



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 7:00PM, ON
MONDAY, 12 FEBRUARY 2018
BOURGES/VIERSEN ROOM, TOWN HALL, PETERBOROUGH**

Present: Councillors Aitken (Chairman), Mahabadi, Casey, Over, S Nawaz, Shaheed

Officers in

Attendance: Peter Carpenter, Service Director Financial Services
Steve Crabtree, Chief Internal Auditor
Ben Stevenson, Compliance Manager (Governance)
Fiona McMillan, Interim Director Law and Governance
Dan Kalley, Senior Democratic Services Officer

Also in

Attendance: Suresh Patel, Director, Ernst & Young

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Bull and Councillor Seaton. Councillor Casey attended as substitute.

2. DECLARATIONS OF INTEREST

No declarations of interest were received.

3. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 20 NOVEMBER 2017

The minutes of the meeting held on 20 November 2017 were agreed as a true and accurate record with the following amendments:

ITEM 30 - ERNST & YOUNG PROGRESS REPORT ON 2017/18 AUDIT

That the following wording is amended from:

All the audit progress letters would appear on the Council's web site. Ernst & Young would be challenged by other auditing companies to ensure that the audit process for the Council was being conducted effectively.

To:

All the audit progress letters would appear on the Council's web site. Ernst & Young would be challenged by the FRC to ensure that the audit process for the Council was being conducted effectively.

And the following sentence changed from:

Anti-fraud risk assessments undertaken in regards to services which were outsourced such as payroll were captured in the external audit by ensuring that there had been no material misstatements.

To:

Anti-fraud risk assessments undertaken in regards to services which were outsourced such as payroll were captured by external audit ensuring that there had been no material misstatements.

And the following sentence changed from:

External contracts outside of the Council's control such as academies or care providers would not show in Council's accounts.

To:

External contracts outside of the Council's control such as academies or foundation schools would not show in Council's accounts.

ACTIONS FROM PREVIOUS MEETING:

Members were directed to the feedback report in relation to feedback on the HR IT Self-Serve strategy.

A briefing note was circulated to Members on the following actions under Item 33:

1. A breakdown of the pre and post 2007/08 debt figures.
2. A further breakdown of the supported and unsupported borrowing totals.
3. An analysis of what loans entered into with the PWLB had been used for in order to identify the amount spent by highway, schools and rolling programme investments.
4. A full analysis on Private Finance Initiative funding.

With regards to the information around safeguarding assurance the Committee were informed that a number of mitigating actions had been taken including:

- 1) Implementation and continuing development of the Multi-Agency Safeguarding Hub
- 2) Permanent team managers recruited across Childrens Services to provide continuity and permanent leadership team recruited to/in place - recruitment and retention package for social workers developed and to be implemented.
- 3) Scrutiny by the Children and Education Scrutiny Committee
- 4) Quality Assurance function strengthened and operating across Children's and Adults Services
- 5) New Quality Improvement service established to support commissioned providers to improve practice.
- 6) Workforce Development training programme including targeted approach to build skills of team managers

- 7) Continued strengthening of Safeguarding children's and adults boards, now covering both Cambridgeshire and Peterborough
- 8) Continuing focus of high priority areas including domestic violence, neglect and child sexual exploitation

4. ERNST & YOUNG AUDIT PLAN FOR THE YEAR ENDED 31 MARCH 2018

The Audit Committee received a report in relation to determining the audit approach and to identify any additional issues.

The Director of Ernst & Young introduced the report and requested the Committee to note the key risks set out by Ernst & Young and to note that the Public Sector Audit Appointments scale fee will apply unless additional work was requested. Members were informed that in terms of the risks to the Authority these had not altered significantly over the past year. The Committee were highlighted to the fact that one of the risks was the change in date to prepare and approve its accounts, which now needed to be in draft by 31 May 2018 and signed off by 31 July 2018. Ernst and Young were confident that officers at Peterborough City Council would meet these new deadlines.

Members were directed to the Council's Value for Money. Ernst and Young commented that the Council was taking action to address longer term financial resilience issues as identified in the Medium Term Financial Strategy (MTFS).

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

- The Combined Authority had a separate auditing process to Peterborough. Members were informed that the statutory instruments within the Combined Authority had not yet been set up. It was therefore difficult at this time to ascertain how much information could be presented to Committee.
- It was vital that Peterborough sat on as many of the Combined Authority Committee's as possible to ensure Peterborough had a strong voice.
- The risk assessment graph as outlined in the report was the first time Ernst and Young had used information in this way. The matters identified as red were the most likely risks to Peterborough.

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

5. CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2016-17

The Audit Committee received a report in relation to the Grants Certification from 2016-17.

The purpose of the report was to introduce the certification of claims and returns annual report from Ernst & Young.

The Service Director Financial Services introduced the report and requested that Members note the report. The Committee were informed that the Council was to receive the full housing benefit subsidy. It was essential that internal processes were looked into and improved were necessary.

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

- Certification could be done in house, however an external accountant would need check to ensure the processes were followed correctly.
- The sampling methodology was determined nationally. In terms of learning the external auditors do provide feedback to Council officers and expect improvements to be made if advised. In terms of performance against other authorities Peterborough is on par with other similar unitaries.
- Officers were looking at doing the certification in house, however this would need to be looked at in terms of the contract with Serco.

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

6. INTERNAL AUDIT PLAN 2018/2019: PLANNING APPROACH AND EMERGING THEMES

The Audit Committee received a report in relation to the Internal Audit Plan 2018/19.

The purpose of the report was to provide Members with an update on progress in developing the plan.

The Chief Internal Auditor introduced the report and requested Members to note the contents. Members were informed that the plan would be brought back to Committee in March.

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

- There was currently one vacancy that needed to be filled, once this had been filled it would be reflected in the Internal Audit Plan.
- Brexit had not be noted as an issue within the plan, however this could be added as an issue on discussion with Members, along with a number of other potential issues.

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

7. CONSULTATION ON 2018/19 TREASURY MANAGEMENT STRATEGY

The Audit Committee received a report in relation to the consultation on the 2018/19 Treasury Management Strategy.

The purpose of the report was to review and approve the 2018/19 Treasury Management Strategy before being approved as part of the Medium Term Financial Strategy at Full Council in March 2018.

The Service Director Financial Services introduced the report and requested the Committee, who saw draft in November, noted that the additions apart from the completed figures were set out in sections 4 and 5 of the covering report. The Committee was informed that a Capital Review Group had been setup with Officers to look at the capital programme and borrowing. Members were informed that membership of this group would be expanded in the future, date to be confirmed, to involve Councillors. The aim of the Council was to bring the capital programme down to make sure services were deliverable.

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

- There was no guarantee from any of the banks that they would have enough capital to deal with any major financial issues.
- The Council was close to getting back the final monies from the Icelandic Bank crash. The Council would only deal with banks that had the same rating as country and were UK banks.
- The Council would be precluded from using companies such as bitcoin as this was seen as a form of gambling.
- Members were advised that the Council did have a risk matrix setting out treasury management issues and the monitoring of them.
- In terms of investment strategies members would be asked a series of questions to ascertain possible investment strategies going forward.
- There would need to be a look at the Capital Programme to see if there would be a strong business case to borrow to deliver council objectives.
- Officers had not yet looked into a local currency system, but that is something that could be explored further.
- Officers would set up a Training Session on investments, banking, and risk for the committee.

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

AGREED ACTIONS

1. Members of the Audit Committee to be invited to sit on any Capital Review Group once it was expanded further than the present Officer base.

8. CONSULTATION ON 2018/19 ASSET INVESTMENT STRATEGY

The Audit Committee received a report in relation to the consultation on 2018/19 Asset Management Strategy.

The purpose of the report was to review and approve the Asset Management Strategy 2018/19.

The Service Director Financial Services introduced the report and asked Members to review and comment on the draft 2018/19 Asset Management Strategy (AMS). This had been simplified over the past year and highlighted principles and how funding had been maximised. The report set out how the Council was going to manage, evaluate and approve projects.

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

- The Council spend most of its money on school places, roads, waste management and ICT. There had been little in the way of investments, however the Council had been looking at ways of increasing this.
- It was the Council's priority to obtain other sources of funding before using the Council's own resources.
- With the advances in IT and social media it was now easier to be kept updated on central government funding streams and opportunities.
- It was important to foster good relationships with government departments and to make sure that Peterborough had a strong voice on Combined Authority committees.
- It was important to look at investing money in the city that will attract big businesses to invest money. There were unique selling points to achieve this, such as super-fast broadband.

The Audit Committee considered and **RESOLVED** (Unanimously) to approve and note the draft 2018/19 Asset Management Strategy.

INFORMATION AND OTHER ITEMS

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

The Compliance Manager (Governance) introduced the report and confirmed that RIPA was not often used. The use in this case related to fly-tipping and the use of cameras in a known hotspot. Members were informed that nothing was caught on camera on this occasion. In addition the Committee were informed that the policy was to be reviewed and brought back to Committee.

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

- In terms of drug usage this would be better served being investigated by the Police.
- The cost of using cameras versus using enforcement officers would be investigated.

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

AGREED ACTIONS:

1. To ascertain the cost of using RIPA and cameras for the fly-tipping investigation.

10. APPROVED WRITE-OFFS EXCEEDING £10,000

The Service Director Financial Services introduced the report and confirmed the write off was less than 0.3 % of the total debt raised for the period. Members were informed that Peterborough had delivered the highest in year collection rate increase between 2015/16 and 2016/17 for non-domestic rates for our Local Authority comparator group.

Members were informed that bankruptcy was the biggest reason for unclaimed debts. In addition the Committee were informed that a more regular report into unclaimed debt would be provided and that the Council was looking at becoming more proactive in collecting debt.

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

11. FEEDBACK REPORT

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

12. WORK PROGRAMME

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

7:00pm – 8.10pm
Chairman

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