



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 7:00PM, ON
MONDAY, 27 JANUARY 2020
BOURGES/VIERSEN, TOWN HALL, PETERBOROUGH**

Present: Councillors Over (Chairman), Joseph, Shaheed, A Coles, Fower, S Nawaz and Warren

Officers in

Attendance: Peter Carpenter, Acting Corporate Director of Resources
Dan Kalley, Senior Democratic Services Officer
Steve Crabtree, Chief Internal Auditor
Kirsty Nutton, Head of Corporate Finance

Also in

Attendance: Councillor David Seaton, Cabinet Member for Finance

32. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Jones. Councillor Shaz Nawaz attended as substitute.

33. DECLARATIONS OF INTEREST

No declarations of interest were received.

34. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 18 NOVEMBER 2019

The minutes of the meeting held on 18 November 2019 were agreed as a true and accurate record.

35. INTERNAL AUDIT PLAN 2020/21: APPROACH AND EMERGING THEMES

The Audit Committee received a report in relation to the Internal Audit Plan: Approach and Emerging Themes.

The purpose of the report was to provide Members with details of current and emerging issues which were seen as potential risks to the delivery of quality services to the Council. It provided an opportunity for Members to consider these themes and provide input into the development of the Audit Plan.

The Chief Internal Auditor introduced the report and informed members that the report outlined proposals on future audits. Information to complete the audits came from various sources including the risk register, discussions with team managers and national issues. The team could not cover all aspects throughout the year, however effort would be put into trying to obtain assurances as far as possible. Some areas of work were grouped together so that the team can cover as much work as possible.

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

- With regards to the Fair Tax Mark procurement had set out a questionnaire six to eight weeks ago to start building up a knowledge base. A change in procurement rules would take place if they did not comply.
- In terms of Brexit there was still a period of 11 months of negotiations. As these negotiations progressed the Council would have to look at their framework and make changes as appropriate, this would include looking at the Councils supply chains to see if there were any EU implications.
- The audit team prioritised work by pulling together all audits and looked at those areas with the biggest risk. This was then measured and assessed and a score applied. However members were informed that some risks might not score highly at the start of the year but become issues during the year in which case the team would then put more focus on that issue.
- The Audit plan was a fluid document and could be changed within the throughout the municipal year depending on any issues that may come up.
- In terms of the Business Improvement District, there was no way of knowing whether businesses were going to pay the levy. A vote was due to be taken in October this year.

The Audit Committee considered and **RESOLVED** (Unanimously) to note and comment upon the emerging themes to be considered for inclusion in the 2020 / 2021

36. NATIONAL FRAUD INITIATIVE: INVESTIGATING ALLEGATIONS OF FRAUD

The Audit Committee received a report in relation to the National Fraud initiative: Investigating Allegations of Fraud.

The purpose of the report was to provide Members with details of current initiatives to investigate fraud.

The Chief Internal Auditor introduced the report. Members were informed that the Cabinet Office had recently published data over a two year period outlining cases of fraud that had been reported by local authorities. The report outlined matches that occurred, helping local authorities identify common issues across the board. There had been an initial 2400 data matched results requiring review

which these were labelled either high, medium or low risk. Some of the findings around blue badges highlighted that some could still be used fraudulently as the Council did not know if someone had passed away, however this was being rectified as family members now had to record if a relative had a blue badge. With regards to Council Tax and the single person discount there had been a number of investigations taken place that had identified an extra £61,000 income for the Council.

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

- With regards to parking permits there was a review currently in place and this would be made available to members once all work had been carried out.
- One of the biggest issues the Council faces in terms of detecting fraud early is the quality of the data. In an ideal world it would be beneficial if one system records the data which can then filter to other data sources, making it easier to update any anomalies in the system.
- In terms of cyber fraud this was an area that ordinarily would not form part of this exercise, however it was an area to look at in more detail separately going forward.

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

1. Note progress and the outcomes to date in relation to tackling fraud against the Council through the National Fraud Initiative; and
2. Note results from national studies to raise awareness of the extent and types of fraud impacting on the public purse.

37. ASSET INVESTMENT ACQUISITION STRATEGY AND ASSET MANAGEMENT PLAN

The Audit Committee received a report in relation to the Asset Investment Acquisition Strategy and Asset Management Plan.

The purpose of the report was to provide the Committee with an opportunity to comment on the draft strategy and plan before being adopted by Full Council as part of the Medium Term Financial Strategy (MTFS).

The Acting Corporate Director Resources introduced the report and explained that the Asset Management Plan and Acquisition Strategy set out the rules around how the Council can purchase assets and manage these. The report had already gone to Cabinet for their comments and feedback and formed part of the MTFS. Both strategies had been substantially re-written for the 2019/20 financial year and have to be updated on a yearly basis. Although there was no information on the climate change emergency this was to be updated following the report to be published by the Executive Director of Place and Economy. The current value of the property portfolio was £425 million and included 1700 assets in total.

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

38. 2020/21 DRAFT TREASURY MANAGEMENT STRATEGY (TMS)

The Audit Committee received a report into the 2020/21 Draft Treasury Management Strategy (TMS).

The purpose of the report was to allow the Audit Committee the opportunity review the prudential indicators in line with consultation timelines for the MTFS.

The Acting Corporate Director Resources stated that part of scrutiny process was for the Audit Committee to review the draft treasury management strategy before being approved. The Prudential code in 2003 underpinned the MTFS. There were nine indicators in total that the formed part of the draft strategy. If there were any changes to the indicators that were needed it would have to go through Full Council.

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

- The Council tries to attract grants from external funding first. Council borrowing was a last resort, it was therefore beneficial to maximise external funding first. As outlined in the report the Council had a maturity profile in which to redeem debt on a regular basis.
- Guidance was given two years ago in response to a few councils investing large sums of money in asset acquisition without taking account of the risks. The Ministry of Housing Communities and Local Government produced the guidance as this was not in the spirit of what debt was for. There were examples of local authorities buying industrial units that were more than 22 miles outside the range of what the guidance had indicated was reasonable.
- Councils now had to weigh up whether it was worth having a housing revenue account if the interest was too high.
- There were occasions where councils borrowed from other councils in order to assist cash flow. Some of the best interest rates were from borrowing from other local authorities.

The Audit Committee considered and **RESOLVED** (Unanimous) to review and comment on the draft 2020/21 Treasury Management Strategy (TMS) before it is approved as part of the Medium Term Financial Strategy (MTFS) at Full Council in March 2020

39. USE OF CONSULTANTS – UPDATE REPORT

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

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

The Acting Corporate Director Resources introduced the report and explained that the additional spend on consultants this year was due to the work being carried out by Grant Thornton which had so far identified over £14 million of savings to the Council. However the amount spent on agency staff had reduced significantly in comparison to previous years. Processes were in place for approving some agency staff.

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

- Consultants were primarily used for large projects and purposes and for specific reasons. In addition consultants had deliverables and reports on this would have to be signed off by senior officers. The Council did not always have the necessary resources and skills to be able to deliver on some projects or areas of work. There were always going to be times when the Council needed to call upon consultants or agency staff due to the demands placed on permanent staff to deliver services to the public.
- Officers agreed to see if it was possible to compare the amount the Council used on consultants with other similar sized authorities.
- The increase in consultants figure was primarily down to work carried out over the budget, looking at ways the Council could make savings. So far the consultants had identified £18 million in potential savings.
- The Council followed the institute of procurements definition of consultancy when defining what a consultant was.
- Reena consulting were brought in as they were specialists in energy and were able to validate the figures given so that firms could bid for the empower loan.
- Ernst Young had been auditors for few years and understand the Councils accounts, however it would be a conflict of interest for them to be used to identify savings. In addition the Council had asked the Local Government Association (LGA) to assist as well.

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

40. FEEDBACK REPORT

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

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

41. WORK PROGRAMME

The work programme was to be updated to remove the external examination of internal audits as this took place every five years and had been completed last year.

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

7:00pm – 7.56pm
Chairman