



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 6PM, ON
17 OCTOBER 2022
COUNCIL CHAMBER, TOWN HALL, PETERBOROUGH**

Committee Members Present: Councillors Imtiaz Ali (Vice-Chair), Haseeb, Perkins, Rangzeb and Sandford

Co-Opted Members: Chris Brooks (Chair), Mike Langhorn and Stuart Green

Officers Present: Cecilie Booth, Executive Director Corporate Services – S151 Officer
Mark Sandhu, Operations Director, Contracted Services
Richard McCarthy, Procurement Operations Manager
Emma Riding, Budget Planning and Reporting Manager
Steve Crabtree, Chief Internal Auditor
Dan Kalley, Senior Democratic Services Officer
Fiona McMillan, Director of Law and Governance and Monitoring Officer

Also Present: Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance.

29. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Jackie Allen and Shaz Nawaz.

30. DECLARATIONS OF INTEREST

There were no declarations of interest received.

31. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 25 JULY 2022 AND 31 AUGUST 2022

The minutes of the meeting held on 25 July 2022 and 31 August 2022 were agreed as a true and accurate record.

32. ACTIONS AND MATTERS ARISING

The Executive Director Corporate Services confirmed that the advert for the position of Risk Manager had now gone live and it was hope someone would be in post in the New Year.

There was an outstanding action with regards S106 monies, this was due to go to committee members before the meeting, however there was work that needed to be done. This was to be circulated in due course.

The action log was to be updated to show completed items at the bottom, this would allow members to see the actions that were still to be completed at the top of the list.

The Executive Director Corporate Services updated members on the progress of signing

off the statement of accounts for 2020/21. The LGA (Local Government Association) were confident that CIPFA (Chartered Institute of Public Finance and Accountancy) would formulate a solution to infrastructure assets with a statutory override. It was hoped that this would be resolved by the end of the year.

Members were informed that the gap in the budget had grown from £9.5 million to £21.5 million, this was as a result of inflation rising, the pay award for staff being higher than what had been earmarked and increased costs around social care. Work was now being done with directorates to work on cash limits and savings plans to ensure that spending was under control. There were areas that would still receive investment, these were around regeneration and economic growth to help promote Peterborough and increase external investment in the city. As it stood there had been £11 million in savings realised within the current fiscal year.

The Corporate Strategy had gone through consultations, there were time pressures that Council needed to work towards and this was a large piece of work that had taken up a lot of officer time.

ACTIONS:

1. Officers to re-arrange the action log and move completed items to the bottom of the list – Dan Kalley by 28 November
2. Officers to highlight any actions that have run past the anticipated completion date – Dan Kalley by 28 November

33. PROCUREMENT ACTIVITY 2022

The Audit Committee received a report in relation to procurement and contract activity.

The purpose of the report was how procurement supported the Council's corporate priorities through enabling officers to purchase goods, services and worked in a way which was not just legally compliant, but which also secured value for money and considered opportunities to secure social value. This report provides an overview of the legislative environment and governance of the procurement function.

The report was introduced by the Operations Director, the report was split out into four areas, the first being the legislative framework the Council works within, this was the same across all local authorities, the report also outlined some of the changes around the Procurement Bill that was due to come into effect. The second part was around how procurement was delivered in Peterborough, along with the delivery methods that were in place. The third area was around the exemptions and the appendices attached to the report outlined this in more detail. The fourth area covered in the report was around enhancements. There were system enhancements that were coming into effect over the coming months. Procurement was a specialist area and was a challenging field, this was particularly the case when trying to deliver savings. This was the first report to be presented to the committee and it was anticipated further reports would be brought back.

The Procurement Operations Manager stated that there was an opportunity to re-think how procurement was organised and presented, this would help match contracts to spend more easily than what was currently done.

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

- There needed to be more information around the controls in place to manage contracts, there was a gap of around £60 million that could not be identified as

being on the systems.

- Members questioned how far procurement was supporting the Council's vision to be net zero carbon. This was part of the corporate priorities and was mentioned in the corporate strategy.
- Officers confirmed that there were questions around social value as part of the procurement process, however more work could be done to make this a mainstream focus. The important aspect was how this was articulated to try and encourage as many businesses and organisations to procure with the Council. There were examples from other local authorities, such as Suffolk County Council, where this had been made more attractive for the market and could be used as a base at Peterborough City Council.
- The tendering process was not uniform and this was an area for improvement that officers were looking at.
- There were several retrospective cases when it came to procurement, there was little that could be done in those circumstances. One of the issues was around the computer system that was used, this was being looked at so that all systems could be joined together and trigger potential issues before they arose.
- Officers were in the process of having tighter controls around budget holder having to sign off contracts. There needed to be a process by which officers were held accountable if the rules had not been followed.
- The procurement function had been outsourced to SERCO for a number of years and agreement had recently been reached between SERCO and PCC to bring the service back in house. This should raise the profile and importance of the procurement service and ensure requests and compliance are taken more seriously moving forward. The limit for contracts that were allowed to be signed off before Director sign-off was now £25k and under which would allow officers to spend more time looking at contracts that were of larger value.
- Some members could not see what the consequences were for those officers who had not followed procedure. The Audit Committee could take on the role of requesting officers or services attend meetings to explain why they had not followed the rules.
- There were legal issues if officers denied a retrospective award of contract. It was important for the Council to become more proactive rather than reactive, this would provide a trigger for when contracts were due for renewal. There used to be an annual report which could be re-introduced. It was possible to introduce a forward plan that could be used as a trigger going forward.
- There were two groups of exemptions one around child placements with considerable needs, this system covered being able to meet the needs of children with regards to transport. This was of use when there was no other alternative available. The other area was in relation to domiciliary care, which was difficult to manage, there were only certain providers who could provide the complex care needed. There was work being done around commissioning that would look at different strategies.
- More work needed to be done to find out why officers were not following the correct processes and procedures. In other organisations there were often sanctions which were imposed on those who had repeatedly not followed procedure.
- Internal Audit were commissioned to identify contracts to look at to see if processes had been followed. The team looked at what was being spent and captured this data. Members were informed that the team was currently slightly down on capacity, however when the team was back to full capacity procurement was an area that the team could investigate further.
- One possibility was to append to future reports areas that were given exceptions to be outside the procurement framework and to see who was signing these decisions off.
- It was important that officers and teams were held accountable if they had not

followed procedure and the Audit Committee could be the right forum to understand why these processes had not been followed.

- It was agreed that a further report would be brought back to the committee at a later date. There was further work around people and communities that needed to be presented so that the committee could better understand what the directorates needs were and allow the committee to hold people to account if they had not followed the correct procurement procedures.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to note the current legislation and arrangements for delivery of procurement across Peterborough and the current performance and to receive further reports and updates as procurement processes evolved.

ACTIONS:

1. Officers to bring further report on procurement activity to future meeting of the Committee. - Mark Sandhu/Richard McCarthy by March 2023
2. Procurement team to identify teams/officers who have not gone through the correct procurement processes and invite to meetings of the Audit Committee to explain reasons for failing to comply. - Mark Sandhu/Richard McCarthy/Cecilie Booth by January/March 2023

34. CORPORATE RISK REGISTER

The Audit Committee received a report on the Corporate Risk Register across the Council.

The purpose of the report was to inform the Audit Committee of details of the current risks being managed across the Council as set out within the risk registers. It enables Audit Committee to monitor the effective development and operation of risk management together with considering compliance with the agreed framework

The Chief Internal Auditor introduced the report and stated that current risk register was based on the previous structure. There was an advert out to recruit for a risk management. At the current time this was being managed by the Assistant Director IT. The report outlined the high-level risks across the Council and allowed committee members the opportunity to comment on whether the risk appetite for the Council was appropriate.

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

- The attached matrix was difficult to understand and members of the public looking at this would struggle to understand what the risks were to the Council. Members were informed that this report and the attached graphs had been presented to the Council Corporate Leadership Team. Further work was needed on the graphs and in the future, this would show what the score was for each of the risks and what was being done to address the risk. In addition, there would be some more information on the costs that would be associated with mitigating the risks.
- The core focus that was now needed was around clarity on the risks and for the committee to be able to see how the risks were quantified. Some of the risks would not be as impactful for others, for example risks around phishing attacks might not be as serious as cost pressures on the Council or services failing to meet demands. There needed to be a clearer articulation of what the risks were and outlining what the Councils appetite was around those risks. The next iteration of the report needed to set out these more clearly.

- Officers explained that it was imperative to wait for the new person in post to have an opportunity to review the risk register before it was presented to the committee.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to note the report and information provided and for the committee to be presented with further reports once new risk management officer in place.

ACTIONS:

1. Risk Management Framework to be presented to committee once new lead officer had been appointed and had time to develop the framework – Steve Crabtree/Sam Smith (to pass to new officer) by March 2023.
2. New Risk Management Framework needed clearer articulation around risks and what the Council's appetite around those top risks were. - Steve Crabtree/Sam Smith (to pass to new officers) by March 2023

35. COUNCIL RESERVES POLICY

The Audit Committee received a report in relation to the Councils reserves policy.

The purpose of the report was to provide an overview to members of the Councils Reserves Strategy and Policy

The report was introduced by the Executive Director Corporate Services and set out the Councils Reserve Policy. The Council recognised there was a need for reserves policy, the focus at the current time was to get to financial sustainability, which would enable the Council to strengthen its reserves. There were reserves in place for transformational areas as well as for inflationary pressures.

There were a number of other unitary authorities that were struggling to balance their budgets. There was no additional funding for the public sector from central government and most had now depleted their reserves. Officers were happy with the reserves policy, but this needed to be reviewed as the financial position changed. Members were informed that the reserves policy would form part of the budget presented to Council in February.

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

- The reserves policy needed to do more than just set out a figure the Council were aiming towards. There needed to be a qualification over what the level of reserves needed to be. This would enable the Council to articulate better how they planned to use reserves for and what level was needed. If the Council was to save reserves for investments, then the policy needed to articulate how this was to be paid back and what premiums would need to be made.
- Officers would work on the policy to better articulate and quantify risks. It was important to get the balance right between the investment portfolio and capital financing and to ensure returns on investments were put into reserves. There was still a lot of work for the Council to do in setting a balanced budget and the economic markets had changed quickly over the course of the past few months.
- There were numerous local authorities issuing S114 notices and lots more in a perilous position where this was now an option. There was a large demand on services that did not have the required funding from central government. Members were informed that if several S114 notices were issued there were only a small number of commissioners who would be available to assist local authorities.

- The only departmental reserves related to City College and Peterborough Limited, some were also for grants and projects that were taking place.
- It was important to ensure the policy moving forward was dynamic and kept on top of the reserves that the Council needed to be able to weather any unforeseen events.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to note the Councils Reserves Strategy and Policy provided in Appendix A to the report and to receive further updates as the policy was developed.

ACTIONS

1. Next version of the Council Reserve Policy needed to be articulate the risks around the reserves balance. - Emma Riding/Cecilie Booth by January 2023.

36. INDEPENDENT IMPROVEMENT AND ASSURANCE PANEL REPORT

The Audit Committee received a report in relation to the work of the Independent Improvement and Assurance Panel Report.

The purpose of the report was to provide the Panel's first six monthly review of the work of the Council against the previously agreed Improvement Plan and the recommendations of the independent reports commissioned by the Department of Levelling Up, Housing and Communities.

The report was introduced by the Executive Director Corporate Services. The report set out the Council response to the first report of the Improvement and Assurance Panel. This panel was made up of ex chief executives and finance directors. The panel had been supportive of the work of officers and had been happy with the progress made in terms of delivering savings. The Corporate Strategy had been updated as the previous version was not up to date. This now set out the key themes for the financial sustainability of the Council going forward. There was still work to do around the governance of some of the Councils wholly owned companies and Joint Ventures.

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

- It was good to see the Council had made progress on the recommendations of the Improvement Panel. The feedback from the panel was supportive and the Council had taken on board the feedback given.
- The panel had not yet had a chance to feedback on the vote to dismiss going to all-out elections, however it was important that the Council continued to make progress on setting a balanced budget.
- The panel had been sent the MTFS (Medium Term Financial Strategy) Q2 and were reassured with the progress the Council was making, they were also fully aware of the challenges facing the Council.
- Both officers and members were aware of the processes around the Corporate Strategy. This had been circulated to all group leaders and a briefing session with members had been held. Some members had felt that the Corporate Strategy had not been through the correct channels and this needed to be looked at going forward.
- The Improvement Plan made clear the need to strengthen the role of the Audit Committee as there was a lack of challenge. It was important going forward that the Audit Committee had the opportunity to monitor the timetable around reducing the budget gap. This would enable the committee to see if the Council was moving in the right direction.

- Officers agreed that the budget setting process was important in making sure the recommendations of the Improvement Panel were adhered to.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to review the first report of the Independent Improvement and Assurance Panel and agreed with the actions and progress being made with the delivery of the Improvement Plan.

ACTIONS:

1. Officers to work on reporting structure to the Audit Committee so members can have oversight of Council moving in the right direction with regards to its budget gap. - Cecillie Booth/Emma Riding by end of Financial Year (March 2023).

37. BUDGET SETTING PROCESS OVERVIEW

The Audit Committee received a report in relation to the Councils budget setting process.

The purpose of the report was to inform Audit Committee members an overview of the Councils current approach to setting the budget.

The report was introduced by the Executive Director Corporate Services and set out the timescales for setting a balanced budget. Members were reminded that the budget was set at Full Council in March last year, however there were difficulty in getting this passed within legal timelines. The budget setting meeting for Full Council had now been set for 22 February, this allowed more time for any amendment to be made. The Asset Disposal programme was to be a part of the budget this year. Members were informed that the Council would not be able to borrow as this would be unaffordable.

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

- Officers were working on scenarios and sensitivities that could influence setting a balanced budget. The budget would be transparent in showing how the impact of those could alter how the budget was developed.
- Members were informed that officers were managing financial pressures around predicted overspends. Sensitivity analysis had taken place and this used a middle ground on so members and officers could see a range of scenarios. It was agreed that the Medium Term Financial Strategy (MTFS) Q1 and MTFS Q2 reports that had circulated to cabinet could be shared with committee members.
- There were some scenarios and situations that needed to be built into the budget setting, this included looking at the interest rates as well as the inflation rates. It was also important that the budget looked ahead to the next three years so that the Council could better plan the budget setting process.
- There was to be no fire sale of Council assets, there was a report on rural asset disposal going to Cabinet in November, this would also form part of the final budget in February. The Council at this stage were only looking at selling assets that were surplus to requirements and where there was no possibility of maximising profits.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to consider and note the Councils approach to budget setting provided in the report

ACTIONS

1. Officers to circulate MTFS Q1 and MTFS Q2 reports to show projections on budget gap and the difference between Q1 and Q2. -Emma Riding by end of w/c 17 October 2022

38. USE OF REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

The Audit Committee resolved to note that there was no RIPA update.

39. APPROVED WRITE-OFFS EXCEEDING £10,000

The Audit Committee resolved to note that there was no debt write-off exceeding £10,000.

40. WORK PROGRAMME

The Audit Committee received the report with the committee's work programme for the year 2022/23.

The purpose of the report was to allow the committee to add/remove any items from the work programme for the year ahead.

The report was introduced by the Senior Democratic Services Officer. The work programme had been updated to reflect a rolling programme of work.

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

Chair
6pm – 8pm