



**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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