



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 7:00PM, ON
MONDAY, 11 FEBRUARY 2019
BOURGES/VIERSEN ROOM, TOWN HALL, PETERBOROUGH**

Present: Councillors Over (Chairman), Ellis, Shaheed, Shaz Nawaz and Warren

Officers in

Attendance: Peter Carpenter, Acting Corporate Director of Resources
Steve Crabtree, Chief Internal Auditor
Dan Kalley, Senior Democratic Services Officer
Ben Stevenson, Data Protection Officer

Also in

Attendance: Suresh Patel, Director Ernst & Young LLP
Dan Cooke, Manager Ernst & Young LLP

33. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Aitken and Councillor Elsey.

34. DECLARATIONS OF INTEREST

No declarations of interest were received.

35. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 19 NOVEMBER 2019

The minutes of the meeting held on 19 November 2019 were agreed as a true and accurate record save for the following deletion:

“The accounts delivered covered both Peterborough City Council and the Combined Authority”

36. CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2017/18

The Audit Committee received a report in relation to the certification of claims and returns annual report 2017/18.

The purpose of the report was to introduce the certification of claims and returns annual report to Committee

The Director Ernst & Young (EY) introduced the report, and summarised that the grants certification was used to certify the housing benefit subsidy. DWP

prescribed that there was a zero tolerance level and after completing the work the overall value of errors was circa £4000.

The Committee were informed that this was the final year that EY was to carry out this work, From next year KPMG was to take this over.

The Audit Committee considered and **RESOLVED** (Unanimously) to endorse the grant certification report.

37. ERNST & YOUNG LLP AUDIT PLAN FOR THE YEAR ENDED 31 MARCH 2019

The Audit Committee received a report in relation to Ernst & Young's Audit Plan for the year ended 31 March 2019.

The purpose of the report was to involve the Audit Committee in determining the audit approach and additional issues that might be identified.

The Director EY introduced the report and confirmed that the report presented to the Committee at the previous meeting was an outline plan. The plan presented to Committee revisited the risks identified.

The Manager EY summarised the changes and confirmed that the first risk around fraud had been removed from the final plan. The second risk identified around the potential for fraud and mismanagement had been made more specific and had led to a further two risks identified, namely around incorrect capitalisation of revenue expenditure and incorrect application of capital grants.

In terms of risks three and four around valuation and impairment of property and pension liability of assets these were still a risk to the Council and would stay on the final plan.

In terms of risk five this was no longer an issue and had been removed from the final plan.

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

- There were specific rules around the valuations given, this was based on professional opinion as market data was not overly reliable. EY had specialist valuers who would look into valuations at Peterborough.
- During the last crash in 2008/09 Council's found themselves in trouble for overvaluing properties in their portfolio.
- Auditing at Cambridgeshire County Council was carried out to the same standards as Peterborough City Council. There was nothing at the moment in terms of sharing services that were impacting the audits.
- In terms of pension fund valuations the Council was doing everything to get the information as early as possible, although there were likely to be some changes after exiting the EU.

The Audit Committee considered and **RESOLVED** (Unanimously) to:

1. Note the revised key risks set out by Ernst Young LLP in their report and their audit approach to meet those risks.
2. Identified to Ernst Young LLP any other matters the Audit Committee considers would influence the audit.
3. Note the Public Sector Audit Appointments scale fee would apply unless additional work was required.

38. 2019/20 TREASURY MANAGEMENT STRATEGY

The Audit Committee received a report in relation to the 2019/20 Treasury Management Strategy.

The purpose of the report was to provide the Treasury Management Strategy for approval of the policies and Prudential Indicators in line with the consultation timelines for the MTFS.

The Acting Director Corporate Resources introduced the report and confirmed that the strategy set out how the Council was to borrow and its long term liabilities. In addition it set out how and where the Council invested funds and the prudential indicators to which the Council could borrow and invest against.

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

- The Council was aware of the potential impact of Brexit on 29 March. It was therefore looking at paying suppliers a month in advance to ensure that businesses did not suffer and people were paid on time if that was necessary. A view would be taken in March.

The Audit Committee considered and **RESOLVED** (Unanimously) to approve the 2019/20 Treasury Management Strategy (TMS) before it is approved as part of the MTFS at Full Council in March 2019.

39. 2019/20 CAPITAL STRATEGY

The Audit Committee received a report in relation to the 2019/20 Capital Strategy.

The purpose of the report was to provide the Committee an opportunity to approve the Capital Strategy 2019/20 - 2023/24 before inclusion in the MTFS.

The Acting Corporate Director of Resources introduced the report, and commented that the Capital Strategy ensured a comprehensive approach to the Council's final decisions.

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

- If there was a need to spend more money on schools this would need to go through Cabinet and Council in order to get approval.

- In terms of the assets the Council held there needed to be further investigation as to what the Council owned, leased or had implied ownership. Each asset would be evaluated on a case by case basis. Ward Councillors would be consulted with before any property was deemed to be sellable.
- In terms of implied ownership there were some properties that were so old there were no records in place. It was essential the Council took advantage of these properties.
- The Council did not have the £46.5 million available to spend on bringing all assets up to date. It was therefore essential to look at bringing all buildings up to a certain standard.

The Audit Committee considered and **RESOLVED** (Unanimous) to approve the 2019/20 Capital Strategy before being approved as part of the MTFS at Full Council in March 2019.

40. ASSET INVESTMENT ACQUISITION STRATEGY AND ASSET MANAGEMENT PLAN

The Audit Committee received a report in relation to the the asset investment strategy and asset management plan.

The purpose of the report was to provide the Committee with an overview on how the Council ensures its assets and properly maintained and the rules by which the Council can purchase assets in the future.

The Acting Corporate Director of Resources introduced the report. The strategy and plan had been through the Growth, Environment and Resources Scrutiny Committee. The plan focused on the 1741 properties in the Council's portfolio and was valued around £425 million. The plan provided a framework to review properties sold and ways of investing any money.

The Audit Committee considered and **RESOLVED** (Unanimous) to approve the Asset Acquisition and Asset Management Plan before approved as part of the MTFS at Full Council in March 2019.

41. EXTERNAL ASSESSMENT OF INTERNAL AUDIT

The Audit Committee received a report in relation to the external assessment of internal audit.

The purpose of the report was to provide the Committee with an update on the external review undertaken in 2018 and the draft report received.

The Chief Internal Auditor introduced the report and confirmed the Council received an external assessment every five years to verify that the audit service was meeting the required professional standards. The external assessment had been completed by the Managing Director from the London Audit Consortium (an NHS based consortium in London). The initial findings found that Peterborough was fully compliant with all the standards, but there were areas where the service could further improve and develop. The audit team had agreed the actions and a final report was due shortly.

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

- The NHS body used for the purposes of the Audit were qualified to carry out the level needed.
- The audit gave the authority an extra level of assurance over other local authorities should it look to extend its services.

The Audit Committee considered and **RESOLVED** (Unanimous) to note the external assessment of the Internal Audit service against the Public Sector Internal Audit Standards.

42. INTERNAL AUDIT PLAN 2019/2020: APPROACH AND EMERGING THEMES

The Audit Committee received a report in relation to the internal audit plan 2019/20.

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

The Chief Internal Auditor introduced the report. At the next Audit Committee on 25 March 2019 a final internal audit plan for 2019/20 would be agreed. The internal audit plan would be grouped into key themes. In terms of key issues emerging, the Local Authority Trading Company (LATCo) would need to be looked at. This report offered the Committee an opportunity to identify any areas that they considered should form part of the internal audit plan.

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

- Working with Cambridgeshire County Council did not increase or diminish the risk of cyber fraud. Staff were currently undergoing mandatory training around this as the IT systems become integrated.
- The LATCo was seen as a high priority for the first year of its life. This was something that affected every stakeholder in the city.

The Audit Committee considered and **RESOLVED** (Unanimous) to note the emerging themes to be considered for inclusion in the 2019/2020 Internal Audit Plan.

43. RISK MANAGEMENT REPORT

The Audit Committee received a report in relation to the risk management report..

The purpose of the report was for the Committee to note the risks identified.

The Acting Director Corporate Resources introduced the report and stated that the report would be produced twice yearly for the Committee. The report outlined potential issues for the Council around Brexit. The Government had been allocated £105k a year for the next two years to assist it in working through Brexit implications by the Government.

The Audit Committee considered and **RESOLVED** (Unanimous) to note the Risk Management Report.

44. USE OF CONSULTANTS - UPDATE REPORT

The Audit Committee received a report in relation to the use of consultants.

The purpose of the report was to provide the Committee with an update on the Council's use of consultants since the last report.

The Acting Director Corporate Resources introduced the report and commented £1.6 million for 9 month £2.2 million for year continuing the downward projection, however agency spent was higher already this year compared to last year. This was being investigated.

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

- It was good to see that there was a downward trend in using consultants across the organisation. It was essential that key services received support when it was necessary. It was also essential to remember that some local authorities brought services from Peterborough City Council.
- Agency spend was mostly around social workers and care.
- The NHS had different ideas on how to use consultants and agency staff that could be looked at going forward.

The Audit Committee considered and **RESOLVED** (Unanimous) to note the use of consultants for the financial year 2018/19 up to December 2019.

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

The Audit Committee received a report in relation to the use of powers connected within the RIPA Act 2000.

The purpose of the report was to provide the Committee with an overview of the inspection by the Investigatory Powers Commissioner's Office (ICPO) in November 2018 and the subsequent report received in January 2019.

The Data Protection Officer introduced the report and confirmed that the Commissioners Office had produced a positive inspection for Peterborough City Council. The Committee were informed that an updated policy would be brought to Committee at its next meeting.

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

- There was very little surveillance used in Peterborough, compared to Cambridgeshire which had different challenges.

The Audit Committee considered and **RESOLVED** (Unanimous) to note the outcome of the inspection of Peterborough City Council by the Investigatory Powers Commissioner's Office (ICPO).

46. UNCOLLECTABLE DEBTS IN EXCESS OF £10,000

The Audit Committee received a report in relation to uncollectable debts in excess of £10,000.

The purpose of the report was to provide the Committee with an update on uncollectable debts over £10,000 since the last report and agreed to be written off by the Cabinet Member for Resources.

The Acting Director Corporate Resources introduced the report. The £1.4 million being Written Off was 94% non-domestic rates. The proportion compared to overall debt was very small. It was best practice to right off debts periodically.

It was noted that there was a concern that as Local Government funding changes to be more delivered by business rates that with 18,355 stores closing in 2018 this was something that needed to be watched.

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

- It was not possible to insure against tax rates.

The Audit Committee considered and **RESOLVED** (Unanimous) to note the uncollectable debts in excess of £10,000.

47. FEEDBACK REPORT

The Audit Committee received a report in relation to feedback from the previous meeting.

The Acting Corporate Director confirmed that in terms of the consultancy figures from the previous committee meeting the differences in terms of figures for the Chairs of the Independent Safeguarding Board and the Serious Case Review were due to the number of meetings held for each board.

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

48. WORK PROGRAMME 2018/19

The Audit Committee received a report in relation to the Work Programme through to March 2019.

It was agreed that the Senior Democratic Services Officer would look into moving the February 2020 meeting date to January, in order to link up with Scrutiny and Cabinet meetings.

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

7:00pm – 8.13pm
Chairman