



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 5:00PM, ON
MONDAY, 13 SEPTEMBER 2021
ENGINE SHED, SAND MARTIN HOUSE, PETERBOROUGH**

Present: Councillors Over (Chairman), Sainsbury (Vice-Chair), S Farooq, I Ali, and Haseeb

Officers in

Attendance: Peter Carpenter, Corporate Director of Resources
Dan Kalley, Senior Democratic Services Officer
Fiona McMillan, Director of Law & Governance and Monitoring Officer
Ben Stevenson, Data Protection Officer

Also in

Attendance: Councillor Andy Coles, Cabinet Member for Finance
Neil Harris, Associate Partner Ernst & Young

15. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Shaheed.

16. DECLARATIONS OF INTEREST

There were no declarations of interest were received.

17. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 29 JULY 2021

The minutes of the meeting held on 29 July 2021 were agreed as a true and accurate record.

18. EY ANNUAL AUDIT PLAN 2020/21

The Audit Committee received a report from EY on their Audit plan for the year 2020/21.

The Corporate Director introduced the report and stated that the report from the external auditors was being presented to committee to ensure that the right processes and procedures were in place. There were new risks around grants

given during the pandemic. In addition members were informed that auditors would be looking into the pension fund numbers when carrying out their audit.

The Associate Partner, EY, then introduced the rest of their report and explained that the external auditors had a responsibility to audit the adequacy and efficiency of resources with Peterborough City Council. At the time of presenting the report EY were underway with carrying out their audit and were on track to get the results to committee in November.

Members were informed that many of the areas of focus for the audit were similar to previous years. There would be a closer look at the management side of controls in place within the authority. Members were informed that the auditors would be looking closely at the Council's financial position as this had deteriorated over the previous years. The external auditors still viewed the Council's financial position as a serious concern going forward. Specialists would be used to challenge the medium-term financial plan of the Council and assess the adequacy of the Council as a going concern.

The external auditors had not changed the risk around the Council plant and equipment. This was a subjective area that came with significant risks and judgement. A specialist had been approached to assess the risk around the recycling centre. The valuation of properties and investment properties would be analysed as there was still material uncertainty around these.

Members were also informed that the loan accounting processes for the Empower Loan was a major risk and a review of the Council's decision-making process and arrangements. One of the challenges was to bring the management of the loan in house and how current and future arrangements were accounted for and disclosed in the Council financial statements.

There were no changes to the way assessments of higher inherent risks were carried out. One of the changes was in relation to the standards to the way the external auditors undertake their work looking at low risk and high-risk estimates. Work was also being carried out around pension liabilities. The pension consulting team were carrying out work to ensure that the information was complete and accurate.

Members were informed that the accounting for PFI liability had not changed since last year. In terms of group accounting EY were no longer the external auditors for Peterborough Limited and this had now been taken on by Azets UK. EY have issued group audit instructions to Azets.

There was to be further focus on the Council's appeals provision and a more general focus on impairment on receivables over the next year.

The final area members were made aware of was around the Council's value for money. The external auditors expected to have an up-to-date understanding of all the Council's arrangements and would report any significant weaknesses throughout the course of the year rather than just once the audit had taken place.

The external auditors had reported extensively on the Council's financial position as well as the arrangements for the Empower loan over the past year

and were to review the decision-making processes around these areas over the course the year and determine if any further reporting and recommendations needed to be made.

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

- In terms of any suspicious transactions EY would use tools at their disposal to check this. Anything suspicious that came back would be looked at in detail.
- The recycling centre was a specialist asset. One of the issues for the valuation was that this was based on the usage of the centre. More specialist knowledge on this was required from an auditing perspective.
- The framework for the issuing of grants was an important aspect of the external audit. This had been made up of around £150 million from central government.
- The Empower Loan had now been brought in house. This would now be dealt with properly and made sure that all the right processes were followed. An asset manager had been appointed to take on this work. It was important that throughout this process there was no disruption to installing of the assets.
- With regards to the pension fund and assets the external auditors looked at what risks there might be for the Council and what processes were in place to mitigate any risks.
- In terms of pension liabilities data was in the process of being gathered and the team were able to access this to input into their findings.
- At the current time with regards to the Combined Authority there were no concerns around value for money. There was a lot of work being carried out at the moment with regards to shared services and there might potentially be impacts on the Council following this.
- Further work was to be carried out on working with the CCG. At the current time the Council had been proactive in holding the CCG to account. However, there was always a risk and this needed to be kept an eye going forward.
- The Council needed to take on board any concerns raised in the report from MHCLG and the peer review being conducted by the LGA. Any views following this would be taken into account.

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

1. Note the key risks set out by Ernst Young LLP in their report and associated audit approach - Appendix A
2. Note the responses to the Audit Report from Peterborough City Council.
3. Note the delay in the Audit start date, which is after the 31 July 2021, the date recommended in legislation.
4. Notes the increase of audit fees above the Public Sector Audit Appointments scale fee which may increase if additional work is required as set out on page 49 of the report.
5. Comment on the scope and depth of external audit work and to ensure it gives value for money and identify to Ernst Young LLP any other matters the Audit Committee considers relevant to the audit.

19. UPDATE ON RIPA POLICY AND USAGE

The Audit Committee received a report in relation to the updated RIPA policy and its use.

The purpose of the report was to provide Members with the opportunity to note and comment on the updated policy and the Council's use of RIPA.

The Data Protection Officer introduced the report and explained that the report outlined why the Council might use RIPA powers. The Council had mainly used overt surveillance and this worked better than any covert operations. The policy provided more guidance for staff around covert intelligence services. The policy now also covered social media and the publishing of CCTV material.

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

1. Note the use of powers within the Regulation of Investigatory Powers Act (RIPA)
2. Note the updated policy

20. USE OF CONSULTANTS

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

The Corporate Director Resources introduced the report and explained that the report set out the usage of consultants and the spend during the municipal year to date. This had been very low compared to previous years. In addition the report also set out the spend on agency staff.

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

- The trend over the past couple of years was pleasing to see. There was an expectation that the spend might increase during the year due to pressures on delivering savings and sustainability for the Council going forward.

The Audit Committee considered the report on the Use of Consultants up to July 2021 and **RESOLVED** (unanimously) to consider the update report on the use of consultants for the 2021/22 period for the first four months of the financial year (April 2021 - July 2021).

21. SHAREHOLDER CABINET COMMITTEE DECISIONS

The Audit Committee received a report into the decisions made by the Shareholder Cabinet Committee.

The Corporate Director Resources explained that the Shareholder Cabinet Committee had been going for two years and so far everything had been held

in public session. However as more detail on the accounts of the companies becomes available some of the sessions would most likely have to be held in private.

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

- There was potentially a need to look at how the Shareholder Cabinet Committee worked. If more detail was required then the Audit Committee could invite the Chair of that committee to answer questions at a future meeting.

The Audit Committee considered the Decisions made by the Shareholder Cabinet Committee and **RESOLVED** (unanimous) to note the decisions made by the Shareholder Cabinet Committee as set out in the report.

22. FEEDBACK REPORT

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

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

23. 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.

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

Chairman
5:00pm – 6:00pm

