital receipts funding in the Capital Financing Requirement.

What is the risk?

The Council is under significant financial pressure to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets.

We consider the risk applies to the application and use of capital receipts in the financial statements.

The adjustments between accounting basis and funding basis under regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be higher for adjustments concerning the application of useable capital receipts and deferred capital receipts.

What will we do?

Our approach will focus on:

- ▶ Sample testing the application of capital receipts in the capital financing requirement to ensure they meet the definition of sources of funding;
- ▶ Sample testing deferred capital receipts to ensure any conditions have been correctly applied; and
- ▶ Using our data analytics tool to identify and test journal entries adjustments that impact capital receipts.

 **Audit risks**

Our response to significant risks (continued)

Valuation of property, plant and equipment assets under depreciated replacement cost model

What is the risk?

Property, plant and equipment (PPE) represents a significant balance in the Council’s accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet. For assets valued using depreciated replacement cost (DRC) this risk is heightened due to the specialised nature of the assets and insufficient availability of market-based evidence to assist the valuation.

As the Council’s DRC asset base is significant (approximately £250 million), and the outputs from the valuer are subject to estimation, there is a significant risk PPE may be under/overstated or the associated accounting entries incorrectly posted.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What will we do?

Our approach will focus on:

- ▶ Consider the work performed by the Council’s valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuers in performing their DRC valuations (e.g. floor plans to support valuations based on price per square metre and the specialised nature of the assets);
- ▶ Consider the use of EY valuation specialists to review a sample of the underlying assumptions used to value any material specialist DRC assets;
- ▶ Review DRC assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation;
- ▶ Review of the Council’s approach to the Energy From Waste Facility (£74.7 million) by our EY capital equipment team. Given the specialized and high value nature of the asset we are ascertaining whether the Council should engage valuers with specialist plant and machinery expertise to be involved in the assessment of valuation of the facility from the 2020-2021 financial year; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

Financial statement impact

We have identified a specific risk of misstatements due to the valuation of assets that could affect the balance sheet.

We consider the risk applies to the valuation of property, plant and equipment using the depreciated replacement cost method in the balance sheet.

 **Audit risks**

Our response to significant risks (continued)

Valuation of property, Valuation of other Land and Buildings and Investment Properties

Financial statement impact

We have identified a specific risk of misstatements due to the valuation of assets that could affect the balance sheet.

We consider the risk applies to the valuation of property, plant and equipment using the depreciated replacement cost method in the balance sheet.

What is the risk?

Property, plant and equipment (PPE) represents a significant balance in the Council’s accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet. Our review of the 2020/21 draft statement of accounts has identified that the Council and its valuer has reported a material uncertainty in the valuation of retail and office sector assets. This is because they determine there is still an absence of relevant/sufficient market evidence on which to base judgements.

The fair value of Property, Plant and Equipment (PPE) (approximately £300 million) and Investment Properties (IP) (£25.6 million) represent significant balances in the Council’s accounts and are subject to valuation changes, impairment reviews and depreciation charges.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What will we do?

Our approach will focus on:

- ▶ Consider the work performed by the Council’s valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre or signed contracts for IP);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

 **Audit risks**

Our response to significant risks (continued)

Accounting for Covid-19 related Government grants

What is the risk?

The Council has received a significant level of government funding in relation to Covid-19. In 2020/21, this consists of non-ringfenced Covid-19 response grants, amounting to £34.5 million and ringfenced funding totalling £20.1 million.

Included in this grant funding, the Government announced further financial support to Councils in July 2020 to partially reimburse Councils for lost income (eligible lost sales, fees and charges income and taxation) resulting from Covid-19. For the year 2020/21 this claims are forecast to be approximately £6.0 million.

Whilst there is no change in the CIPFA Code or Accounting Standard (IFRS 15) in respect of accounting for government grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment within the 2020/21 statements.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Sample testing Government Grant income to ensure that they have been correctly classified as specific or non-specific in nature.
- Sample testing Government Grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body.

Financial statement impact

We have identified a risk of Government grant income misstatement that could affect the Income and Expenditure accounts.

We consider the risk applies to the classification of Government grant income and could result in a misstatement of 'Cost of Services' reported in the 'Comprehensive Income and Expenditure' statement and Balance Sheet.

 **Audit risks**

Our response to significant risks (continued)

Accounting for Empower loan

Financial statement impact

We have identified a specific risk of misstatements due to the valuation of assets that could affect the balance sheet.

We consider the risk applies to the valuation and classification of the Empower loan or assets held by the Council and could result in a misstatement of assets reported in the Balance Sheet.

What is the risk?

In 2019/20 we reviewed the recoverability of the Council’s £23 million loan to Empower Community Management LLP, taking account of conditions and events that took place before and after the balance sheet date. We agreed that it was appropriate for the Council to make a post balance event adjustment disclosure and impair the loan by £2.646 million.

Since the approval of the 2019/20 statement of accounts the Council has decided to bring the solar panel assets and asset management arrangements in-house. We therefore expect the Council to obtain an up-to-date valuation of the assets as soon as practicable in order that the Council can determine whether there are any indicators of impairment and the basis on which the solar panel assets are recognised for financial reporting and asset management purposes. The Council will need to obtain this information to consider whether an adjusting or non-adjusting event is required and make appropriate disclosures and accounting judgements in the 2020/21 financial statements.

Given the value of the loan is £20.4 million and the complexity of bringing the assets in-house we have identified this area as a significant risk.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Reviewing the governance arrangements and committee decisions made by the Council in relation to the Empower loan;
- Reviewing the external advice received by the Council to support the accounting treatment proposed.
- Assessing whether an adjusting or non-adjusting event has taken place which requires disclosure in the statement of accounts. If an adjusting event is required we will need to ensure an appropriate valuation is performed by the Council; and
- Engaging with our EY Valuation, Modelling and Economics team to confirm the value of any assets brought on to the Council’s balance sheet and assess that any impairments have been accounted for in line with the Code of Practice and accounting standards.

 **Audit risks**

Our response to significant risks (continued)

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<p>Going Concern</p>	<p>What is the risk?</p> <p>Our 2019/20 statutory audit report concluded a material uncertainty in relation to the Council’s ability to continue as a going concern associated with the continuity of service provision for the period of at least 12 months from the date of the authorised 2019/20 financial statements.</p> <p>The Council has flagged the following in the draft 20-21 statement of accounts:</p> <p>There are material uncertainties on the current levels of service provision as set out in Phase Two of the Medium Term Financial Strategy (MTFS) which estimates a budget gap of £26.8 million for 2022/23 rising to £28.9 million in 2023/24. Without additional funding from Government for the future years there remains a risk that the Council may not be able to set a balanced budget for the 2022/23 financial year. Based on the information available at the time of publishing this document these uncertainties cast doubt over the Council’s ability to continue operating the level of services currently provided beyond the next 12 months.</p> <p>We have therefore flagged this as a significant risk in our audit strategy.</p>	<p>What will we do?</p> <p>We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council’s going concern assessment and its disclosure in the accounts by:</p> <ul style="list-style-type: none"> ▶ Reviewing the Council’s cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern; ▶ Undertaking a ‘stand back’ review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; <ul style="list-style-type: none"> • Reviewing the appropriateness of the Council’s going concern disclosure and corroborating evidence; • Consulting with our internal Professional Practice Directorate on our audit work and assessment of the Authority’s going concern disclosure to determine the level of reporting in our audit report; • Utilising the work of our specialist support team in relation to our financial sustainability value for money work to stress test the Council’s assumptions on its viability and continuity of service provision in its next 12 months budget and medium term financial plan; and • Consideration of exercising our statutory powers at this point (by April 2021) and if appropriate issuing a statutory written recommendation under section 24 (schedule 7) of the Local Audit and Accountability Act 2014.
<p>Financial statement impact</p> <p>We have identified a specific risk of misstatements due to the Council’s ability to continue current levels of service provision.</p> <p>We consider the risk applies to the going concern assumption and the associated disclosures in the statement of accounts.</p>		

Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

Pension Liability Valuation & Pensions Assets

The Council makes 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 estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021 this totals £322 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

We undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

We will:

- ▶ Liaise with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Peterborough City Council. This includes Identifying, documenting and reviewing the controls over the accuracy and completeness of information extracted from the Membership Administration system;
- ▶ Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team. This will include the consideration of the latest McCloud judgement guidance; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19 considering fund assets and the Council's liability.

Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

Accounting for Private Finance Initiative (PFI) Liabilities

The Council has a material PFI arrangement for three secondary schools in Peterborough. PFI accounting is a complex area. We undertook a detailed review of the arrangements in 2018/19 and concluded that the accounting disclosures were materially correct. However, given the complexities involved and size of the liabilities we have identified the PFI accounting as an inherent risk.

In 2020/21 the Council reported future PFI repayments totalling £154.0 million in the financial statements.

We have identified a specific risk of misstatements due to fraud or error that could affect the balance sheet.

We consider the risk applies to the valuation of PFI liabilities in the balance sheet.

Group Accounting

In July 2018 the Council incorporated Peterborough Limited, a local authority trading company (LATCo), with the Council as the sole owner. Activity increased in the company in 2019/20 to a level that is considered material.

Peterborough Live has continued to grow and group accounts are still required in 2020/21. We note that Azets have been engaged as the auditors of Peterborough Live for 2020/21.

We identify this as an inherent risk due to the growth on Peterborough Live and the fact that there are new, non-EY, auditors engaged for the 2020/21 audit of Peterborough Live.

What will we do?

We will:

- ▶ Make enquiries to management in respect of any changes to arrangements and the calculation of annual payments and the PFI liability in the balance sheet; and
- ▶ Agree the figures in the PFI accounting models to the entries and disclosures in the financial statements.

We will:

- ▶ Review the group assessment prepared by the Council, ensuring that the accounting framework and accounting policies are aligned to the Peterborough City Council group;
- ▶ Scope the audit requirements for Peterborough Limited based on their significance to the group accounts. Liaising with the external auditor of Peterborough Limited and issuing group instructions that detail the required audit procedures they are to undertake in order to provide us with assurance for the opinion we will issue on the group accounts;
- ▶ Ensure the appropriate consolidation procedures and the Code of Practice are applied when preparing the Council group accounts.

 **Audit risks**

Other areas of audit focus (continued)

What is the risk/area of focus?

What will we do?

Business Rates Appeals Provision

The calculation of the NNDR Appeals Provision is estimate based. Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that councils are forecasting net additions to appeal provisions totalling £927 million this financial year, and £1.2 billion next year. The reason behind the forecast increase is that, due to the impact of Covid-19, businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based.

In light of this we consider there to be a risk of misstatement of the Council’s NNDR appeals provision.

We will:

- ▶ Review the assumptions made by the Council’s NNDR appeals provision specialist; and
- ▶ Assess the reasonableness of any local adjustments made by the Council on the NNDR appeals provision.

Other Bad Debt Provisions

As a result of the impact of Covid-19, there may be increased uncertainty around the recoverability of receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of Covid-19 and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Council will need to consider the level of any provision for bad debts. In 2019/20 we considered this with respect to NHS receivables but in 2020/21 we have extended this to include other trade receivables, Council Tax and Business Rate receivables.

We have therefore raised as an inherent risk in our audit strategy.

We will:

- ▶ Review the calculation of the bad debt provision for reasonableness and accuracy; and
- ▶ Consider the recoverability of debts in testing a sample of trade receivables, Council Tax receivables and Business Rate receivables.

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Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

Auditing accounting estimates

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019.

This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors.

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk. For example:

- We may place more emphasis on obtaining an understanding of the nature and extent of your estimation processes and key aspects of related policies and procedures. We will need to review whether controls over these processes have been adequately designed and implemented in a greater number of cases.
- We may provide increased challenge of aspects of how you derive your accounting estimates. For example, as well as undertaking procedures to determine whether there is evidence which supports the judgments made by management, we may also consider whether there is evidence which could contradict them.
- We may make more focussed requests for evidence or carry out more targeted procedures relating to components of accounting estimates. This might include the methods or models used, assumptions and data chosen or how disclosures (for instance on the level of uncertainty in an estimate) have been made, depending on our assessment of where the inherent risk lies.
- You may wish to consider retaining experts to assist with related work. You may also consider documenting key judgements and decisions in anticipation of auditor requests, to facilitate more efficient and effective discussions with the audit team.
- We may ask for new or changed management representations compared to prior year's.



03

Value for Money Risks



Value for money

The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

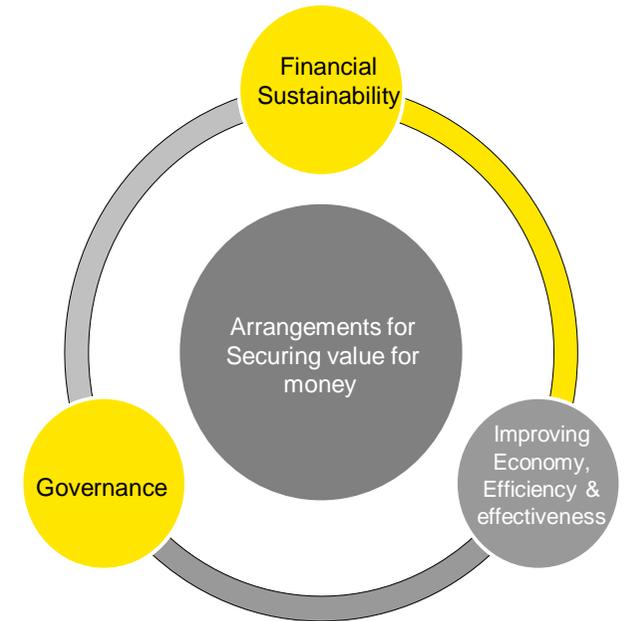
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailor's the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability**
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance**
How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness**
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.





Value for money

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates (such as OfSTED) and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves, or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the Audit Report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2020/21 VFM planning

We have yet to complete our detailed VFM planning. However, two significant weaknesses in arrangements have already been identified;

- Financial Sustainability of the Council; and
- Empower Accounting and Governance Decisions.

See the following slides for further information.

We will update a future Audit Committee meeting on the outcome of our VFM work, narrative commentary and whether, subject to professional practice consultations, we intend to exercise any of our statutory audit powers (for example statutory recommendations or Public Interest Report) for significant weaknesses that we have identified from our work.

 Value for Money

Value for Money Risks

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What is the significant weakness in arrangements?	What reporting criteria does the risk affect?	What will we do?
<p>We reported an adverse value for money opinion in 2019/20. This was to recognise that the structural financial resilience pressures and concerns facing the Council before and after the Covid-19 pandemic have a significant and pervasive impact on the Council's ability to secure adequate arrangements for Value for Money in its use of resources.</p> <p>In October 2020 the Council approached MHCLG to enable the further exploration of alternatives to issuing a Section 114 notice. The Council has been engaged in regular discussions with MHCLG in respect of the Council's finances. In February 2021 the Council received conditional confirmation for a Capitalisation Direction of up to £4.8 million in 2020/21 and approval in principle a Capitalisation Direction of up to £20.0 million in 2021/22. This exceptional support has enabled the Council to prepare a balanced budget for 2021/22.</p> <p>The Council continues to report significant gaps in the budget over the period of the Medium Term Financial Strategy which have still not been addressed. The cumulative unmitigated budget gap to 2023/24 is £55.7 million and this also includes the successful delivery of £17.9 million of savings up to that period and some savings which are still subject to finalisation. It also includes the conditional capitalisation direction approved by MHCLG.</p> <p>Whilst the Council is taking action to identify ways to bridge the gaps, there remains a significant risk to its financial sustainability.</p>	<ul style="list-style-type: none"> Financial Sustainability 	<p>Our approach will continue on the procedures performed in 2019/20 and focus on:</p> <p>Phase 1 - Financial Resilience Concerns (August to November 2021):</p> <ul style="list-style-type: none"> ▶ Robust review of the Council's Medium Term Financial Strategy and the concerns raised by the Chief Financial Officer, including correspondence with MHCLG on the conditional capitalisation direction; ▶ Developing an understanding of how the Council identifies its budget gaps and risk mitigations; ▶ Consideration of exercising our statutory powers at this point (by April 2021) and if appropriate issuing a statutory written recommendation under section 24 (schedule 7) of the Local Audit and Accountability Act 2014. <p>Phase 2 - Council's Response to Financial Resilience Concerns (September to November 2021):</p> <ul style="list-style-type: none"> ▶ Developing an understanding of how the Council quantifies and quality assures its savings plans; ▶ Reviewing the extent to which the Council is addressing the future budget gaps identified within its Medium Term Financial Strategy, including the robustness of assumptions and judgements associated with savings and transformation plans. ▶ Consideration of exercising our statutory powers at this point (by April 2021) and if appropriate issuing a statutory written recommendation under section 24 (schedule 7) of the Local Audit and Accountability Act 2014. <p>For both of these areas, we will be utilising specialist support to work with the audit team in reviewing, challenging and exercising appropriate professional scepticism on the savings and transformation plans. To inform our reporting obligations, we will also consider how the Council is responding to any recommendations and findings from external financial sustainability reviews performed by CIPFA and MHCLG in response to its request for financial support and conditional capitalisation directives.</p>

 Value for Money

Value for Money Risks

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What is the significant weakness in arrangements?	What reporting criteria does the risk affect?	What will we do?
<p>In our 2019/20 Audit Results Report we reported our audit procedures associated with a loan to Empower Community Management LLP of £23.046 million. We remained sceptical that with the passage of time, there had been no impairment adjustment associated with the loan up to the 31 March 2020 and we questioned how the loan could be classified as short-term as at 31 March 2020 given it has been in place now for nearly six years. The Director of Corporate Resources covering report to the 25 January 2021 Audit Committee set out the background to the loan relating to the construction of solar panels for residential properties, which was first recognised in the 2014/2015 financial statements. The Council's 2019/2020 draft financial statements recognised the loan as a short-term debtor and valued at £23.046 million without recognising any impairment since inception.</p> <p>In our subsequent enquiries, we became aware that in October 2020, the Council, with the support of legal and specialist corporate finance advisors, renegotiated the terms of the loan. The loan repayment profile within the Heads of Terms, agreed by both parties, was underpinned by an aggressive financial model. This was discussed by the Council, its advisors and Empower, and assurances were given by Empower that this was achievable and realistic despite its aggressiveness in comparison to other market solar portfolios.</p> <p>We will consider the decision making performed by the Council in renegotiating the terms of the loan.</p>	<ul style="list-style-type: none"> Governance 	<p>We reported the following significant weaknesses in our 2019/20 Audit Result Report:</p> <p>We believe there have been significant weaknesses in the governance arrangements with Empower Community Management LLP during the 2020/2021 financial year which has exposed the Authority to financial loss. Our specialist work has determined that the re-financing of the loan after the balance sheet had aggressive assumptions on debt/equity ratios, which we note the Authority also recognised in its decision making papers. Empower Community Management LLP had proposed additional income streams from P2P trading, however we understand from the Authority that this could not be included in the model for valuation as the contracts had not been signed.</p> <p>We will undertake a follow-up to ensure we have sufficiently taken into account all the information used by the Council in its decision making, including specialist advice, Committee papers and minutes, and the Council's response to the weaknesses and recommendations identified and reported in our 19-20 ARR.</p> <p>Our approach will continue on the procedures performed in 2019/20 and focus on:</p> <ul style="list-style-type: none"> Advice sought by the Council to support its decision making for the renegotiation of the loan; The decisions made by the Council in the Committee meetings where the Empower loan was discussed; Considering the advice received by our EY specialists on the aggressive refinancing of the loan; Consideration of the Council's decision making for any similar financing arrangements, for example the redevelopment of the Hilton Hotel; and Consideration of exercising our statutory powers at this point (by April 2021) and if appropriate issuing a statutory written recommendation under section 24 (schedule 7) of the Local Audit and Accountability Act 2014.



04

Audit materiality



Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2020/21 has been set at £4.72 million. This represents 1% of the Council's prior year gross expenditure on net cost of services plus financing and investment expenditure and other operating expenditure. This value is consistent with the prior year due to the risks we have raised around the Council's financial position. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £3.54 million which represents 75% of planning materiality. We have considered a number of factors such as the number of errors in the prior year and any significant changes when determining the percentage of performance materiality. We have used the higher end of the range.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.

Specific materiality - We have set a lower materiality for Senior Officer's Remuneration, Members' Allowances and Exit Packages disclosures which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.

Group materiality - Due to the limited impact on the group statement of accounts of the consolidation of Peterborough Live the group materiality figures are not materially different to those of the single entity shown to the left.



05 Scope of our audit



Scope of our audit

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (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.

Scope of our audit

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

Our intention is to carry out a fully substantive audit in 2020/21 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2020/21, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Committee.

Internal audit:

As in prior years we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit work, where they raise issues that could have an impact on the financial statements.

Scope of our audit

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below.

Nil	Full scope audits
1	Specific scope audits
Nil	Review scope audits
Nil	Specified procedures
Nil	Other procedures

Peterborough Limited is a wholly owned subsidiary of Peterborough City Council. The principal activity of the company is to deliver waste services, environmental services and leisure services.

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

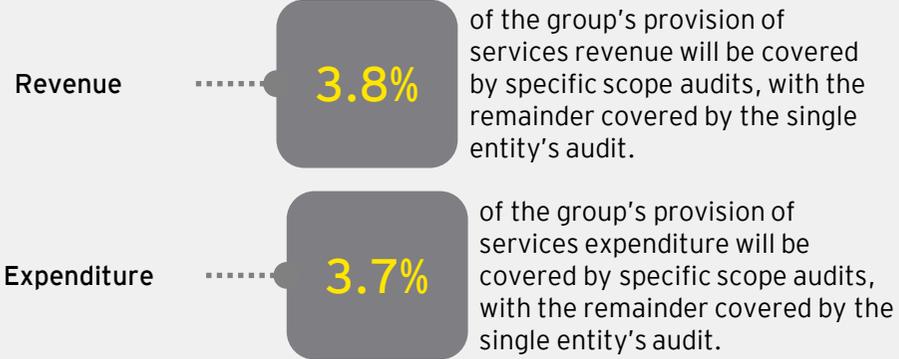
Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Scope of our audit

Scoping the group audit (continued)

Coverage of Revenue and Expenditure

Based on the group's prior year results, our scoping is expected to achieve the following coverage of the group's net cost of service revenue and group's net cost of service expenditure.



Based on our group scoping we do not require specific procedures to be performed on balance sheet accounts based on our assessment of materiality and risk. Our audit approach is risk based and therefore the data above on coverage is provided for your information only.

Peterborough Limited will be audited by Azets, a non-EY member firm, who will confirm their independence via our group instructions.

Key changes in scope from last year

We are not aware of any changes in the scope of the group in 2020/21. On 1 October 2020 Peterborough Limited took over the management of the Council's leisure facilities when Vivacity ceased trading. Peterborough Limited also has a new auditor, Azets, for 2020/21. These will not change the scoping of the group.

Details of specified procedures

In order to provide us with reasonable assurance over Peterborough Limited, we will request the component team to perform specified procedures in relation significant transactions and balances. For example Revenue, Employee Salaries and Cost of Sales.

We will also request specific assurances over the accounting for Covid-19 implications including Going Concern.

Group audit team involvement in component audits

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below.

- We provide specific instruction to component team and our expectations regarding the detailed procedures;
- We set up initial meeting with component team to discuss the content of the group instructions;
- We will consider the need to perform a file review of component team's work where appropriate; and
- We will attend a closing meeting with component team to discuss their audit procedures and findings.



06

Audit team



Audit team and use of specialists

Audit team

The engagement team is led by Neil Harris who is now in his second year as the engagement partner. Neil has significant public sector audit experience, with a portfolio of Local Authorities (including upper tier Councils) and Local Government Pension Funds and is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA).

Neil is supported by Dan Cooke, Manager, who is responsible for the day-to-day direction of audit work and is the key point of contact for the chief accountant. This will be Dan's third year as manager on the audit.

Specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where we expect either EY or third party specialists provide input for the current year audit are:

Area	Specialists	
	EY	Council
Valuation of Land and Buildings	EY Real Estates and EY Capital Equipment	NPS
Pensions disclosure	EY Actuaries	Hymans
MRP accounting	EY MRP Specialist	Link
Empower Loan	EY Strategies and Transactions	Deloitte, Link and Pinsent Mason
Financial Resilience	EY Advisory	N/A

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



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Audit timeline



Audit timeline

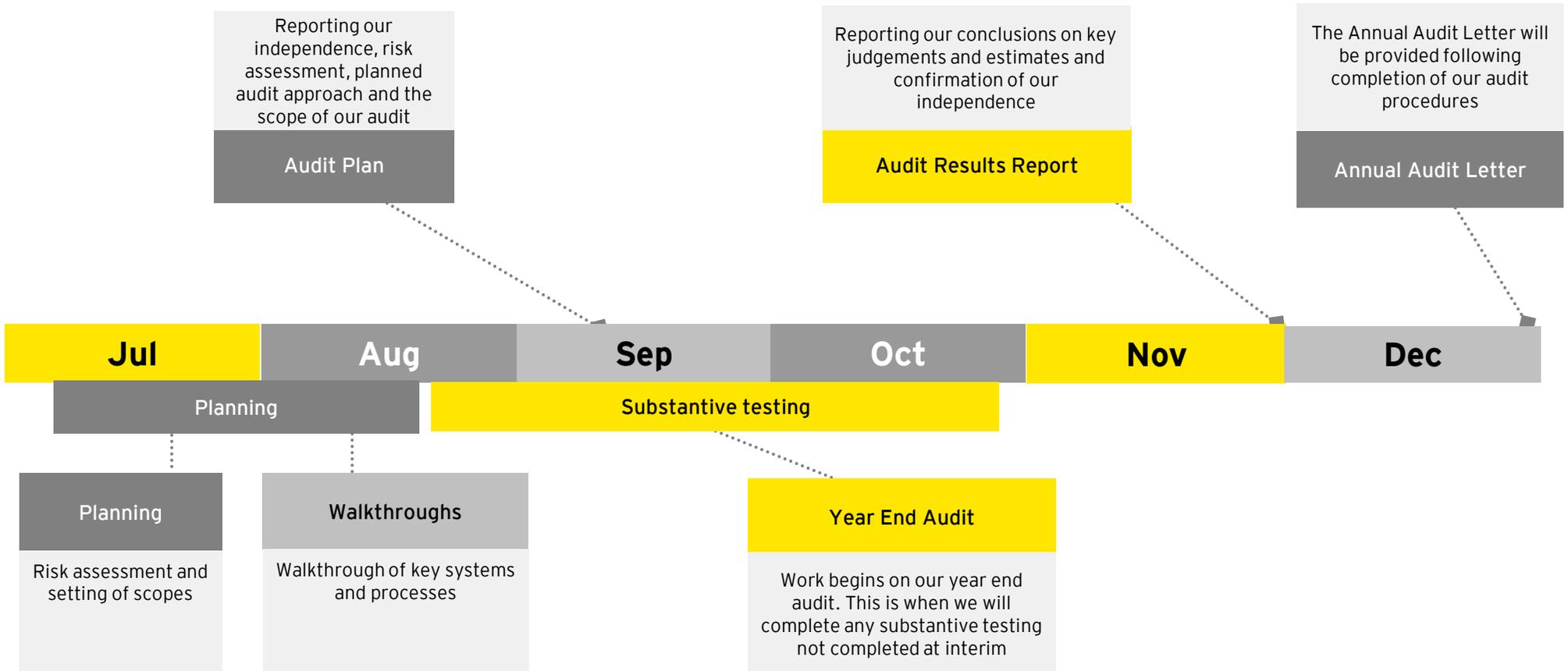
Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2020/21.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

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08

Independence



Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.
- ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Independence

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Neil Harris, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

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A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. At the time of writing, the current ratio of non-audit fees to audit fees is 0%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 0%.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Independence

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

https://www.ey.com/en_uk/who-we-are/transparency-report-2020



Independence

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 165 March 2021. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant in vestees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 16 March 2021 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.



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Appendices





Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned Fee 2020/21	Final Fee 2019/20
	£	£
Scale Fee - Code work	83,570	83,570
Changes in work required to address professional and regulatory requirements and scope associated with risk	77,000	77,000
Revised Proposed Scale Fee (see Note 1)	160,570	160,570
Additional work:		
2019/20 Additional Procedures required and as reported within the Audit Results Report (Note 2)	-	52,701
2020/21 Additional Procedures required in response to the additional risks identified in this Audit Plan in respect of: <ul style="list-style-type: none"> • Empower Loan Accounting; • Accounting for Covid-19 related Government Grant income; • Business Rates Appeals Provision; • Other Bad Debt Provisions; • Liaising with non-EY group auditor • Changes to the NAO Code for Value for Money Arrangements; and • Value for Money significant weaknesses procedures. 	TBC	
Total fees (excluding VAT)	TBC	213,271

Note 1: For 2019/20 and 2020/21, we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our 2019/20 Audit Plan. Our proposed increase has been discussed with management and is with PSAA for determination.

Note 2: As reported in the 2019/20 Audit Results Report we encountered changes to the audit strategy that resulted in additional audit procedures and audit fees:

- The need to engage EY Real Estate to review the valuation of non-DRC and investment properties assets as a result of the RICs guidance to valuers highlighting the uncertain impact of Covid-19.
- The corrected and uncorrected audit adjustments identified in this report.
- The impact of the McCloud consultation on the IAS 19 pension liability.
- The impact of Covid-19 on our audit procedures and the Council's going concern assessment, including the requirement for internal consultation.
- The additional audit procedures required to conclude on the Empower loan issue.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee. At the time of this report we have not received any correspondence from the public.



Appendix A

Fees (continued)

We do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity. For an organisation such as Peterborough City Council the extent of audit procedures now required mean it will take approximately 3,000 hours to complete a quality audit. A commercial benchmark for this size of external audit would be in the region of £300,000. Your scale fee is £83,570 and our current estimate is a final fee of approximately £220,000.

Summary of key factors

1. **Status of sector.** Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.
 - ▶ To address this risk our procedures now entail higher samples sizes of transactions, the need to increase our use of analytics data to test more transactions at a greater level of depth. This requires a continual investment in our data analytics tools and audit technology to enhance audit quality. This also has an impact on local government with the need to also keep pace with technological advancement in data management and processing for audit.
2. **Audit of estimates.** There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.
 - ▶ To address these findings, our required procedures now entail higher samples sizes, increased requirements for corroborative evidence to support the assumptions, use of our internal specialists and increased correspondence with external specialists.
3. **Regulatory environment.** Other pressures come from the changing regulatory landscape and audit market dynamics:
 - ▶ Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.
 - ▶ This means continual investment in our audit quality infrastructure in response to these regulatory reviews, the increasing fines for not meeting the requirements plus changes in auditing and accounting standards. As a firm our compliance costs have now doubled as a proportion of revenue in the last five years. The regulatory lens on Local Audit specifically, is greater. We are three times more likely to be reviewed by a quality regulator than other audits, again increasing our compliance costs of being within this market.



Appendix A

Fees (continued)

Summary of key factors (cont'd)

4. As a result Public sector auditing has become less attractive as a profession, especially due to the compressed timetable, regulatory pressure and greater compliance requirements. This has contributed to higher attrition rates in our profession over the past year and the shortage of specialist public sector audit staff and multidisciplinary teams (for example valuation, pensions, tax and accounting) during the compressed timetables.
- ▶ We need to invest over a five to ten-year cycle to recruit, train and develop a sustainable specialist team of public sector audit staff. We and other firms in the sector face intense competition for the best people, with appropriate public sector skills, as a result of a shrinking resource pool. We need to remunerate our people appropriately to maintain the attractiveness of the profession, provide the highest performing audit teams and protect audit quality.
 - ▶ We acknowledge that local authorities are also facing challenges to recruit and retain staff with the necessary financial reporting skills and capabilities. This though also exacerbates the challenge for external audits, as where there are shortages it impacts on the ability to deliver on a timely basis.

Next steps

We have provided PSAA with the breakdown of our audit procedures, skill mix and time requirements that supports our fee variation proposals for the 2019/20 audit. PSAA have yet to determine the 2019/20 fee variation. Once this has been determined, we will update the Audit Committee on the final fee position. We will continue to follow a similar set of principles to discuss with management our proposed fee variations for the 2020/21 audit and thereafter provide our supporting information and explanations for PSAA to determine. We will report to the Audit Committee our proposed variation to the 2020/21 audit in either our Audit Results Report or Annual Audit Letter.

 Appendix B

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

 Our Reporting to you

Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - September 2021
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - November 2021

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 Appendix B

Required communications with the Audit Committee (continued)

 Our Reporting to you

Required communications	 What is reported?	 When and where
Major Local Authorities	<p>For the audits of financial statements of public interest entities our written communications to the Audit Committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Actual or suspected non-compliance with laws and regulations identified relevant to the Audit Committee ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	<p>Audit Plan - September 2021</p> <p>Audit Results Report - November 2021</p>

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 Appendix B

Required communications with the Audit Committee (continued)

 Our Reporting to you

Required communications	 What is reported?	  When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - November 2021
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report - November 2021
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report - November 2021
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - November 2021

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 Appendix B

Required communications with the Audit Committee (continued)

 Our Reporting to you

Required communications	 What is reported?	  When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Results Report - November 2021 Audit Plan - September 2021
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - November 2021
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	Audit Results Report - November 2021
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - November 2021

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 Appendix B

Required communications with the Audit Committee (continued)

 Our Reporting to you

Required communications	 What is reported?	  When and where
Group audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team’s evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work ▶ Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	<p>Audit Results Report - November 2021</p> <p>Audit Plan - September 2021</p>
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - November 2021
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - November 2021
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor’s report ▶ Any circumstances identified that affect the form and content of our auditor’s report 	Audit Results Report - November 2021
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	<p>Audit Results Report - November 2021</p> <p>Audit Plan - September 2021</p>

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Appendix C

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.



Appendix C

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Council's financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

AUDIT COMMITTEE	AGENDA ITEM No. 5
13 SEPTEMBER 2021	PUBLIC REPORT

Report of:	Fiona McMillan, Director of Law and Governance & Monitoring Officer	
Contact Officer(s):	Ben Stevenson, Data Protection Officer/Head of Information Governance	Tel. 01733 452387

USE OF REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)
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RECOMMENDATIONS	
FROM: Fiona McMillan, Director of Law and Governance & Monitoring Officer	Deadline date:
<p>It is recommended that the Audit Committee</p> <ol style="list-style-type: none"> 1. <i>Notes the use of powers within the Regulation of Investigatory Powers Act (RIPA)</i> 2. <i>Notes the updated policy</i> 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee as a scheduled report on the Council's use of the powers contained within the Regulation of Investigatory Powers Act (RIPA)

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to provide Members with an overview of the following items:

- an understanding of RIPA which enables them to have effective oversight of the use of said powers
- a report detailing the usage of the powers
- the updated policy following the inspection and other considerations

2.2 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.1.13

To monitor Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the Council's complaints process.

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 Local authorities exercise criminal investigation powers for a number of reasons from fly tipping to planning enforcement to sale of counterfeit goods. The Council may undertake covert surveillance to investigate such matters and that work will be regulated by RIPA. It also provides a statutory process for authorising such work.

RIPA seeks to ensure that any covert activity undertaken is necessary and proportionate because of the impact on an individual's right to a private life under Article 8 of the Human Rights Act. In undertaking such activity the Council are in effect suspending a person's right to privacy. RIPA seeks to ensure both the public interest and the human rights of individuals are balanced.

The Council is able to undertake directed surveillance meaning that it must be for the purpose of a specific investigation or operation. The Council is not permitted to undertake intrusive surveillance, i.e. surveillance in private premises or vehicles.

- 4.2 Covert surveillance might mean the use of CCTV to monitor an individual's movement or their actions. Whilst the CCTV camera itself is overt, it is the use of that camera to track that individual's actions without that individual knowing which makes that act covert. The Council may also use underage volunteers to purchase tobacco or alcohol whilst being filmed. The viewing of CCTV footage *after* an incident does not constitute covert surveillance and therefore does not fall under RIPA.

- 4.3 RIPA also permits the Council, via the National Anti-Fraud Network (NAFN) to require the release of communications data where the appropriate circumstances exist. We can obtain information which identifies the subscriber to a mobile phone and to see a call history but we cannot gain access to the actual content of calls. In an investigation into a rogue trader, we could link the contact number to the person and others called. We cannot obtain access to electronic data protected by encryption or passwords, which would include emails.

- 4.4 The Council may also authorise the use of a Covert Human Intelligence Source (CHIS) to obtain information from individuals in a covert manner such as a Trading Standards officer using a pseudonym to carry out a test purchase online. It may also apply to the tasking of a member of the public to obtain private information about an individual. It should be noted that the Council has never authorised the use of a CHIS since the commencement of RIPA.

- 4.5 In addition to RIPA, the Protection of Freedoms Act 2012 introduced two key important provisions for local authorities such as Peterborough City Council. The first is that in order for the Council to apply for approval, the offence being investigated must meet the *crime threshold*. This means that either the offence carries a maximum punishment of imprisonment of six months or more or it is an offence relating to the sale of tobacco or alcohol to underage individuals.

The second key factor is the approval process. Any investigations must be properly authorised by one of the Council's Authorising Officers in accordance with our policies and procedures. In addition, the council must also obtain judicial approval from a Justice of Peace i.e. district judge or Magistrate.

- 4.6 The last IPCO inspection concluded that Peterborough City Council had a clearly written and robust policy alongside an easy access guide available to officers as well as a reporting structure in place along with a well-regarded set of officers with strong experience and knowledge of RIPA matters. These officers and policy are also shared with Cambridgeshire County Council.

5 SURVEILLANCE UNDERTAKEN

5.1 There has been no use of covert surveillance in the last 12 months.

6 POLICY UPDATE

6.1 Prior to the inspection in 2021, the councils had identified a change needed for the policy to ensure clarity over investigation material retention and destruction. It also wished to update the policy to strengthen guidance for staff over the usage of social media in investigations. As an inspection was forthcoming these amendments were put on hold until they had been discussed with the inspector to ensure that the council's guidance was accurate, practical and in line with IPCO recommendations.

These changes are listed below with their relevant number from sections in the policy:

- 9.4 We feel that guidance on an operation which may include more than one CHIS being active would benefit officers.
- 9.6 We feel that additional guidance on security and welfare for a CHIS before, during and after an activity would benefit officers.
- 9.7 The inspection recommended that we include reference to the relevant sections of the CHIS Code of Practice regarding the use of a CHIS during online/social media investigations. We have included this and amended examples from the Codes of Practice to be more relevant to council officers
- 10.3 We have inserted a statement on ability to audit the use of social media sites where there is an allegation or concern that social media has been misused or accessed in an investigation without the appropriate authorisation. It also details that we may undertake spot checks to ensure we are compliant.
- 12. We have updated and strengthened the section on data protection and assurance to ensure we have appropriate guidance for staff to ensure that we are compliant.
- 12.2 We have inserted a specific statement on the publishing of CCTV or covert footage to the general public to help identify those involved in an offence to ensure that officers refer such decisions for proper considerations and to avoid any breaches of data protection.

Appendix 1 – updated a job title.

7. CONSULTATION

7.1 The report following the inspection was received by the following parties:

- Chief Executive; and
- Director of Law and Governance

8. ANTICIPATED OUTCOMES OR IMPACT

8.1 The Audit Committee continues to be informed of the necessary and proportionate use of RIPA across the Authority through regular updates as required including whether there is a need to update the policy.

9. REASON FOR THE RECOMMENDATION

9.1 It is recommended that the committee continues to receive information on the use of RIPA.

10. ALTERNATIVE OPTIONS CONSIDERED

10.1 There are no alternative options considered at this time.

11. BACKGROUND DOCUMENTS

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

11.1 Regulation of Investigatory Powers Act 2000
Protection of Freedoms Act 2012

12. APPENDICES

Appendix A – Updated Policy

Appendix B – ICPO Letter

Peterborough City Council
Cambridgeshire County Council

Regulation of Investigatory
Powers Act Policy



Document Control

Purpose of document:	The approach to the use of RIPA powers and the process followed by Peterborough City Council and Cambridgeshire County Council when these powers are used
Intended audience:	Officers who may use directed covert surveillance as part of an investigation
Type of document:	Policy and procedure
Document lead/author	Ben Stevenson, Data Protection Officer, Peterborough City Council
Other documents that link to this one:	RIPA toolkit on Insite and CamWeb
Document ratified/approved by:	Audit Committee, Peterborough City Council Audit Committee, Cambridgeshire County Council
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1. Introduction

The Regulation of Investigatory Powers Act 2000 ('RIPA') regulates covert investigations by a number of bodies, including local authorities.

The Revised Codes of Practice for use of such powers provide guidance to understand when RIPA applies and the procedures to follow. The Protection of Freedoms Act 2012 placed restrictions on when a local authority can use RIPA powers.

Authorisation under RIPA by one of the Councils' Authorised Officers gives authority to carry out Covert Surveillance, acquire communications data and use Covert Human Intelligence Source.

Authorisation ensures that the powers conferred by RIPA are used lawfully and in a way that does not interfere with the surveillance subject's Human Rights. It also requires those authorising the use of covert techniques to give proper consideration to whether use is necessary and proportionate.

The purpose of this Corporate Policy and Procedures Document is to explain:

- the scope of RIPA and the circumstances where it applies; and
- the authorisation procedures to be followed following the Protection of Freedoms Act 2012

1.1 Key Role Definitions

Senior Responsible Officer – the Senior Responsible Officer (SRO) provides senior management oversight of the use of RIPA and provides assurance and integrity for the process. This will include oversight of authorisations, errors, reporting, training and inspection.

The SRO for both Peterborough City Council and Cambridgeshire County Council is Fiona McMillan, Director of Law & Governance.

Central Monitoring Officer (CMO) – the CMO will maintain the central registers for covert surveillance and communications data and is responsible for coordinating of training, updates of policies, procedures and inspections.

The CMO for both Peterborough City Council and Cambridgeshire County Council is Ben Stevenson, Data Protection Officer.

Authorising Officer (RIPA) – an authorising officer must be of service manager or above rank and will consider the application made under RIPA. They will consider the information provided by the applicant and determine whether there is necessity and proportionality in authorising the surveillance request.

For a list of authorising officers, please see Appendix 2.

Applying Officers – whether the application falls under RIPA, an applying officer is responsible for completing the application in full and providing sufficient details for the Authorising Officer to consider the application. The applying officer must never be the authorising officer.

1.1 Useful Websites

General Guidance from the Investigatory Powers Commissioner’s Office

Home Office guidance to local authorities on the judicial approval process for RIPA and the crime threshold for directed surveillance

RIPA Forms

Code of Practice- Surveillance, Covert Human Intelligence and Acquisition and Disclosure of Communications Data

2. Basic determination of RIPA

It is critical that prior to any activity being undertaken, an officer and an authorising officer undertake an assessment of the activity proposed.

This assessment should follow the procedure as detailed below.

Question	Answer	Notes
1. Is the surveillance activity covert?	Yes – proceed to question 2	This means that a subject is unaware of the activity due to the way it being undertaken
2. Is the surveillance directed?	Yes – proceed to question 3	This means that the activity is for a specific investigation or purpose
3. Is the investigation into a criminal offence?	Yes – proceed to question 4	If it is not an investigation the alleged commission of a criminal offence, then RIPA does not apply however you should always be able to show that you have

		considered whether RIPA does apply.
4. Are you likely to obtain confidential or private information?	Yes – proceed to 5	If you are not likely to obtain such information, then RIPA does not apply.
5. Does the offence meet the crime threshold?	If yes, then RIPA applies	If it does not, then RIPA does not apply however you should always be able to show that you have considered whether RIPA does apply.

Please refer to Surveillance Checklist for more detail.

3. General Observation Activities

The general observation duties of council officers will not require authorisation under RIPA whether covert or overt. Such duties form part of the functions we are required to provide as opposed to pre-planned surveillance of a person or group. Paragraph 3.33 of the Revised Code of Practice provides some examples of when an authorisation may not be required.

Example: Plain clothes police officers on patrol to monitor a high street crime hot-spot or prevent and detect shoplifting would not require a directed surveillance authorisation. Their objective is merely to observe a location and, through reactive policing, to identify and arrest offenders committing crime. The activity may be part of a specific investigation but is general observational activity, rather than surveillance of individuals, and the obtaining of private information is unlikely. **A directed surveillance authorisation need not be sought.**

Example: Local authority officers attend a car boot sale where it is suspected that counterfeit goods are being sold, but they are not carrying out surveillance of particular individuals and their intention is, through reactive policing, to identify and tackle offenders. Again, this is part of the general duties of public authorities and the obtaining of private information is unlikely. **A directed surveillance authorisation need not be sought.**

Surveillance officers intend to follow and observe Z covertly as part of a pre-planned operation to determine her suspected involvement in shoplifting. It is proposed to conduct covert surveillance of Z and record her activities as part of the investigation. In this case, private life considerations are likely to arise where there is an expectation of privacy, and the covert surveillance is pre-planned and not part of general observational duties or reactive policing. **A directed surveillance authorisation should therefore be considered.**

4. Covert Surveillance

4.1 What is Surveillance?

Surveillance includes:

- monitoring, observing or listening to persons, their movements, their conversations or their other activities or communication;
- recording anything monitored, observed or listened to in the course of surveillance; and
- surveillance by or with the assistance of a surveillance device.

4.2 When is surveillance covert?

Surveillance is covert when it is carried out in a manner calculated to ensure that the subject or others affected by the surveillance are unaware that it is or may be taking place.

RIPA regulates two types of covert surveillance namely directed and intrusive.

4.3 When is surveillance directed?

Surveillance is 'Directed' (paragraph 2.2 of the Revised Codes of Practice) if it is covert and undertaken:

- it is covert, but not intrusive surveillance;
- it is conducted for the purposes of a specific investigation or operation;
- it is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation);
- it is conducted otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under Part II of the 2000 Act to be sought.

4.4 When is Surveillance Intrusive?

LOCAL AUTHORITIES ARE NOT AUTHORISED TO CARRY OUT INTRUSIVE SURVEILLANCE

Surveillance is intrusive, (paragraph 3.19 of Revised Codes of Practice) if it is covert and:

- is carried out in relation to anything taking place on any "residential premises" or
- in any "private vehicle" (see below); and
- involves the presence of an individual or surveillance device in the premises or in the vehicle, or
- is carried out by a means of a surveillance device

Surveillance which is carried out by means of a surveillance device in relation to anything taking place on any residential premises or in any private vehicle but is carried out without that device being present on the premises or in the vehicle is not intrusive unless the device is such that it consistently provides information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle.

A private vehicle is defined in the Act as any vehicle which is primarily used for the private purposes of the person who owns or has the right to use it. This would include company cars and leased cars used for business and pleasure. This is distinct to vehicles owned or leased by public authorities. Paragraph 7.49 of the Revised Codes of Practice provides guidance on

the latter; if devices are used within a council owned vehicle with the knowledge of the occupants, then this is not considered to be surveillance however hidden devices may require authorisation.

5. Authorising Covert Directed Surveillance

For covert directed surveillance an Authorising Officer will not grant an authorisation unless he/she believes (and the prescribed forms require that the factors below are shown to have been considered):

- (a) that an authorisation is necessary; and
- (b) the authorised surveillance is proportionate to what is sought to be achieved by carrying it out.

An authorisation is necessary if:

- (a) The offence is punishable by a maximum term of six months imprisonment on conviction or is related to the underage sale of alcohol and tobacco as per article 7A of the 2010 Order.

An authorisation will be proportionate if the person granting the authorisation has balanced the intrusiveness of the activity on the target and others who might be affected by it against the need for the activity in operational terms. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means.

The onus is therefore on the person authorising such surveillance to satisfy themselves it is:

- (a) necessary for the ground stated above; and
- (b) proportionate to its aim and
- (c) fair and balanced

In order to ensure that authorising officers have sufficient information to make an informed decision it is important that detailed records are maintained. The prescribed forms (held by the Authorising Officer) must be fully completed.

It is also sensible to make any authorisation sufficiently wide enough to cover all that is required. This will also enable effective monitoring of what is done against that authorised. The use of stock phrases or cut and paste narrative should be avoided at all times to ensure that proper consideration is given the particular circumstances of each case.

Particular consideration should be given to collateral intrusion or interference with the privacy of persons other than the subject(s) of surveillance and wherever possible steps should be taken to avoid or minimise it. Such collateral intrusion or interference would be a matter of greater concern in cases where there are special sensitivities, for example in cases of premises used by lawyers or for any form of medical or professional counselling or therapy, or in a particular community.

Any application for authorisation should include an assessment of risk of any collateral intrusion or interference. The Authorising Officer will take this into account, particularly when considering the proportionality of the surveillance.

The application should also be presented in a fair and balanced way which should include evidence or information which weakens the case for authorisation.

Those carrying out the covert surveillance should inform the Authorising Officer if the operation/investigation unexpectedly interferes with the privacy of individuals who are not the original subjects of the investigation or covered by the authorisation in some other way. In some cases, the original authorisation may not be sufficient, and consideration should be given to whether a separate authorisation is required.

The applying officer should have also undertaken a surveillance assessment which includes a health and safety risk assessment, Appendix 7.

Judicial approval should then be sought. The corporate procedure for this can be found in Appendix 5.

See also Other Factors to be taken into account in certain circumstances.

6. The Surveillance Checklist for Applicants

Before a council officer undertakes any surveillance of any individual or individuals, they need to assess whether the activity comes within RIPA. In order to do this, they need to ask themselves the following key questions.

6.1 Is the Surveillance Necessary?

Any application granted must consider that the activity is necessary on one or more of the statutory grounds. In the case of the council then this will be for the prevention and detection of crime in line with the crime thresholds described below.

6.2 Is the Surveillance Covert?

Covert surveillance is that carried out in a manner calculated to ensure that the subject of it is unaware it is or may be taking place.

If activities are open and not hidden from the subject of an investigation, RIPA does not apply. Conversely if it is hidden, consider whether surveillance is likely to be directed or intrusive.

6.3 Is it Directed?

This means whether or not it is for the purpose of a specific investigation or a specific operative. The use of surveillance for general purposes will not normally be 'directed' and will not therefore require RIPA authorisation. An example of this is the use of CCTV cameras for general area wide observation. *However*, if the surveillance is used as a means of targeting a specific person or persons then RIPA will apply if private information is likely to be obtained. In such circumstances officers should also be mindful of the possibility of collateral intrusion when applying for the appropriate authority.

6.4 Private Information

The 2000 Act states that private information includes any information relating to a person's private or family life. Private information should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships.

Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public and where a record is being made by a public authority of that person's activities for future consideration or analysis.

Private life considerations are particularly likely to arise if several records are to be analysed together in order to establish, for example, a pattern of behaviour, or if one or more pieces of information (whether or not available in the public domain) are covertly (or in some cases overtly) obtained for the purpose of making a permanent record about a person or for subsequent data processing to generate further information. In such circumstances, the totality of information gleaned may constitute private information even if individual records do not. Where such conduct includes covert surveillance, a directed surveillance authorisation may be considered appropriate.

Private information may include personal data, such as names, telephone numbers and address details. Where such information is acquired by means of covert surveillance of a person having a reasonable expectation of privacy, a directed surveillance authorisation is appropriate.

Paragraph 3.3 of the Revised Code of Practice provides scope for what information which may not be is not private may include publicly available information such as books, newspapers, TV and radio broadcasts, business reports and websites.

If it is unlikely that observations will result in the obtaining of private information about a person, then it is outside RIPA.

6.5 Is the crime threshold met?

The Protection of Freedoms Act 2012 introduced a *crime threshold* for local authorities wishing to carry out directed surveillance.

This means that local authorities can only authorise use of directed surveillance under RIPA to prevent or detect criminal offences that are either punishable, whether on summary conviction or indictment,

- by a maximum term of 6 months or more imprisonment **or**
- are related to the underage sale of alcohol and tobacco as per article 7A of the 2010 Order.

A local authority **may not authorise** the use of directed surveillance under RIPA to investigate disorder that does not involve criminal offences or to investigate low level offences such as littering, dog control and fly posting.

If the offence changes during an investigation and meets the threshold test, then an application may be made.

6.6 Is it proportionate?

In determining whether the activity is proportionate, paragraph 4.7 of the Revised Codes of Practice, the following must be considered:

- Have we balanced the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence?
- Have we explained how and why the methods to be adopted will cause the least possible intrusion on the subject and others?

- Have we considered whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result?
- Have we evidenced, as far as reasonably practicable, what other methods had been considered and why they were not implemented?

7. When surveillance falls outside of RIPA?

There will occasions when a council officer undertakes activity which does not meet the criteria of RIPA. Any activity whether governed by RIPA or not should be undertaken with clear consideration whether it is necessary and proportional to the objectives. It is incumbent on every officer to consider this prior to engaging in any kind of surveillance.

Given the potential for challenge by a subject during legal proceedings, it is the council's policy that such actions will still be governed by the RIPA framework to the extent that an officer must show that they have considered whether RIPA applies. This should be done by the using the Basic RIPA Determination at the start of this policy or Appendix 9 Checklist as an aide to the officers – this is an ongoing process for any investigation. It may be formalised during file reviews by managers, supervision meetings, prior to interviews or prior to the consideration of any legal proceedings. A manager or head of service should ensure that activities have followed the correct procedure.

Surveillance which can termed overt does not require authorisation – a visit to a property with the intention to speak to the occupier would not constitute surveillance. If there is no intention to speak to the occupier such as “drive pasts” to obtain information, then this may become surveillance and therefore this policy applies. One visit to the property to obtain the details of a vehicle will not be considered surveillance however repeated visits to establish a pattern of behaviour will be considered and the appropriate form will be required.

8. CCTV

Peterborough City Council operates a CCTV system which can be used in surveillance where appropriate and where authorised. The CCTV system is overt and is governed by the Surveillance Camera Code of Practice and the ICO guidance on the matter. This does not mean that the use of overt cameras for surveillance does not require authorisation under the Act. It may be considered covert, pre-planned and directed towards a person or group which would require authorisation.

The corporate code of practice is available and covers the use by Police and non-Police agencies. Peterborough City Council has an agreed protocol with Cambridgeshire Police which is held by the CMO and CCTV Manager.

8.1 Use of CCTV system by Cambridgeshire Police

Where the CCTV systems is being operated by Police officers under a RIPA authorisation, we will maintain a register of the details of the date and time of the authority was granted, the nature of the offence under investigation and the operation name and/or authority reference number.

If council officers operate the CCTV under direction of the police, the council will be provided with a redacted authorisation which shows the details of the date and time of the authority being granted, the activity authorised and its boundaries and limitations, the nature of the offence under investigation, the operation name and/or authority reference number.

8.2 Cambridgeshire County Council CCTV

Cambridgeshire County Council have and have access to a number of cameras which are primarily for bus lane enforcement, highways and libraries. These are governed by the codes as described above. These cameras are primarily used for reactive footage but were they to be considered for any directed surveillance then the process used for Peterborough City Council would be followed.

8.3 Aerial covert surveillance

Whilst the councils do not currently utilise aerial surveillance devices such as drones or helicopters, any use in the future or by contracted providers should be considered for authorisations.

9. Covert Use of Human Intelligence Source (“CHIS”)

Before use of a CHIS is authorised, advice must be sought from the Senior Responsible Officer or their appointed deputy. The application can be authorised by the Chief Executive (or an appointed deputy) and the applicant must ensure that they as Authorising Officer have sufficient information to make an informed decision the prescribed forms must be fully completed.

9.1 What is a CHIS?

The Revised Codes of Practice for Covert Human Intelligence Source (paragraph 2.1) state that a person is a Covert Human Intelligence Source if:

- (a) they establish or maintain a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph b) or c);
- (b) they covertly use such a relationship to obtain information or to provide access to any information to another person; or
- (c) they covertly disclose information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

A purpose is covert, in relation to the establishment or maintenance of a personal or other relationship, if and only if the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of that purpose.

9.2 When a CHIS and when not a CHIS?

The following give examples of when a CHIS would and would not be needed.

Would not need a CHIS authorisation	Would need a CHIS authorisation
Intelligence suggests that a local shopkeeper is openly selling alcohol to underage customers, without any questions being asked. A juvenile is engaged and trained by a public authority and then deployed in order to make a purchase of alcohol. In these circumstances any relationship, if established at all, is likely to be so limited regarding the requirements of the 2000 Act that a public authority may conclude that a CHIS authorisation is unnecessary. However, if the test purchaser is wearing recording equipment but is not authorised as a CHIS, consideration should	In similar circumstances, intelligence suggests that a shopkeeper will sell alcohol to juveniles from a room at the back of the shop, providing they have first got to know and trust them. As a consequence, the public authority decides to deploy its operative on several occasions, to befriend the shopkeeper and gain their trust, in order to purchase alcohol. In these circumstances a relationship has been established and maintained for a covert purpose and therefore a CHIS authorisation should be obtained.

be given to granting a directed surveillance authorisation.	
<p>A member of the public volunteers a piece of information to a member of a public authority regarding something they have witnessed in their neighbourhood. The member of the public would not be regarded as a CHIS. They are not passing information as a result of a relationship which has been established or maintained for a covert purpose.</p>	<p>A caller to a confidential hotline (such as Crimestoppers, the HMRC Fraud Hotline, the Anti-Terrorist Hotline, or the Security Service public telephone number) reveals that they know of criminal or terrorist activity. Even if the caller is involved in the activities on which they are reporting, the caller would not be considered a CHIS as the information is not being disclosed on the basis of a relationship which was established or maintained for that covert purpose. However, should the caller be asked to maintain their relationship with those involved and to continue to supply information (or it is otherwise envisaged that they will do so), an authorisation for the use or conduct of a CHIS may be appropriate.</p>
<p>A member of the public is asked by a member of a public authority to maintain a record of all vehicles arriving and leaving a specific location or to record the details of visitors to a neighbouring house. A relationship has not been established or maintained in order to gather the information and a CHIS authorisation is therefore not available. Other authorisations under the Act, for example, directed surveillance, may need to be considered where there is a possible interference with the Article 8 rights of an individual</p>	<p>Mr Y volunteers information to a member of a public authority about a work colleague out of civic duty. Mr Y is not a CHIS at this stage as he has not 14 established or maintained (or been asked to establish or maintain) a relationship with his colleague for the covert purpose of obtaining and disclosing information. However, Mr Y is subsequently contacted by the public authority and is asked if he would ascertain certain specific information about his colleague. At this point, it is likely that Mr Y's relationship with his colleague is being maintained and used for the covert purpose of providing that information. A CHIS authorisation would therefore be appropriate to authorise interference with the Article 8 right to respect for private or family life of Mr Y's work colleague</p>

9.3 Conditions for authorisation of Covert Human Intelligence Sources

Authorisation is not required where members of the public volunteer information to the Council as part of their normal civic duties or to contact numbers set up to receive information (e.g., a benefit fraud hotline).

The Council can only use a CHIS if authorisation has been authorised and received judicial approval. Authorisation will only be given if the use of the CHIS is for the purpose of preventing or detecting crime or of preventing disorder.

9.3.1 Necessity and Proportionality

The necessity and proportionality principles apply but the crime threshold does not apply in this area.

If the authorising officer considers it to be necessary, then they should consider proportionality as below:

- balance the size and scope of the proposed activity against the gravity and extent of the perceived crime or harm;
- explain how and why the methods to be adopted will cause the least possible intrusion on the subject and others
- whether the conduct to be authorised will have any implications for the privacy of others, and an explanation of why (if relevant) it is nevertheless proportionate to proceed with the operation; •
- evidence, as far as reasonably practicable, what other methods had been considered and why they were not implemented, or have been implemented unsuccessfully;
- considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the information sought.

9.3.2 The Authorised Conduct

The Conduct so authorised is any conduct that:

- a) is comprised in any such activities involving the use of a covert human intelligence source, as are specified or described in the authorisation;
- b) relates to the person who is specified or described as the person to whose actions as a covert human intelligence source the authorisation relates; and
- c) is carried out for the purposes of, or in connection with, the investigation or operation so specified or described.

It is also sensible to make any authorisation sufficiently wide enough to cover all that is required. This will also enable effective monitoring of what is done against that authorised.

The maximum time limit for authorisation is 12 months for an adult CHIS.

The applicant, and the Authorising Officer if required, will attend to obtain judicial approval. The corporate procedure can be found at Appendix 6.

9.3.3 Operational Considerations

The Authorising Officer must consider the safety and welfare of the source person acting as a Covert Human Intelligence Source and the foreseeable consequences to others of the

tasks they are asked to carry out. A risk assessment should be carried out before authorisation is given. Consideration from the start, for the safety and welfare of the source person, even after cancellation of the authorisation, needs to be considered.

The Applicant will have day-to-day responsibility for dealing with the source person and for the source person's security and welfare. They will be termed the **handler**. They will have responsibility for

- Dealing with the CHIS on behalf of the authority
- Directing the day-to-day activities of the CHIS
- Recording accurate and proper information supplied by the CHIS
- Monitoring the CHIS's security and welfare

A senior manager, not the Authorising Officer, will always have general oversight of the use made of the source person and maintaining a record of such use. They will be termed the **controller** in accordance with the codes of practice. They will be responsible for the management and supervision of the handler and general oversight of the use of the CHIS.

The senior manager will need to comply with the Regulation of Investigatory Powers (Source Records) Regulations which requires that certain records be kept relating to each source. Each Authorising Officer has a copy of the aforesaid Regulations.

9.4 Operation involving multiple CHIS

A single authorisation may be used to authorise more than one CHIS. However, this is only likely to be appropriate for operations involving the conduct of several individual operatives acting as a CHIS in situations where the activities to be authorised, the subjects of the operation, the interference with private or family life, the likely collateral intrusion and the environmental or operational risk assessments are the same for each officer. If an authorisation includes more than one relevant source, each relevant source must be clearly identifiable within the documentation. In these circumstances, adequate records must be kept of the length of deployment of a relevant source to ensure the enhanced authorisation process set out in the 2013 Relevant Sources Order and Annex B of the Code of Practice can be adhered to.

9.5 Use of a Juvenile as a CHIS or in Directed Surveillance

Paragraph 4.2 of the CHIS Code of Practice refers to the use of juveniles in either scenario and how special safeguards also apply to the use or conduct of juveniles. The use of such a person could occur during test purchasing operations. The Code of Practice gives clear guidance:

- On no occasion should the use or conduct of a CHIS under 16 years of age be authorised to give information against their parents or any person who has parental responsibility for them.
- In other cases, authorisations should not be granted unless the special provisions, contained within the Regulation of Investigatory Powers (Juveniles) Order 2000 (as amended), are satisfied.
- Authorisations for use of a juvenile as a CHIS should be granted by the Head of Paid Service i.e., the Chief Executive.
- The duration of such an authorisation is four months from the time of grant or renewal (instead of twelve months), and the authorisation should be subject to at least monthly review.
- For the purpose of these rules, the age test is applied at the time of the grant or renewal of the authorisation.

We must ensure that an appropriate adult is present at any meetings with a CHIS under 16 years of age. The appropriate adult should normally be the parent or guardian of the CHIS, unless they are unavailable or there are specific reasons for excluding them, such as their involvement in the matters being reported upon, or where the CHIS provides a clear reason for their unsuitability. In these circumstances another suitably qualified person should act as appropriate adult, e.g., someone who has personal links to the CHIS or who has professional qualifications that enable them to carry out the role (such as a social worker). Any deployment of a juvenile CHIS should be subject to the enhanced risk assessment process set out in the statutory instrument, and the rationale recorded in writing.

The below give examples of when the juvenile may be a CHIS and when a directed surveillance application may be more appropriate.

CHIS authorisation not needed	CHIS authorisation needed
Intelligence suggests that a local shopkeeper is openly selling alcohol to underage customers, without any questions being asked. A juvenile is engaged and trained by a public authority and then deployed in order to make a purchase of alcohol. In these circumstances any relationship, if established at all, is likely to be so limited regarding the requirements of the 2000 Act that a public authority may conclude that a CHIS authorisation is unnecessary. However, if the test purchaser is wearing recording equipment but is not authorised as a CHIS,	In similar circumstances, intelligence suggests that a shopkeeper will sell alcohol to juveniles from a room at the back of the shop, providing they have first got to know and trust them. As a consequence, the public authority decides to deploy its operative on several occasions, to befriend the shopkeeper and gain their trust, in order to purchase alcohol. In these circumstances a relationship has been established and maintained for a covert purpose and therefore a CHIS authorisation should be obtained.

consideration should be given to granting a directed surveillance authorisation.	
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9.6 Security and welfare

When considering deploying a CHIS, the council should take into account the safety and welfare of that CHIS when carrying out actions in relation to an authorisation or tasking, and the foreseeable consequences to others of that deployment/tasking.

Before authorising the use or conduct of a CHIS, the authorising officer should ensure that a risk assessment is carried out to determine the risk to the CHIS of any deployment and the likely consequences should the role of the CHIS become known. This should consider the risks relating to the specific tasking and circumstances of each authorisation separately and should be updated to reflect developments during the course of the deployment, as well as after the deployment if contact is maintained.

The ongoing security and welfare of the CHIS, after the cancellation of the authorisation, should also be considered at the outset and reviewed throughout the period of authorised activity by that CHIS.

Consideration should also be given to the management of any requirement to disclose information which could risk revealing the existence or identity of a CHIS. For example, this could be by means of disclosure to a court or tribunal, or any other circumstances where disclosure of information may be required, and strategies for minimising the risks to the CHIS or others should be put in place. Additional guidance about protecting the identity of the CHIS is provided at paragraphs 8.22 to 8.25 of the CHIS Code of Practice.

The CHIS handler is responsible for bringing to the attention of the CHIS controller any concerns about the personal circumstances of the CHIS, insofar as they might affect:

- the validity of the risk assessment;
- the conduct of the CHIS; and
- the safety and welfare of the CHIS.

Where appropriate, concerns about such matters must be considered by the authorising officer, and a decision taken on whether to allow the authorisation to continue.

9.7 Considering a Covert Human Intelligence Source (CHIS)

authorisation in social media/internet investigations

Any council officer or person acting on their behalf, who conducts activity on the internet in such a way that they may interact with others, whether via publicly open websites such as an online news and social networking service, or more private exchanges such as e-messaging sites, in circumstances where the other parties could not reasonably be expected to know their true identity, should consider whether the activity requires a CHIS authorisation.

A directed surveillance authorisation should also be considered, unless the acquisition of that information is or will be covered by the terms of an applicable CHIS authorisation.

9.7.1 Tasking someone to use a profile for covert reasons

Where someone, such as an employee or member of the public, is tasked by the council to use an internet profile to establish or maintain a relationship with a subject of interest for a covert purpose, or otherwise undertakes such activity on behalf of the public authority, in order to obtain or provide access to information, a CHIS authorisation is likely to be required.

Example of when CHIS authorisation is needed
<ul style="list-style-type: none">• An investigator using the internet to engage with a subject of interest at the start of an operation, in order to ascertain information or facilitate a meeting in person.• Directing a member of the public (such as a CHIS) to use their own or another internet profile to establish or maintain a relationship with a subject of interest for a covert purpose.• Joining chat rooms with a view to interacting with a criminal group in order to obtain information about their criminal activities.

9.7.2 Registering to access a site

A CHIS authorisation will not always be appropriate or necessary for online investigation or research. Some websites require a user to register providing personal identifiers (such as name and phone number) before access to the site will be permitted. Where an officer sets up a false identity for this purpose, this does not in itself amount to establishing a relationship, and a CHIS authorisation would not immediately be required, though consideration should be given to the need for a directed surveillance authorisation if the conduct is likely to result in the acquisition of private information, and the other relevant criteria are met.

Example of when CHIS authorisation is not needed	Example of when CHIS authorisation is needed
A Trading Standards officer intends to make a one-off online test purchase of an item on an auction site, to investigate intelligence that counterfeit goods are being	A Trading Standards officer tasks a member of the public to purchase goods from a number of websites to obtain information about the identity of the seller,

<p>sold. The officer concludes the purchase and does not correspond privately with the seller or leave feedback on the site. No covert relationship is formed, and a CHIS authorisation need not be sought.</p>	<p>country of origin of the goods and banking arrangements. The individual is required to engage with the seller as necessary to complete the purchases. The deployment should be covered by a CHIS authorisation because of the intention to establish a relationship for covert purposes.</p>
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9.7.3 Use of Likes and Follows

Where a website or social media account requires a minimal level of interaction, such as sending or receiving a friend request before access is permitted, this may not in itself amount to establishing a relationship. Equally, the use of electronic gestures such as “like” or “follow” to react to information posted by others online would not, in itself, constitute forming a relationship. However, it should be borne in mind that entering a website or responding on these terms may lead to further interaction with other users and a CHIS authorisation should be obtained if it is intended for a council officer or a CHIS to engage in such interaction to obtain, provide access to or disclose information.

Example of when CHIS authorisation is not needed	Example of when CHIS authorisation is needed
<p>An officer maintains a false persona, unconnected to law enforcement activities, on social media sites in order to facilitate future operational research or investigation. As part of the legend building activity, they “follow” a variety of people and entities and “likes” occasional posts without engaging further. No relationship is formed, and no CHIS authorisation is needed.</p>	<p>The officer sends a request to join a closed group known to be administered by a subject of interest, connected to a specific investigation. A directed surveillance authorisation would be needed to cover the proposed covert monitoring of the site. Once accepted into the group it becomes apparent that further interaction is necessary. This should be authorised by means of a CHIS authorisation.</p>

9.7.4 The identity being used

When engaging in conduct as a CHIS, a council officer should not adopt the identity of a person known, or likely to be known, to the subject of interest or users of the site without considering the need for authorisation. Full consideration should be given to the potential risks posed by that activity.

9.7.5 Risk Assessment

Where use of the internet is part of the tasking of a CHIS, the risk assessment carried out in accordance with section 6.13 of the CHIS Code of Practice should include consideration of the risks arising from that online activity including factors such as the length of time spent online and the material to which the CHIS may be exposed. This should also take account of

any disparity between the technical skills of the CHIS and those of the handler or authorising officer, and the extent to which this may impact on the effectiveness of oversight.

Where it is intended that more than one officer will share the same online persona, each officer should be clearly identifiable within the overarching authorisation for that operation, providing clear information about the conduct required of each officer and including risk assessments in relation to each officer involved.

10. Use of social media/internet in investigations

The use of the internet and social media sites such as Facebook, Instagram and Twitter in an investigation is permitted and may be a means of gathering intelligence. In accessing such sites, officers must consider the issues of privacy and collateral intrusion. The Revised Code of Practice sections 3.10 to 3.17 provides good guidance on the subject.

Even though a person may have placed information about themselves or others in the public arena, they have done so with an expectation of a degree of privacy. Viewing information on the internet may constitute covert surveillance, particularly if there is monitoring of subjects involved for example to establish patterns of behaviour. Appendix 10 may assist officers in assessing whether their actions can be considered to be surveillance.

Where information about an individual is placed on a publicly accessible database such as Companies House, then they are unlikely to have expectations of privacy.

If an investigating officer enters into a 'conversation' with a profile, and the officer informs them that he is contacting them in his role as an employee of the council, then this contact will be overt, and no authorisation will be required.

Where the activity does not include monitoring of material in the public domain, RIPA will not apply. If repeated visits to a site are made, then this will constitute monitoring and consideration needs to be given to the use of social media or the internet as part of that investigation.

The following from the Code of Practice is a guide of factors to consider

- Whether the investigation or research is directed towards an individual or organisation
- Whether it is likely to result in obtaining private information about a person or group of people
- Whether it is likely to involve visiting internet sites to build up an intelligence picture or profile

- Whether the information obtained will be recorded and retained
- Whether the information is likely to provide an observer with a pattern of lifestyle
- Whether the information is being combined with other sources of information or intelligence, which amounts to information relating to a person's private life
- Whether the investigation or research is part of an ongoing piece of work involving repeated viewing of the subject(s)
- Whether it is likely to involve identifying and recording information about third parties, such as friends and family members of the subject of interest, or information posted by third parties, that may include private information and therefore constitute collateral intrusion into the privacy of these third parties

Any similar activity carried out on the council's behalf by a third party then this may still require a directed surveillance authorisation.

10.1 "Public setting"

If an investigating officer views for example a Facebook profile with whom they are not 'friends' which is not protected by any privacy settings the information can be treated as being in the public domain. Any initial viewing/visiting of this profile will be overt and authorisation under RIPA will not be required.

If the officer frequently or regularly views the same individual's profile this is considered targeted surveillance and a RIPA authorisation is required, should it meet the stated RIPA test in this policy. If it does not, then the officer should be able to show that they have considered whether RIPA applied.

10.2 Using a covert accounts and identities

Where officers are building and maintaining a relationship with an individual without that individual knowing the true nature for the purposes of an investigation, this may require an application for the use of a CHIS. Guidance is provided in section

If officers create a false or covert identity, this must only be created with the approval of an Authorising Officer and the CMO must be informed. All use of the identity must be logged and reported to the CMO.

Any use of the internet in an investigation must be fully documented, Appendix 10 may be used as a template.

10.3 Council policy on reviewing use of social media during investigation

Misuse of council devices or misuse of social media may be considered in line with the relevant disciplinary policy. Any usage should be considered in line with the council's social media policy and this policy.

Both councils have the capability to "audit" the use of social media sites by individual user's profile in line with the appropriate IT policies. The council will undertake such an audit in the event of a complaint or concern that social media has been misused or accessed during an investigation where RIPA may apply and has not been appropriately applied for. The concern will be raised with the Central Monitoring Officer and Data Protection Officer who will advise on the appropriate procedure.

The council may also undertake spot check audits where investigators or staff will be required to detail the reason for access.

11. Surveillance Application and Authorisation Process

Should the criteria be met, an officer will need to submit a directed surveillance application form to an authorising officer. The application form must be the latest version available on the Home Office website to ensure we are using the most up to date.

All sections relevant to the application must be completed and in a manner in which any authorising officer can understand i.e., it is not necessary for the authorising officer to be a specialist in the applicant's area.

The application must contain the following information

- A description of the investigation to date includes details of the alleged offence which meets the crime threshold, details of subjects involved and an intelligence evaluation
- The conduct to be authorised must be described in detail
- Assessments of the local area, health and safety and risk have been completed
- Confirm the purpose of the operation and what it hopes to achieve
- What the operation will entail e.g., static, mobile, use of cameras.
- Where it will take place, when and how long will it last, remembering to be proportionate
- A description of what information will be obtained and how this will assist the investigation
- Explain why the directed surveillance is necessary i.e., it meets the crime threshold
- Explain the potential for collateral intrusion, why it is unavoidable and how it will be minimised.
- Explain how this is proportionate to what it seeks to achieve.
- Explain whether there is the likelihood of obtaining confidential information as defined by the codes of practice. This must be answered yes or no – stating that it is unlikely will not be accepted as this suggests it remains a possibility

This application should be submitted to the Authorising Officer to consider.

An authorising officer must review each case on its merits and explain why they authorise the conduct, considering necessity and proportionality along with any collateral intrusion.

Prior to seeking judicial approval, the application must be submitted to the CMO who will allocate a unique reference number. The corporate procedure for obtaining judicial approval should be adhered to. The CMO must be notified of the outcome and provided with a copy of the approval/refusal supplied.

11.1 Combined or Joint Services

As the Council works with its partner agencies such as Cambridgeshire Police or Cambridgeshire Fire and Rescue then consideration must be given to who makes the application and authorise. In a joint operation, one agency must be assigned as the lead and will obtain authorisation. If it is not the Council, we will still record this activity and ensure that our central record reflects this.

In instances where it is a joint or shared service, the appropriate lead authority must make the application with due regard for the governance arrangements at partner authorities.

Paragraph 4.31 of the Codes of Practice advises that where possible, public authorities should seek to avoid duplication of authorisations as part of a single investigation or operation. For example, where two agencies are conducting directed or intrusive surveillance as part of a joint operation, only one authorisation is required. Duplication of authorisations does not affect the lawfulness of the activities to be conducted but may create an unnecessary administrative burden on authorities.

If the Council is tasked to undertake the surveillance on behalf of another agency, then that agency should obtain authorisation. Council officers should ensure that they clearly understand the precise nature of what has been authorised to ensure that they comply. Council officers must only undertake surveillance activity in line with this policy and the limitations of activities placed on local authorities by the Protection of Freedoms Act 2012.

It may be necessary for the councils to work with a third party who are not considered a public authority by the Act. In those cases, the third party are acting as an agent for the council and therefore an authorisation should be considered by the councils.

11.2 Combined Authorisations

In line with Codes of Practice paragraph 4.17, a single authorisation may combine two or more different authorisations under RIPA however the provisions applicable for each of the authorisations must be considered separately by the appropriate authorising officer. It does not preclude the obtaining of separate authorisations.

11.3 Lapse of Authorisations

Authorisation should not be allowed to lapse. They should be reviewed and cancelled or renewed. However, the legal position regarding lapse is as follows: -

Covert Human Intelligence Source - 12 months from the date of the approval of a magistrate (or last renewal) for adult or 4 months for a juvenile.

Directed Surveillance – 3 months from the date of approval of a magistrate or last renewal.

11.4 Renewal of Authorisations

A Magistrate will be responsible for renewing an existing authorisation in the same terms at any time before it ceases to have effect. Prior to this, the Authorising Officer should ensure a review has been carried out using the same criteria as if it were a new application.

For the conduct of a Covert Human Intelligence Source, this should not be renewed unless a review has been carried out and that person has considered the results of the review when deciding whether to renew or not. A review must cover what use has been made of the source, the tasks given to them, and information obtained. The renewal must receive judicial approval.

Authorising Officers are responsible for ensuring that authorisations undergo timely reviews and are cancelled promptly after directed surveillance activity is no longer necessary.

11.5 Retention Period for Authorisations

Directed surveillance authorisations (together with the Application reviews, renewals and cancellation) should be retained by the Authorising Officer, for a period of 3 years.

Authorisations for a CHIS ((together with the Application reviews, renewals and cancellation) should be retained by the Authorising Officer, for a period must be retained for a period of 5 years. Where it is believed that the records could be relevant to pending or future criminal proceedings, they should be retained for a suitable further period, commensurate to any subsequent review. It is each department's responsibility to securely retain all authorisations within their departments.

11.6 Reviews of Authorisations

Regular review of authorisations should be undertaken to assess the need for the surveillance/CHIS to continue. The results of the review need to be sent for recording on the Central Register.

11.7 Cancellation of Authorisations

The Authorising Officer who granted or last renewed the authorisation must cancel it if he is satisfied the authorisation no longer meets the criteria upon which it was authorised. No authorisation should be left to simply expire.

The applicant must also undertake a review throughout the matter and inform the Authorising Officer if the authorisation is no longer required.

The process for cancellation is for the investigating officer to submit the cancellation form to the Authorising Officer. This cancellation should detail the reason for cancellation, the benefits or issues arising of the operation and any outcome. It should also include the time spent on the operation. A copy of this form must be forwarded to the CMO to retain on the central record.

11.8 Immediate response to situations

The ability for a local authority to grant urgent oral authorisation for use of RIPA is not permitted. It is recognised that council officers find themselves in a situation where they need to carry out some form of surveillance without the time to complete a form and obtain authorisations. In these instances, the officer should obtain authorisation from their line manager and also record their reasons, actions, what was observed and be prepared to explain their decisions.

12. Data Protection & Data Assurance

All material obtained by the councils during authorised activities such as photographs, videos, and notes should be protected against loss and alteration. The councils have data protection policies and ICT security policies to ensure that the councils are compliant with the handling of such information.

Authorising officers must ensure compliance with the appropriate data protection requirement such as a data protection impact assessment if necessary as well as the relevant codes of practice in the handling and storage of material.

Information, materials and evidence collected during an investigation

Generally, all material (in whatever media) obtained or produced during the course of investigations subject to RIPA authorisations should be processed, stored and destroyed in accordance with the requirements of the UK General Data Protection Regulation, Data Protection Act 2018, the Freedom of Information Act 2000, any other legal requirements, including those of confidentiality, and the councils' policies and procedures currently in force relating to document retention. These are available on both councils' intranets in the Information Governance sections.

The following paragraphs give guidance on some specific situations, but advice should be sought from the RIPA Monitoring Officer or the Senior Responsible Officer where appropriate.

- Where material is obtained during the course of an investigation which might be relevant to that investigation, or another investigation, or to pending or future civil or criminal proceedings, then it should not be destroyed, but retained in accordance with legal disclosure requirements. All such material should be clearly labelled and stored in such a way to enable compliance with data retention and disposal.
- Where material is obtained, which is not related to a criminal or other investigation or to any person who is the subject of the investigation, and there is no reason to believe that it will be relevant to any future civil or criminal proceedings, it should be destroyed immediately. Consideration of whether unrelated material should be destroyed is the responsibility of the Authorising Officer.
- RIPA does not prevent material obtained through the proper use of the authorisation procedures from being used in other investigations. However, the use outside the councils of any material obtained by means of covert surveillance, unless directed by court order, and other than in pursuance of the grounds on which it was obtained requires authorisation by the Senior Responsible Officer.

12.1 Sharing information

Material obtained should only be shared with individuals within the authority and external partners where this is permitted by legislation, an information sharing agreement or a requirement to disclose. For example, a joint investigation with the Police would require information to be shared as part of that investigation and permitted by data protection legislation.

12.2 Publishing CCTV footage to enable suspect identification

Any consideration of publishing images or film of those believed to have committed an offence or have involvement in an offence must consider the rights and privacy of anyone in those images or film. Failure to do so may result in a breach of data protection legislation and lead to regulatory action. The Senior Responsible Officer and Data Protection Officer must be consulted ahead of any decision.

12.3 Storage

Any material obtained must be stored securely, either electronically or physically, and access only provided to those who have the appropriate clearance for access. Physical information must be protected by an adequate level of security such as locked rooms or a safe with a log of access kept.

12.4 Destruction

Information will be destroyed securely in line with retention requirements and its retention will be reviewed accordingly.

13. Other Factors

13.1 Spiritual Counselling

No operations should be taken in circumstances where investigators believe that surveillance will lead to them intruding on spiritual counselling between a Minister and a Member of his/her faith. In this respect, spiritual counselling is defined as conversations with Minister of Religion acting in his-her official capacity where the person being counselled is seeking or the Minister is imparting forgiveness, or absolution of conscience.

13.2 Confidential or Privileged Material

Consideration should be given in cases where the subject of the investigation or operation might reasonably assume a high degree of confidentiality. This includes:

- where material contains confidential personal information or communications between a Member of Parliament and another person on constituency business. (9.29 to 9.35)
- confidential journalistic material or where material identifies a journalist's source, (9.36 to 9.46)
- where the material contains information that is legally privileged, (9.47 to 9.75)

Guidance on each of these can be found in the Revised Codes of Practice as noted above. In the event that these types of information may be acquired, officers should consult the Revised Codes of Practice and the SRO.

Directed surveillance likely or intended to result in the acquisition of knowledge of confidential or privileged material may be authorised only by the Chief Executive (or a deputy in their absence). In cases where the likely consequence of the conduct of a Covert Human Intelligence Source would be for any person to acquire knowledge of confidential material, the deployment of the Covert Human Intelligence Source should be subject to consultation with the Chief Executive and Senior Responsible Officer.

In general, any application for an authorisation which is likely to result in the acquisition of confidential material should include an assessment of how likely it is that confidential material will be acquired. Special care should be taken where the target of the investigation is likely to be involved in handling confidential material. Such applications should only be

considered in exceptional and compelling circumstances with full regard to the proportionality issues this raises.

The following general principles apply to confidential material acquired under authorisations:

- Those handling material from such operations should be alert to anything that may fall within the definition of confidential material. If there is doubt as to whether the material is confidential, advice should be sought from the Director of Law and Governance before further dissemination takes place;
- Confidential material should not be retained or copied unless it is necessary for a specified purpose;
- Confidential material should be disseminated only where an appropriate officer (having sought advice from the Director of Law and Governance) is satisfied that it is necessary for a specific purpose;

The retention of dissemination of such information should be accompanied by a clear warning of its confidential nature. It should be safeguarded by taking reasonable steps to ensure that there is no possibility of it becoming available, or its content being known, to any person whose possession of it might prejudice any criminal or civil proceedings related to the information.

Confidential material should be destroyed as soon as it is no longer necessary to retain it for a specified purpose. This should only be with the approval of the Chief Executive and Senior Responsible Officer.

13.3 Vulnerable Individuals

The use of a vulnerable individual as a Covert Human Intelligence Source requires authorisation by the Chief Executive or their delegated deputy. The use must always be referred to the Senior Responsible Officer or their deputy for advice prior to authorisation. Such an individual should only be used as a Covert Human Intelligence Source in exceptional circumstances. A vulnerable individual is a person who is or may be in need of community care services by reason of mental or other disability, age or illness and who is or may be unable to take care of himself or herself or unable to protect himself or herself against harm or exploitation.

13.4 Community Sensitivities

Officers should always consider whether there are any particular sensitivities within our communities and take these into account if planning surveillance activities in those areas.

13.5 Errors

Any error such as activity undertaken which was not authorised or is conducted beyond the directions of the authorising officer. It will also include failure to declare thorough reviews, renewals, cancellation and poor administration. Any such errors must be reported to the SRO and Central Monitoring Officer.

14. Central Register of Authorisations

It is a requirement of the revised Code of Practice for Surveillance, paragraph 8.1, that a central register of all authorisations, reviews, renewals, cancellations etc. is maintained and regularly updated. The CMO maintains this Register.

It is the Authorising Officer's responsibility to ensure that any application under RIPA is forwarded to the CMO for central registration **within one week of the relevant authorisation, review, renewal, cancellation or rejection**. Each application will be allocated a Unique Reference Number (URN) at this stage and will be monitored by the CMO to ensure compliance with timescales.

Whenever an authorisation is granted, renewed or cancelled (and this includes authorisations issued by the Police or other third parties using Council CCTV or other facilities) the Authorising Officer must arrange for copies to be forwarded to the CMO. Receipt will be acknowledged.

15. Codes of Practice

There are Home Office Codes of Practice that expand on this guidance and copies are held by each Authorising Officer. They can be accessed [here](#) and officers should ensure that they are consulting the latest version.

The Codes do not have the force of statute but are admissible in evidence in any criminal and civil proceedings. As stated in the Codes, "if any provision of the Code appears relevant to a question before any Court or tribunal considering any such proceedings, or to the tribunal established under RIPA, or to one of the commissioners responsible for overseeing the powers conferred by RIPA, it must be taken into account".

16. Benefits of Obtaining Authorisation under RIPA

RIPA states that if authorisation confers entitlement to engage in a certain conduct and the conduct is in accordance with the authorisation, then it shall be "lawful for all purposes".

17. Acquisition of Communications Data

Communications data means any traffic or any information that is or has been sent via a telecommunications system or postal system, together with information about the use of the system made by any person.

There are two powers granted by S22 RIPA in respect of the acquisition of Communications Data from telecommunications and postal companies (“Communications Companies”).

S22 (3) provides that an authorised person can authorise another person within the same relevant public authority to collect the data. This allows the local authority to collect the communications data themselves, i.e., if a Communications Service Provider is technically unable to collect the data, an authorisation under the section would permit the local authority to collect the communications data themselves.

In order to compel a Communications Service Provider to obtain and disclose, or just disclose Communications Data in their possession, a notice under S22 (4) RIPA must be issued. This must be following the judicial approval process as outlined in Appendix 5.

The sole ground to permit the issuing of a S22 notice by a Permitted Local Authority is for the purposes of “preventing or detecting crime or of preventing disorder”. The issuing of such a notice will be the more common of the two powers utilised, in that the Communications Service Provider will most probably have means of collating and providing the communications data requested.

There is no threshold for subscriber data which can still be acquired for any crime where it is necessary and proportionate to do so. However as of 1 November 2018, there is a crime threshold for the acquisition of service or traffic data which is restricted to “serious crime”. This is defined as:

- An offence capable of attracting a prison sentence of 12 months or more. This can be checked by accessing the Home Office counting rules notifiable offence list.
- An offence by a person who is not an individual i.e., a corporate body
- A Section 81 of RIPA – an offence defined as serious crime such as use of violence, substantial financial gain or large number of people in pursuit of a common purpose
- An offence which integrally involves the sending of a communication
- Breach of privacy offence

Examples of what are non-serious crimes are:

- Certain immigration offences under the Immigration Act 1971; and

- Certain gambling offences under the Gambling Act 2005 including provision of facilities for gambling, use of premises for gambling and offences relating to gambling machines.
- Some sections of the Public Order Act which do not amount to violence (including using offensive words or causing a fear of violence);
- Driving offences, such as: joy riding, driving when disqualified, failure to stop or report an accident and driving when unfit to do so through drink or drugs;
- Some sections of the Consumer Protection Act 1987 i.e. furnishing false information in response to notice, or to enforcement officer.

Once a notice has been issued, it must be sent to the Communications Service Provider. In issuing a notice, the Authorising Officer can authorise another person to liaise with the Communications Service Provider covered by the notice.

17.1 Application procedure

Should you wish to make an enquiry, contact should be made with the Head of Regulatory Services to consider the request to be made via Trading Standards who have two named authorised officers. The request will be made through NAFN and their process adhered to.

The applicant and authorising officer will need to explain:

- the purpose of the application in terms of the prevention or detection of crime (section 22(2) (b) of the Act)
- specific information required with reference to paragraph 3.30 of the codes of practice to streamline the process when dealing with number porting and also to take a more proactive approach to data capture such as top up details when identifying the user of a prepaid mobile.
- A description of the offence and how this meets the serious crime threshold if it is for traffic or service data
- why it is relevant
- why it is necessary
- why it is proportionate
- how they will minimise collateral intrusion

A unique reference number should be obtained from the CMO before submission to NAFN. The CMO will record the details.

Once authorised by NAFN, the applicant should follow the procedure for obtaining judicial approval.

18. Training

There will be a bi-annual programme of training for officers, which may include face to face or e-learning training. Refresher training will be provided on a biannual basis. Officers may be required to confirm they have read documentation and have understood the intervening times.

Only formally trained Authorised Officers will be permitted to authorised applications.

19. Oversight

19.1 Members

The use of RIPA powers will be a standing item on the agenda for the Audit Committee at both Peterborough City Council and Cambridgeshire County Council. An annual report will be produced detailing the usage along with any inspections, changes to policy and procedure.

19.2 Senior Management

An annual report will be produced detailing the usage along with any inspections, changes to policy and procedure.

20. The Investigatory Powers Commissioner's Office

The Investigatory Powers Commissioner will keep under review, the exercise and performance by the persons on who are conferred or imposed, the powers and duties under RIPA. This includes those Authorising Officers authorising Covert Directed Surveillance and the use of Covert Human Intelligence Sources and the maintenance of the Central Register.

A tribunal has been established to consider and determine complaints made under RIPA if it is the appropriate forum. Complaints can be made by persons aggrieved by conduct e.g. direct surveillance. The forum hears application on a judicial review basis. Claims should be brought within one year unless it is just and equitable to extend that.

The tribunal can order, among other things, the quashing or cancellation of any warrant or authorisation and can order destruction of any records or information obtained by using a warrant or authorisation, and records of information held by any public authority in relation to any person. The Councils are however, under a duty to disclose or provide to the tribunal all documents they require if:

- A council officer has granted any authorisation under RIPA.

- council employees have engaged in any conduct as a result of such authorisation.

A disclosure notice requirement is given.

21. Relevant case law

There is relevant caselaw which includes but is not limited to:

R v Johnson

In this case the Court of Appeal provided criteria that must be adopted if premises used for observation purposes by the Police are not to be disclosed in open court.

Should PCC wish not to disclose the premises used for the observation, then following the rational in this case it would appear that the Authorising Officer must be able to testify that immediately prior to trial:

- he/she visited premises to be used for observation
- he/she obtained and recorded the views of the owner and/or occupier in respect of the use made of the premises and the possible consequences of disclosure which could lead to identification of the premises and occupiers.

Such views must be recorded and the record marked as sensitive. If this issue arises please contact the Director of Governance for appropriate advice.

R v Sutherland 2002

The recording and handling of confidential material (legal privilege) obtained as a result of recording equipment deployed in the exercise area of two police stations. In this matter, the activity exceeded that which had been authorised and the case against Sutherland collapsed. This emphasises the requirement to ensure that all activity is authorised prior to the operation and any errors are reported.

Peck v United Kingdom [2003]

The applicant was filmed by a CCTV camera operated by Brentwood Borough Council in a public street shortly after he had attempted to commit suicide. The council subsequently released two still photographs taken from the CCTV footage to show the benefits of CCTV. Peck's face was not specifically masked. These pictures subsequently appeared on regional television but his face was masked. Peck sought to challenge the authority's decision but was rejected by the Court of Appeal. He took the matter to the European Court of Human

Rights where he was successful. The case establishes the right to privacy in a public area, even if it is a reduced level.

Martin v. United Kingdom [2004] European Court App

Alleged disorderly behaviour by M towards neighbour. Local Authority mounted covert surveillance of M on the basis that the surveillance by video was justified as the surveillance was targeted at behaviour which was visible to a neighbour or passerby. Claim of Article 8 infringement settled by agreement with damages awarded to Martin.

R v. Button and Tannahill 2005

Audio and video recording of defendants while in police custody. Audio recording had been RIPA authorised; video recording was not authorised. Video record admitted in evidence although common ground that it had been unauthorised and so obtained unlawfully (in breach of s.6 Human Rights Act 1998). *It was argued on appeal that the trial Court was itself in breach of s.6 by admitting the evidence. Held that the breach of article 8 related to the intrusion upon private life involved in the covert surveillance. So far as a trial Court is concerned: any such breach of article 8 is subsumed by the article 6 (and P.A.C.E.) duty to ensure a fair trial. The trial judge had not acted unlawfully by admitting the evidence.*

C v The Police and the Secretary of State for the Home Department (2006, No: IPT/03/32/H)

A former police sergeant (C), having retired in 2001, made a claim for a back injury he sustained after tripping on a carpet in a police station. He was awarded damages and an enhanced pension due to the injuries. In 2002, the police instructed a firm of private detectives to observe C to see if he was doing anything that was inconsistent with his claimed injuries. Video footage showed him mowing the lawn. C sued the police claiming that they had carried out Directed Surveillance under RIPA without an authorisation. The Tribunal ruled that this was not the type of surveillance that RIPA was enacted to regulate. It made the distinction between the ordinary functions and the core functions of a public authority:

“The specific core functions and the regulatory powers which go with them are identifiable as distinct from the ordinary functions of public authorities shared by all authorities, such as the employment of staff and the making of contracts. There is no real reason why the performance of the ordinary functions of a public authority should fall within the RIPA regime, which is concerned with the regulation of certain investigatory powers, not with the regulation of employees or of suppliers and service providers.

AB v Hampshire Constabulary (Investigatory Powers Tribunal ruling 5 February 2019)

This case relates to whether the use of body worn cameras can amount to surveillance as defined by legislation. In this matter, the Tribunal concluded that in this case video recording was capable of amounting to surveillance under Part II of RIPA (2000). The decision can be viewed here. <https://www.ipt-uk.com/docs/IPT%20Judgment%20-%20AB%20v%20Hants%20Constabulary.pdf>

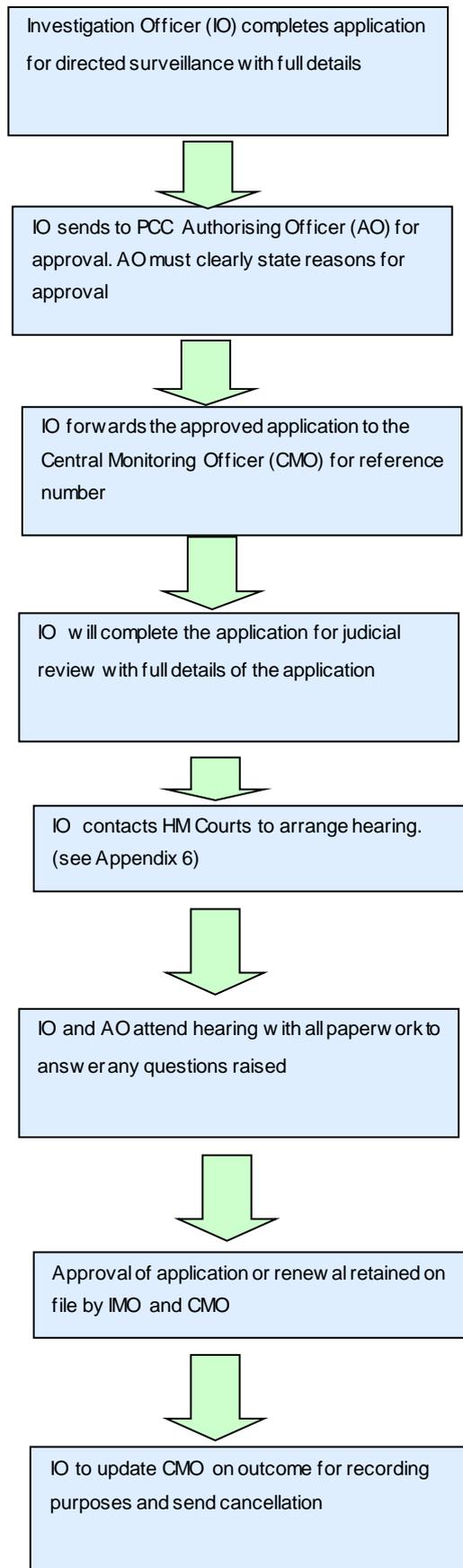
Gary Davies v British Transport Police (Investigatory Powers Tribunal 5 February 2019)

British Transport Police undertook unauthorised surveillance which led to a public arrest and a press release publicising the alleged offences. Mr Davies was subsequently acquitted by a jury. British Transport Police officers had no proper understanding of the legal requirements for such surveillance and should have obtained authorisation. The surveillance was ruled unlawful. The Tribunal rejected the British Transport Police claim that the breach was technical as authorisation could and would have been obtained. This was rejected because the case against Mr Davies required further inquiries to have been made for authorisation to be possible. The Tribunal awarded Mr Davies costs of the criminal trial and also £25,000 in compensation for damages to his reputation suffered and harm caused.

APPENDIX 1 Officers (RIPA)

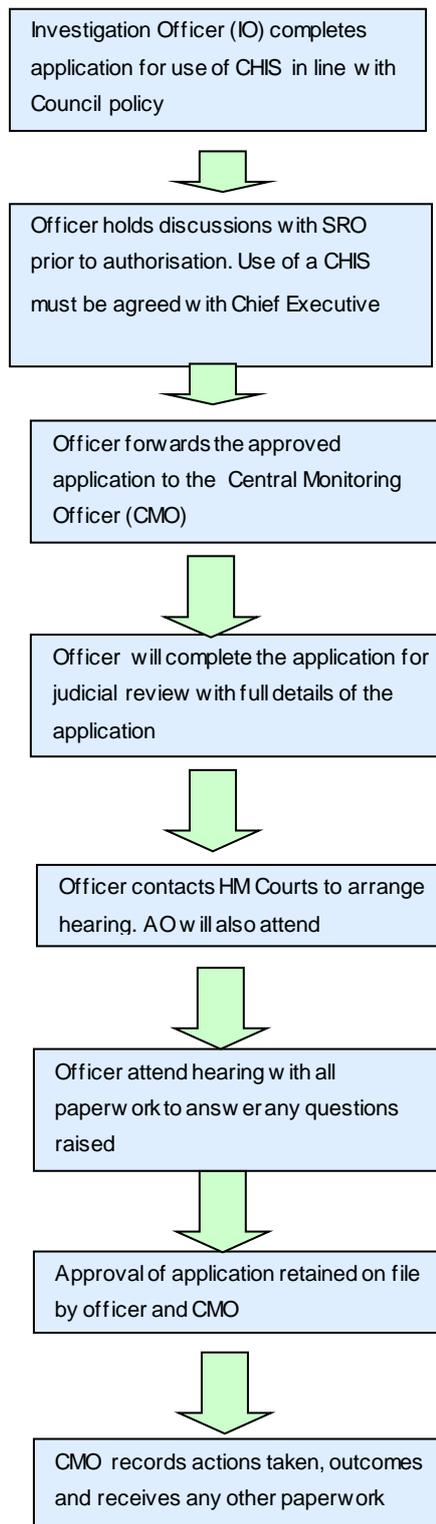
Senior Responsible Officer			
Fiona McMillan	Director of Law & Governance, PCC & CCC	01733 452361	fiona.mcmillan@peterborough.gov.uk fiona.mcmillan@cambridgeshire.gov.uk
Authorising Officers			
Peter Gell	Assistant Director, Regulatory Services PCC & CCC	01733 453419	peter.gell@peterborough.gov.uk
Rob Hill	Assistant Director, Communities & Safety PCC & CCC	01733 864715	rob.hill@peterborough.gov.uk
Central Monitoring Officer for PCC and CCC			
Ben Stevenson	PCC	01733 452387	Ben.stevenson@peterborough.gov.uk

APPENDIX 2 Procedure for directed surveillance application

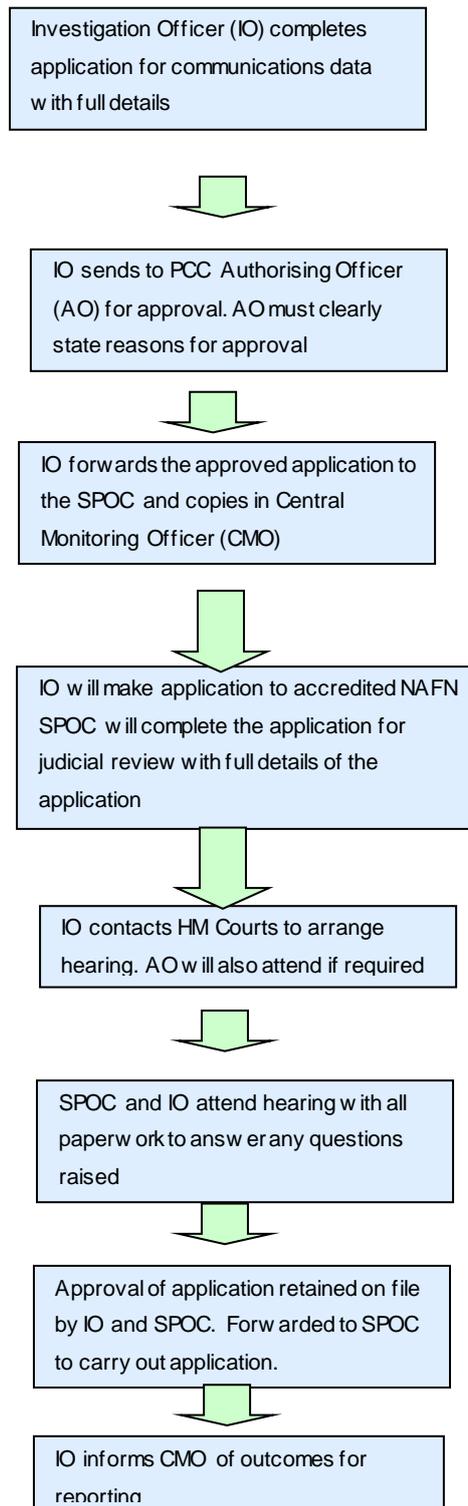


APPENDIX 3 Procedure use of Covert Human Intelligence

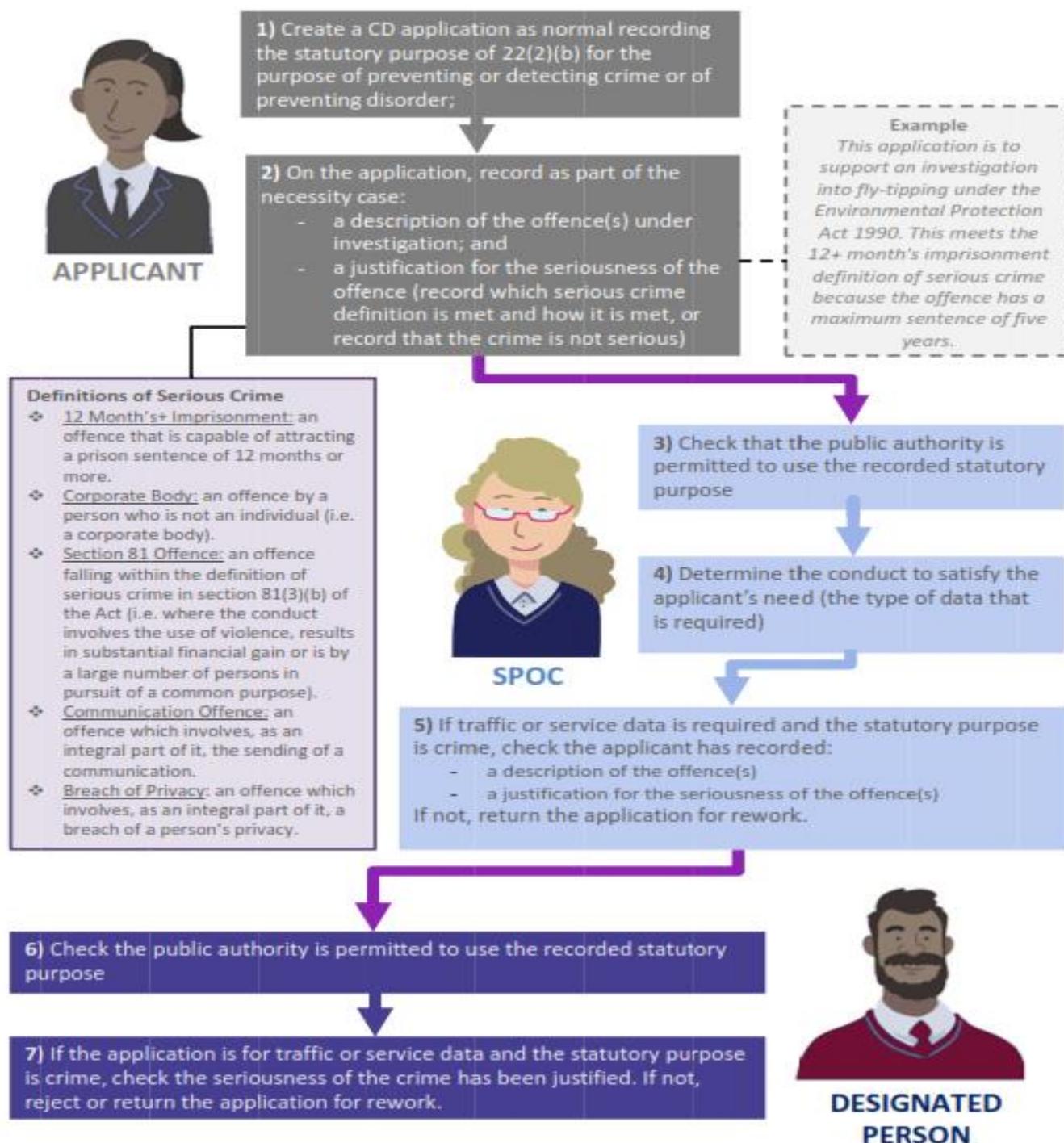
Source



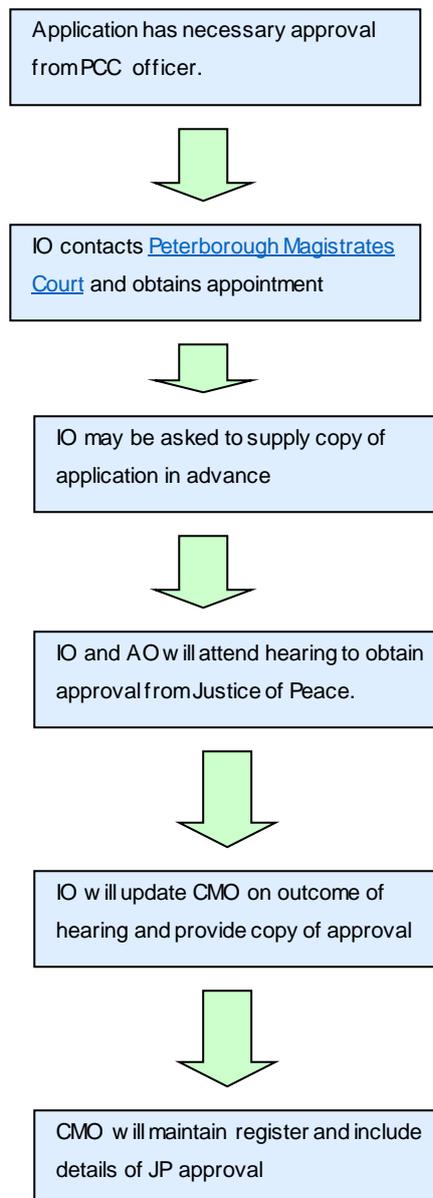
APPENDIX 4 Procedure for obtaining communications data



APPENDIX 5 Flow Chart of Changes to Communications Data (November 2018 onwards)



APPENDIX 6 Procedure for obtaining judicial approval



APPENDIX 7 Surveillance Assessment

	Notes
<p>Specific location</p> <ul style="list-style-type: none"> ● Type of property ● Residents ● Number and locations of entrances/exits ● Vehicular access ● Any obstructions ● Any risks 	
<p>General Area</p> <ul style="list-style-type: none"> ● Type of area e.g. residential or commercial ● Shops in locality ● Schools ● Any potential hazards 	
<p>Subject</p> <ul style="list-style-type: none"> ● Identity ● Potentially violent ● Vehicles used ● Any known other sites 	
<p>Collateral intrusion</p> <ul style="list-style-type: none"> ● Detail any other individuals of whom private information may be captured ● Associates ● Family Children ● How will it be limited e.g. times, techniques 	
<p>Observation Point</p> <ul style="list-style-type: none"> ● Is location approved? ● Does it require use of another building? ● Routes to and from ● In event of discovery of operation, agreed movement 	
<p>Equipment</p>	

<ul style="list-style-type: none"> ● What is being used? ● Do they work? ● Any issues regarding signal reception on phones 		
Health and Safety Assessment		
Hazard (including who may be harmed)	Level of Risk	Mitigating controls

APPENDIX 8 – Non RIPA Applications

RIPA Determination Checklist

Name of Applicant		Team	
Service			
Directorate			
Line Manager			
<p>I have considered the following and confirm that no activity requiring authorisation under RIPA is required.</p> <p>If the answer is yes to each question then RIPA <u>did or does</u> apply.</p>			
Is or was activity considered to be covert surveillance?	Yes	No	
Is or was the surveillance directed?	Yes	No	
Is or was the investigation into a criminal offence?	Yes	No	
Is or was confidential or private information likely to be obtained?	Yes	No	
Did or does the offence meet the crime threshold?	Yes	No	
Signed			
<p>Line Manager/File Review:</p> <p>I have reviewed and considered that there has been no activity which required authorisation under RIPA.</p>			
Name:			
Signed:			

Date:

APPENDIX 9 - Social Media/Internet Access Log

Name of Applicant		Team	
Service			
Directorate			
Line Manager			
Case including reference			

Visits number	Date	Site Accessed	Reason	Information obtained	Public or Private?

Please note repeated visits will be considered monitoring and you should seek advice on making an appropriate application

You should not use a false identity or build/maintain a relationship to obtain private information about someone.

If you have obtained private information then you should consider an appropriate application

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Investigatory Powers
Commissioner's Office

PO Box 29105, London
SW1V 1ZU

Ms G Beasley
Chief Executive
Cambridgeshire County and Peterborough City Council

1 March 2021

Dear Chief Executive,

IPCO Surveillance and CHIS inspection of Cambridgeshire County and Peterborough City Council

Please be aware that IPCO is not a “public authority” for the purpose of the Freedom of Information Act (FOIA) and therefore falls outside the reach of the FOIA. It is appreciated that local authorities are subject to the FOIA and that they may receive requests for disclosure of our reports. In the first instance the SRO should bring the matter to the attention of the IPCO Data Protection Officer (at: info@ipco.org.uk), before making any disclosure. This is also the case if you wish to make the content of this letter publicly available.

Your Authorities were recently the subject of a joint remote inspection by one of my Inspectors, [REDACTED]. This was facilitated by Ms Fiona McMillan, Director of Law and Governance, as the Senior Responsible Officer (SRO), and Mr Ben Stevenson, Head of Information Governance and Data Protection Officer, via MS Teams, together with preceding supporting documentation provided. There are no formal recommendations as a result of this inspection process.

There was one previous recommendation emanating from the 2018 inspection conducted by [REDACTED], in relation to revising the draft RIPA policy in line with the agreed amendments. Principally, clarification on the role of a CHIS and the authorisation process, and structured oversight of the use of the internet and social media. This recommendation can be discharged with a slight caveat that the policy still requires reference to paragraphs 4.11 - 4.17 of the Home Office CHIS Code of Practice when using social media.

I note that the Authorities' policies and non RIPA usage are put before the respective Elected Members on an annual basis through the Audit/Audit and Accounts Committees, in accordance with paragraph 4.47 of the Surveillance Code of Practice.

Whilst your Authorities have not exercised their RIPA powers for a considerable period of time, it was clear they are alive to the possibility of online social media research being carried out. This, combined with specific training material and management oversight, should provide assurances that any research undertaken does not drift into surveillance territory without the appropriate authorisation being in place. Continuing consideration should also be given to the oversight and governance of any future covert structures and subsequent evidential capture of material.

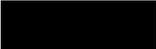
Cambridgeshire and Peterborough have also emphasised to staff within the policy that personal profiles should not be used for council business, and this should be reiterated regularly as it is incumbent on you to ensure the safety and security of the staff. The dangers aligned to using personal social media accounts for business purposes, especially those of a covert nature, should not be underestimated and all staff should be cognisant of their own personal online security and of the vulnerabilities attached to using any insecure or personal online platform.

There have been no authorisations for the use and conduct of a CHIS. This reflects the widespread practice common amongst local councils of never or rarely authorising CHIS. The possibility of status drift was discussed in relation to the monitoring of information provided by members of the public, as well as online activity. Both Ms McMillan and Mr Stevenson are confident that sufficient awareness exists amongst staff to be alert to any potential status drift.

It is understood that your Authorities are registered with the National Anti-Fraud Network (NAFN) for the purposes of obtaining communications data, and do so on an infrequent basis. The extension of powers introduced by the Investigatory Powers Act 2016, to include details of in and out call data and cell site location, represents a significant opportunity to enhance investigations, and in addition, registration with NAFN also provides lawful access to other forms of data from the DVLA, Equifax and a variety of other financial/fraud check organisations.

It remains of great importance that officers engaged in investigatory or enforcement areas where RIPA considerations are not so immediately apparent, maintain their levels of knowledge and know whom to approach for guidance. It is therefore pleasing to note that an array of training material is available to staff.

As part of the inspection process, your Authorities' stance on the review, retention and destruction (RRD) of documentation was also assessed. The Central Register is comprised of a spreadsheet held by Mr Stevenson. There are clearly defined data pathways for the handling of material captured by way of an authorisation under the legislation. In essence, any investigative files are held within the relevant Service department i.e. Trading Standards, until they are shared with Legal Services. There is an ICT Security policy which covers the handling of all material held, with specific responsibility for each Head of Service to trigger the review and destruction process.

 would like to thank both Ms McMillan and Mr Stevenson for their engagement at a time of increased demands on local authorities. I hope that this video-based inspection has proved to be helpful and constructive. My Office is available to you should you have any queries following the inspection, or at any point in the future. Contact details are provided at the foot of this letter.

I shall be grateful if you would acknowledge receipt of the report within two months.

Yours sincerely,



The Rt. Hon. Sir Brian Leveson
The Investigatory Powers Commissioner

AUDIT COMMITTEE	AGENDA ITEM No. 6
13 SEPTEMBER 2021	PUBLIC REPORT

Report of:	Peter Carpenter, Corporate Director Resources	
Cabinet Member(s) responsible:	Cllr Coles, Cabinet Member for Finance	
Contact Officer(s):	Peter Carpenter, Corporate Director Resources	Tel. 452520

USE OF CONSULTANTS – UPDATE REPORT

RECOMMENDATIONS	
FROM: Corporate Director Resources	Deadline date: N/A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> consider the update report on the use of Consultants for the 2021/22 period for the first four months of the financial year (April 2021 - July 2021). 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee following a referral from Sustainable Growth Committee on 6 March 2012

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to update Audit Committee as to the level of spend on external Consultants.

The report is presented to enable review of the consultancy and interim policy adopted on 26 March 2012.

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

- 2.2.1.11 To review any issue referred to it by the Chief Executive or a Director, or any Council body; and
- 2.2.1.15 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. TIMESCALES

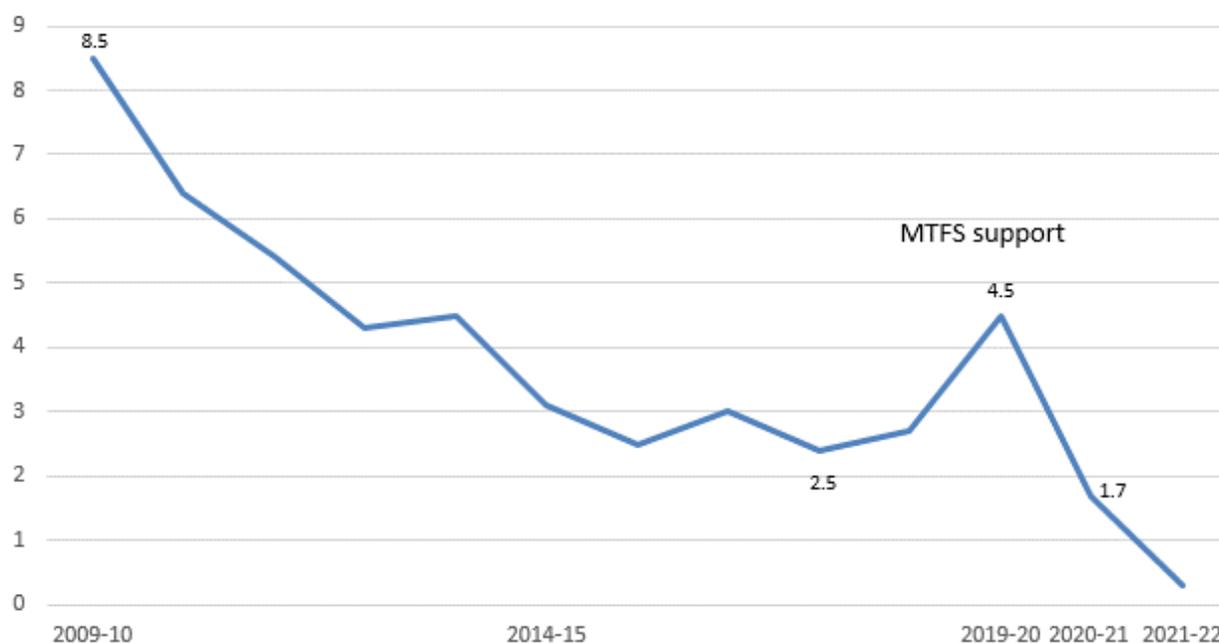
Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	n/a
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4. BACKGROUND AND KEY ISSUES

- 4.1 In March 2010, the Sustainable Growth Scrutiny Committee requested a review into Peterborough City Council's use of consultants. A cross-party review group was established to undertake this work on behalf of the Sustainable Growth Scrutiny Committee.
- 4.2 The report from the Consultancy Review Group was issued in March 2011. Scrutiny also recommended that on-going monitoring of the use of consultants should fall to Audit Committee. Audit Committee considered this role at their meeting of 26 March 2012.
- 4.3 A further report, outlining the information requested, was discussed at the meeting of 5 November 2012. Further updates have been considered at subsequent meetings, continuing the regular reporting to Audit Committee.
- 4.4 The expenditure for the last ten full years is shown below.

	Total £m
2011-12	5.4
2012-13	4.3
2013-14	4.5
2014-15	3.1
2015-16	2.5
2016-17	3.0
2017-18	2.4
2018-19	2.7
2019-20	4.5
2020-21	1.7
2021-22 (first four months)	0.1

Consultancy spend £m



4.5 The chart above shows the reducing trend of expenditure on consultancy, with an upswing during 2019/20 primarily resulting from the external support for the Council's financial improvement programme. The final outturn for 2020-21 shows costs of £1.7m, and cost from April 2021 to July 2021 are £0.1m. Costs for the current financial year are detailed in Appendix 1.

4.6 The Council also employs Agency staff through a number of Contracts. The spend for the past 5 financial years on Agency has been:

- 2016/17 - £6.3m
- 2017/18 - £6.5m
- 2018/19 - £8.8m
- 2019/20 - £6.4m
- 2020/21 - £3.6m
- 2021/22 - £0.9m (first four months)

5. CONSULTATION

5.1 Audit Committee considered options for how they wish to monitor use of consultants in the future at their meeting of 26 March 2012. Subsequent discussions at the meetings referred to have refined the information they wish to monitor.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 That Audit Committee consider the update report on the use of consultants.

7. REASON FOR THE RECOMMENDATION

7.1 The recommendations are in line with the recommendations of Scrutiny, and the view of Audit Committee in undertaking this role.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 Audit Committee considered options for how they wish to monitor use of consultants in the future at their meeting of 26 March 2012.

9. IMPLICATIONS

Financial Implications

9.1 The report sets out the costs of consultants and agency staff.

Legal Implications

9.2 There are no legal implications arising from this report.

Equalities Implications

9.3 There are no equalities implications arising from this report.

Carbon Implications

9.4 There are no carbon implications arising from this report.

10. BACKGROUND DOCUMENTS

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

- Consultancy Review Report, March 2011;
- Report to Sustainable Growth Scrutiny Committee, 8 November 2011;
- Report to Sustainable Growth Scrutiny Committee, 6 March 2012;
- Reports to Cabinet and Audit Committee 26 March 2012;
- Reports to Audit Committee of 5 November 2012; 4 February 2013;
- Report to Audit Committee of 4 November 2013;
- Report to Audit Committee of 3 November 2014 and supplementary report to Audit Committee of 2 February 2015;
- Report to Audit Committee of 9 November 2015
- Report to Audit Committee of 22 November 2016
- Reports to Audit Committee of 19 November 2018; 11 February 2019
- Reports to Audit Committee of 15 July 2019; 16 September 2019; 18 November 2019; 27 January 2020
- Reports to Audit Committee 14 September 2020; 16 November 2020; 25 January 2021

11. APPENDICES

11.1 Appendix 1 - list of companies used during the period 1 April 2021 to 31 July 2021 with summary of purpose of engagement.

**Appendix 1 - List of companies with Summary
2021/22 (April – 31 July 2021)**

Supplier Name	Initiative	Amount
Airey Consultancy Services Ltd	CTR Annual Update Service	695.00
Allen Lane	Housing Accountant	35,713.80
Cambridgeshire County Council	ICT staff resources	12,296.94
Grant Thornton UK LLP	Financial Improvement Programme, Lean Cost Structure	10,680.00
Idox Software Ltd	Technical consultancy for Uniform (planning) system upgrade	2,850.00
Inform CPI Ltd	RV Finder	200.00
Kings Hedges Educational Federation	Secondment to School improvement team	7,760.72
Liz Holmes Consultancy	Delivery of training at Literacy Subject Leader Meeting	545.00
Mark Stephen Land Management	Soil Testing	750.00
Shelton Development Services Ltd	NSAP Grant claim	910.00
The Sports Consultancy	Feasibility study on New Leisure Development for Werrington	10,325.00
Valuation Office Agency	Viability Advice for Planning Application	324.74
Vero HR Ltd	HR Support	683.85
ZELLIS UK LIMITED	Resourcelink (HR/Payroll) system Cloud migration	1,099.80
2021/22 Total for April 2021-July 2021		£84,834.85

AUDIT COMMITTEE	AGENDA ITEM No. 7
13 SEPTEMBER 2021	PUBLIC REPORT

Report of:	Fiona McMillan, Director of Law and Governance	
Contact Officer(s):	Pippa Turvey, Democratic and Constitutional Services Manager	Tel. 452460

DECISIONS MADE BY THE SHAREHOLDER CABINET COMMITTEE

RECOMMENDATIONS	
FROM: <i>Shareholder Cabinet Committee</i>	Deadline date: <i>N/A</i>
It is recommended that the Audit Committee note the decisions made by the Shareholder Cabinet Committee as set out in the report.	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee following in line with the constitutional requirement for it to consider the performance of the Council's companies alongside comments from the Shareholder Cabinet Committee.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to ensure that the Audit Committee is updated on the work of the Shareholder Cabinet Committee in relation the Council's companies.

2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.2.12, "*To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.*"

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

[Shareholder Cabinet Committee – 14 September 2020](#)

4.1 Review of Vivacity Transition Arrangements

The Shareholder Cabinet Committee considered the report and **RESOLVED** to note and commented upon the progress being made to secure the safe transition of services from Vivacity, specifically referencing any points that need to be considered as part of the transition or following transition, relating to the other services overseen by Shareholder Cabinet Committee.

4.2 Opportunity Peterborough

The Shareholder Cabinet Committee considered the report and **RESOLVED** to:

- Note the achievements and impact of Opportunity Peterborough with regards to support for the local economy and jobs creation.
- Note the opportunities for enhancing its services, and thus its impact, as laid out in the Business Plan in Appendix A.
- Note the challenges that the company will face should it be unsuccessful in securing a new contract with the CPCA.
- Recommend that Cabinet consider the continuing benefits of Opportunity Peterborough as a valued asset, and to pursue the potential to share costs and service outcomes with neighbouring authorities such as Cambridgeshire County Council and South Kesteven District Council.

Shareholder Cabinet Committee – 9 November 2020

4.3 Peterborough Museum and Art Gallery Update

The Shareholder Cabinet Committee considered the report and **RESOLVED** to note the progress of the transfer of the Museum and Art Gallery to City Culture Peterborough (part of the City College Peterborough Foundation).

4.4 NPS Peterborough Plan

The Shareholder Cabinet Committee considered the report and **RESOLVED** to note the contents of the report.

4.5 Peterborough Limited Business Plan 2020 to 2023

The Shareholder Cabinet Committee considered the report and **RESOLVED** to note the information within the report and the impact which COVID-19 has had on Peterborough Limited.

Shareholder Cabinet Committee – 1 March 2021

4.6 Opportunity Peterborough 2020/21 Update

The Shareholder Cabinet Committee considered the report and **RESOLVED**:

1. To note the contents of this report for 2020/21.
2. To support Opportunity Peterborough's plans for 2021/22.
3. That the Executive Director for Place and Economy provide a briefing note to the Cabinet setting out the current support for businesses across the city and future planned support, to include details on Opportunity Peterborough, the Combined Authority, and other appropriate partners.

4.7 Peterborough Investment Partnership 2020/21 Update

The Shareholder Cabinet Committee considered the report and **RESOLVED** to:

1. Note the contents of this report for 20/21.
2. Continue to support the Council's involvement in the Peterborough Investment Partnership and its activities.

4.8 Medesham Homes 2020 Update

The Shareholder Cabinet Committee considered the report and **RESOLVED** to:

1. Note the contents of this report for 2020.
2. Continue to support the Council's involvement in Medesham Homes.

4.9 Empower Community Interest Company – Update

The Shareholder Cabinet Committee considered the report and **RESOLVED** to note the Annual Accounts to 31 March 2020 of the Empower Peterborough Community Interest Company (CIC) and the progress of the Council's loan refinance of its loan facility to ECS Peterborough 1 LLP.

Shareholder Cabinet Committee – 14 June 2021

Delivery of Leisure Services Since 1 October 2020 by Peterborough Limited

The Shareholder Cabinet Committee considered the report and **RESOLVED** to note:

1. Peterborough Limited's performance in the initial part of the contract (since 1st October 2020);
2. The proposal to extend leisure services provided by Peterborough Limited for three additional years to September 2024, to get through the COVID-19 situation and ensure there are viable options to compete against at that time;
3. The required ongoing client arrangements for the contract; and
4. The makeup of the financial remuneration package for Peterborough Limited.

5. CONSULTATION

5.1 None taken, as the report is to note.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 That the Audit Committee note the report.

7. REASON FOR THE RECOMMENDATION

7.1 To ensure that the Audit Committee is aware and familiar with the recent decisions made by the Shareholder Cabinet Committee.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 To not provide the information to the Audit Committee – this would not align with the requirements set out within the Council's constitution.

9. IMPLICATIONS

9.1 As this report is for the Audit Committee to note there are no financial, legal, equalities, or carbon impact implications to consider

10. BACKGROUND DOCUMENTS

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

10.1 Shareholder Cabinet Committee Minutes:

- 14 September 2020
- 9 November 2020
- 1 March 2021
- 14 June 2021

11. APPENDICES

11.1 None.

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AUDIT COMMITTEE	AGENDA ITEM No. 9
13 SEPTEMBER 2021	PUBLIC REPORT

Report of:	Councillor Over, Chair of Audit Committee	
Cabinet Member(s) responsible:	Councillor Coles, Cabinet Member for Finance	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296334

FEEDBACK REPORT

RECOMMENDATIONS
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 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 2021 - APRIL 2022

AGENDA ITEM	ACTION ARISING	OFFICER RESPONSIBLE	ACTION TO BE TAKEN	COMPLETED
Annual Internal Audit Opinion	The Chief Internal Auditor agreed to look at Audit ratings. Possibility of this being cross referenced with their importance - i.e. a Limited Assurance on something small has significantly different implications to Limited Assurance on a Large Service area.	Steve Crabtree	Report back if possible and circulated to members if so.	Ongoing
Annual Report: Investigating Fraud	The Chief Internal Auditor agreed to look into the take up of virtual parking passes	Steve Crabtree	Briefing note to be circulated	Completed and sent 19 August 2021
Annual Report: Investigating Fraud	The Chief Internal Auditor agreed to look at how much was spent on fraud each year.	Steve Crabtree	Briefing note to be circulated.	Ongoing
Annual Report: Investigating Fraud	A breakdown in percent terms of budget spent on cyber security.	Nick Hutchins	Briefing note to be circulated	Completed and sent 18 August 2021
Annual Report: Insurance Fund	The Chief Internal Auditor agreed to feed back an increase in claims for 2018/19 in relation to property	Steve Crabtree	Briefing note to be circulated	Completed and sent 19 August 2021
Audit Committee Effectiveness	Any training needs identified by members or officers to be provided at a pre-meeting or before a main committee meeting	All	Any training needs to be identified on an ongoing basis	Ongoing
Work Programme	To include an update on ICS (November and March)	Dan Kalley	Add to work programme	Completed

AUDIT COMMITTEE	AGENDA ITEM No. 10
13 SEPTEMBER 2021	PUBLIC REPORT

Report of:	Councillor Over, Chair of Audit Committee	
Cabinet Member(s) responsible:	Councillor Coles, Cabinet Member for Finance	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296 334

WORK PROGRAMME 2021/22

R E C O M M E N D A T I O N S
<p>It is recommended that the Audit Committee:</p> <ol style="list-style-type: none"> Notes and agrees the Work Programme for the municipal year 2021/22.

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 officers 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 2021/22

APPENDIX A

DATE: 29 JULY 2021 - Complete		
	Section / Lead	Description
Annual Governance Statement	Finance 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 Internal Audit Opinion for the year ended 31 March 2021.
Investigations Team Annual Report 2020 / 2021	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 2021.
Insurance: Annual Report 2020 / 2021	Internal Audit Steve Crabtree	To receive, consider and endorse the annual report on the delivery of Insurance Services for the year ended 31 March 2021.
Budget Monitoring Outturn 2020 / 2021	Finance Pete Carpenter	To receive, consider and endorse the Capital and Treasury outturn 2020/21
Annual Governance Statement	Finance Pete Carpenter	To receive the final Statement of Accounts for the year ended 31 March 2021 incorporating the Annual Governance Statement together with the annual report to those charged with governance following their scrutiny by External Audit.
Audit Committee Effectiveness	Internal Audit Steve Crabtree	To receive and consider the self assessment of the effectiveness of the Audit Committee
RIPA update	Governance Ben Stevenson	To receive an update for Committee to note.
INFORMATION AND OTHER ITEMS		
Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation
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.
Draft Work Programme 2021 / 2022	Democratic Services Dan Kalley	

DATE: 13 SEPTEMBER 2021

		Section / Lead	Description
	Use of Consultants	Finance Pete Carpenter	To receive an update on the use of Consultants
	External Audit: Annual Audit Letter	Ernst and Young	To receive and approve the External Annual Audit Letter identified as part of their audit works
	RIPA Update	Governance Ben Stevenson	
	Shareholder Cabinet Committee decisions	Pippa Turvey/Fiona McMillan Governance	To note the decisions and recommendations from the Shareholder Cabinet Committee
	INFORMATION AND OTHER ITEMS		
	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 2020 / 2021	Democratic Services Dan Kalley	

DATE: 29 NOVEMBER 2021

		Section / Lead	Description
	Risk Management: Strategic Risks	Governance Pete Carpenter	To receive details of the strategic risks impacting on the Council and the mitigating actions to address these.
	Audit Results Report – Year Ended 31 st March 2021	Ernst and Young	
	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	Half year review as per requirements
	ICS update	Finance Pete Carpenter	
	Audit Committee start times 2022/23	Dan Kalley Democratic Services	Committee to agree it's start times for the municipal year 2022-23
	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 2019 / 2020	Democratic Services Dan Kalley	
DATE: 24 JANUARY 2022			
		Section / Lead	Description
	Internal Audit: Approach to Audit Planning	Internal Audit Steve Crabtree	To receive a report on the approach to Audit Planning
	National Fraud Initiative: Investigating Allegations of Fraud	Internal Audit Steve Crabtree	To receive a report setting out the latest outcomes in relation to tackling fraud and corruption through the National Fraud Initiative and future activities to protect the public purse
	Use of Consultants	Finance/HR Pete Carpenter	To receive an update on the use of consultants and agency staff

	Treasury Management Strategy	Finance Pete Carpenter	
	Asset Management Strategy	Finance Pete Carpenter	
	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 2022 / 2023	Democratic Services Dan Kalley	

DATE: 21 MARCH 2022			
		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 2022 / 2023	Internal Audit Steve Crabtree	To receive and approve the Internal Audit Plan 2022 / 2023
	Risk Management: Strategic Risks	Governance Pete Carpenter	To receive an update on the strategic risks for the Council
	ICS Update	Finance Pete Carpenter	
	Refunds of Council Tax and Business Rates	Finance	To review and make any recommendations on the Councils refunds of Council Tax and Business Rates.
	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	