

**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 6PM, ON
25 JULY 2022
COUNCIL CHAMBER, TOWN HALL, PETERBOROUGH**

Committee Members Present: Councillors Jackie Allen, Haseeb, Iqbal, Sharp and Sandford

Co-Opted Members: Chris Brooks (Chair), Mike Langhorn

Officers Present: Cecilie Booth, Corporate Director Resources – S151 Officer
Sue Addison, Insurance Manager
Kirsty Nutton, Deputy S151 Officer
Steve Crabtree, Chief Internal Auditor
Dan Kalley, Senior Democratic Services Officer
Fiona McMillan, Director of Law and Governance and Monitoring Officer

Also Present: Neil Harris, Associate Partner, Ernst&Young (EY)

10. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Shaz Nawaz, Rangzeb and Imtiaz Ali. Councillor Iqbal and Councillor Sharp attended as substitutes.

Apologies were also received from Dr Stuart Green – Independent Co-opted member

11. DECLARATIONS OF INTEREST

Councillor Sandford declared an interest in item 15 - Decisions of Shareholder Cabinet Committee by virtue of being a trustee of one of the mayor's charities.

12. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 21 MARCH 2022

The minutes of the meeting held on 20 June 2022 were agreed as a true and accurate record.

ACTIONS:

A separate agenda item for actions arising from the previous meetings was to be created.
- Dan Kalley by 12 September 2022

13. ANNUAL REPORT: INSURANCE

The Audit Committee received a scheduled report on the provision of Insurance Services to Peterborough City Council and other third parties

The purpose of the report was to inform the Audit Committee of the work carried out during the past year to provide an effective insurance function which provides cover for all aspects of the Council whilst minimising the cost.

The report was introduced by the Chief Internal Auditor and set out the work undertaken in the last 12 months and trends from previous years. The report also set out the level of claims made in the past year. The Council had external insurance provided by Zurich, this contract was going out for re-tender later in the year and would be in place by January next year. Members were informed the Council had a separate insurance fund, which was being looked at to try and reduce future insurance claims by targeted expenditure. A three-year actuary review had identified further savings for the Council. Members were informed that there had been a spike in flooding and fire claims, however the claims had been steady with regards to highways claims. A full impact on the effect of Covid was still in the processes of being completed.

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

- With regards to claims that trees had caused considerable damage to properties, the legal position was for the Council to prove on the balance of probabilities that the tree was the cause of the damage. In terms of Bretton Oak tree this would have cost the Council large sums of money to keep.
- There had been no cases that had gone to court with regards to the removal of trees. Experts reviewed all evidence before taking a position as to whether to fell any tree.
- Some members felt that insurance and insurance fund work should follow the same path as risk management and that this would sit better outside the remit of Internal Audit.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to receive, consider and endorse the attached annual report on the provision of the Insurance Service during 2021 / 2022.

The reporting line for the Insurance team to be reviewed in the light of the changes to the responsibility for Risk Management – Steve Crabtree/Cecilie Booth by 28 November 2022

14. **ANNUAL REPORT: INVESTIGATIONS**

The Audit Committee received a scheduled report on fraud and irregularity

The purpose of the report was to inform the Audit Committee of 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 introduced the report and stated that sets out work done by the investigations team during the year. A number of policies had been updated across the Council, this included looking at the whistle blowing policy and anti-fraud strategy. The National Fraud Initiative (NFI) was one of the biggest activities that the Council undertook, A report was presented to Committee in February that outlined the findings from the NFI. The single person council tax discount was presented as part of the report on an annual basis, there were over 26,000 people in Peterborough who were eligible to claim single person discount, the team investigated the claims made to identify any potential fraudulent claims, this was done by checking other records the Council held such as the electoral roll.

During the year there were business grants that came through following Covid support, these were sent off as part of the NFI and results had come back showing that there was

a high level of accuracy in the reporting. Of 1200 cases identified only three / four resulted in a formal review of the award. The report also covered Stage 2 complaints raised by individuals across Peterborough. There had also been some disciplinaries and grievances from staff which had come through from HR (Human Resources).

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

- There was a suggestion that for future reports facts and figures were included so that the committee could satisfy themselves that the evidence for the work being done was being carried out.
- Councillors were permitted to submit complaints on behalf of residents. The issues raised by members would be checked with the complaints team to understand what had happened.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to receive, consider and endorse the attached annual report on the investigation of fraud during 2021 / 2022.

ACTIONS:

1. Any future reports needed to include figures so that the committee could see the hard facts and evidence and advise accordingly. - Steve Crabtree by July 2023
2. Issue around Councillor's making a complaint on behalf of residents to be investigated further. - Fiona McMillan/Steve Crabtree by 12 September 2022

15. ANNUAL INTERNAL AUDIT OPINION 2021/2022

The Audit Committee received a report in relation to the Annual Internal Audit Opinion 2021/22

The purpose of the report was to provide an overall opinion on the soundness of the control environment in place to minimise risk to the Council. It is based on the findings of completed audits and activities undertaken by the Internal Audit Team during 2021 / 2022

The report was introduced by the Chief Internal Auditor and set out the Councils overarching approach into internal audit activity. Members were informed that based on the work done reasonable assurances were given on the controls in place within the Council and the team had delivered sufficient coverage which was reflected in the draft annual governance statement. The appendices to the report showed how the team arrived at their opinions. Members were assured that the internal audit team focused on those areas that were of the greatest risk to the Council. If there were any areas that were not given reasonable assurance or limited assurance this would be flagged as part of the draft annual governance statement.

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

- Future reports needed to show the split between outstanding recommendations which were relevant and which were no longer relevant.
- The energy management audit related to the energy management of the buildings owned by the Council. NPS (Norse Property Services) were the organisation who looked after the energy consumption of the buildings. Any reviews into this were purely financial when looking at this from an internal audit viewpoint. If some of the recommendations had not been implemented officers would then chase this up with the relevant directors for each service area.

- The team had undertaken more work over the past year than what was anticipated. This would be as a result of lower levels of sickness or training than anticipated as well as additional hours undertaken. Members were also informed that the plan was fluid and changed throughout the year depending on whether something came up that was of importance.
- Although the Audit Plan was clear on its conclusions based on its own works, Members considered there was a lack of qualitative data and opinions in the report. There was not enough being adequately reflected on in the report for example the report did not mention the Council being close to being in special measures, or that the statement of accounts had not yet been signed off. The team would be aware of the Council's Improvement Plan and this should have been built into the conclusion from internal audit. It was important that these issues were reflected in the annual governance statement. If these elements were included in the report, then the Audit Committee would then be in a position to offer more value to the Council and its processes and procedures.
- The internal auditing standards required that the Chief Internal Audit consider qualitative data when forming the annual audit plan. It was important that people saw those issues affecting the Council were being recognised by the internal audit team.
- Officers were aware of the pressures placed on internal audit, it was important that the team were given more scope and time to complete more audits that had an impact on the Council.
- Members were informed that the internal audit plan followed a prescribed format and formed conclusions based on that format. It was a small element of the work of the Council overall. If the report were to cover a larger scale of work this would be more appropriate as a report on the activities of the Council as a whole. Officers took the comments made by members and there were areas that could be enhanced, for example signposting people to other areas that were of interest of reflected issues within the Council.
- It was important to take on board feedback and the team were looking at ways of changing their focus over time.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to receive, consider, provide challenge to, and endorse the attached Chief Internal Auditor's annual report for the year ended 31 March 2022.

AGREED ACTIONS

1. Officers to investigate potential to add in more qualitative data into the annual governance statement to form a more rounded conclusion on the Council's financial position – Steve Crabtree by 30 January 2023
2. Head of Internal Audit to review the approach to incorporating assurance from other sources as well as internal audit work when arriving at the Annual Audit Opinion including reflecting in his overall opinion known issues and other challenges to the adequacy of the council's governance, risk management and internal control framework – Steve Crabtree by July 2023

16. NATIONAL FRAUD INITIATIVE 2022/23

The Audit Committee received a report in relation to the National Fraud Initiative 2022/23.

The purpose of the report was to provide how the Council will look to tackle fraud and error as part of mandatory exercises from central government.

The report was introduced by the Chief Internal Auditor and set out the two-year cycle that runs for the NFI. In October of this year the new cycle would begin. The NFI set out the

data sets that needed to be collected and sent to the Cabinet office. The Council would then receive two years' worth of downloaded data which would provide matches for the team to investigate. The Audit Committee had responsibility to overview this process.

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

- The process to carry out the investigations took time following the downloaded data.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to note the mandatory data matching exercise planned for 2022 / 2023 and the implications on resources

17. RISK MANAGEMENT FRAMEWORK

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

The purpose of the report was to inform Audit Committee about updates to the Council's Risk Management Policy

The report was introduced by the Chief Internal Auditor and set out that risk was a key driver of the committee. The framework was last updated several years ago. The approach to this had now changed and the Council were using new software for this. The policy had been updated to reflect those new ways of working. The policy also set out the roles and responsibilities of members and officers. Members were informed that the strategic risks would be presented to the next meeting of the committee. In addition, the policy was cast out throughout the organisation and presentations were being made to all.

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

- It was the responsibility of Cabinet when making strategic decisions to consider the risks associated with making key decisions. There was still work to do with regards to the risk management system to better capture the risks and there were opportunities to do this going forward. There was an abundance of information in various places that needed a centralised system to capture that information. In addition, scrutiny committees would be able to challenge decisions made by the Cabinet to ensure that risks had been evaluated.
- Members raised concerns that they only knew about a risk when one was identified and that this was too late. Officers confirmed that a dashboard of risks was to be created on the recommendation of the risk management board.
- Cabinet Members recognised the important of having a dashboard and it was important that all councillors had the ability to see the dashboard once it had been put in place.
- The report presented to committee was limited in its outlook, the definition of risk and framework needed to be looked at closely and explain who had overall responsibility and oversight of this framework. It was important that members of the committee and councillors had oversight of this framework moving forward. The framework needed to be articulated in a better way. The categorisation of risks also needed to be reviewed to ensure it was appropriate.
- The report needed to clearly explain whether it was looking at gross or net expenditure of the Council. Members were happy to offer suggestions and approaches to help improve the risk management framework.
- Officers commented that a few Councils had adapted different approaches which were being investigated by officers. It was noted that internal audit was not the right

team to have oversight of the risk management framework. A more focused risk management board was needed.

- The work on risk management and the board itself was to sit within the governance directorate to ensure that it sat outside of the finance and audit functions.
- The Council had not adequately educated members on the budget setting process. It was important that members needed to understand the risks in not setting a balanced budget.
- Members of the Council sitting outside of the Cabinet would not fully understand the matrix used in determining what was deemed a high risk. It was important that the risk framework was more transparent for all councillors.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to note and approve the Council's Risk Management Policy.

AGREED ACTIONS

1. Officers were working on the risk management dashboard and this was to be presented as part of the Risk Management Framework – Steve Crabtree/Sam Smith by 28 November 2022
2. Comprehensive review and update of the Risk Management Framework. - TBC by TBC

18. REVIEW OF EFFECTIVENESS OF THE AUDIT COMMITTEE

The Audit Committee received a report in relation to the review of the effectiveness of the Audit Committee.

The purpose of the report was to provide members with details of an internal assessment against good practice for the effectiveness of audit committee.

The report was introduced by the Chief Internal Auditor and set out the CIPFA (Chartered Institute of Public Finance and Accountancy) guidance of the issues that should be presented to the Audit Committee. This format was based on a checklist. The key issue is the effectiveness of those and is not managed in the guidance once things came out from IIAP (Independent Improvement and Assurance Panel) audit committee needed to be robust and not just meeting the checklist. Captures a small element of the wider things going on in the Council. The effectiveness needs ownership by Members to review as how it is operating and how it should in the future. Members were reminded that they had training in relation to this and once updated, the terms of reference would also provide better effectiveness.

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

- It was noted that having independent members on the committee had improved the robustness of the questioning.
- Training audit committee members was seen as a low priority within political groups. It was important that the profile of the committee was raised. Officers commented that the committee needed to have the best people sitting on it to ensure it was effective.
- The external auditors had seen improvements on the committee since the independent members had joined. Compared to other committees at local authorities' improvements had been made and were now in a better position than other local authorities.
- The challenge was to move away from the effectiveness of the committee being a tick box exercise. It was important to look at the effectiveness of the committee

against the CIPFA guidance. The committee needed to take more accountability going forward.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to consider the response to the CIPFA Toolkit checklist for Audit Committees, which records that the Committee overall meets the good practice statements.

ACTIONS

1. The Chair of the Audit Committee to take on responsibility for the approach to the Annual Review of the Effectiveness of Internal Audit going beyond the checklist in the CIPFA “Toolkit for Local Authority Audit Committees – Audit Chair and Steve Crabtree by July 2023
2. Update the Terms of Reference for the Audit Committee to reflect the latest (draft) CIPFA Guidance and implement the necessary changes to the work programme to reflect the updated TOR – Audit Chair/Fiona McMillan by July 2023

19. DRAFT ANNUAL GOVERNANCE STATEMENT

The Audit Committee received a report in relation to the draft annual governance statement.

The production of the Annual Governance Statement (AGS) forms part of the annual closure of accounts process. It was not a financial exercise but represents a corporate overview of the processes and procedures adopted by Peterborough to manage its affairs.

The report was introduced by the Chief Internal Auditor and set out the draft annual statement and how the council operates. There were a number of sources that were put together in terms of the annual statement and this formed part of the statement of accounts. The Local code of governance was picked up as part of this work and there was a key opportunity to review this going forward. The AGS document also pulled together the financial controls across the Council and was submitted to CLT (Corporate Leadership Team). They have updated this and taken ownership.

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

- Under the Council's Improvement Plan it was essential that the Council reviewed its corporate governance and democratic structures. The processes needed to be looked at to ensure that any inefficiencies were examined and processes put in place to ensure the Council followed correct governance.
- There was a period of reflection that needed to take place to ensure actions on the risk management framework were put in place. This also included considering the work of the Audit Committee and the Improvement Plan.
- Further assessment needed to be made and undertaken to review how the Council was going to undertake reducing the £11.5 million deficit.

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

1. Note the arrangements for compiling, reporting on and signing the Draft Annual Governance Statement;
2. Review and comment on the Draft Annual Governance Statement including any areas which should be considered; 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

20. VERBAL UPDATE – ANNUAL AUDIT RESULTS REPORT 2020/21

The Audit Committee received a verbal update with regards to the annual audit results report 2020/21.

The report was introduced by the Associate Partner EY, the issue around infrastructure assets was still ongoing and was an issue for external auditors across the country. There was a statement from CIPFA due shortly, local authorities and external auditors would need to take a view on whether to conclude audits at some point. The external auditors were minded issuing a qualification on a limited audit scope as there was not enough information available. A potential date of the 31 August was mentioned to hold an extraordinary committee meeting to sign off the accounts. It was anticipated that the final view from the external auditors was to draw attention to reflect the steps the Council was taking to improve its financial position and move away from a capitalisation directive.

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

- It was likely that other authorities across the country would see similar proposals as it was not possible to keep waiting for CIPFA to produce guidance on information with regards to infrastructure assets
- If the opinion of the external auditors were one of material uncertainty the some of the key services would be in serious doubt as to whether the Council could provide statutory services in 12 months' time.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to receive and note the verbal update of the “Audit Results Report – (ISA260)” for the year ended 31 March 2021 from Ernst & Young (EY) on behalf of the Council which had been delayed until August 2022.

21. DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022

The Audit Committee received a report in relation to the draft statement of accounts for the year ended 31 March 2022.

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

- The document was in draft form and was being worked on by officers going forward, even after the document was published on Friday.
- The graph showing the political composition of the Council needed to be updated and would be done before publication.
- Members noted that with regards to the remuneration packages of senior officers this was higher than in previous years.
- In terms of the LATCO's it was important the committee looked at the procurement elements of these companies as large sums of money were going to these companies without an element of competition. It was therefore vital to ensure that these companies were good value for money.
- It was concerning that the Council failed to meet its obligations in terms of the statement of accounts as this was only due to start in January 2023, some months after the accounts should be signed off. There needed to be more openness and transparency over this, in addition it needed to be addressed as part of the annual governance statement and how the Council was planning to get back on track.
- There was an issue around public perception and the accounts not being signed off, it was possible that people would draw unfortunate conclusions over the Council's ability to handle its finances.

- Although the accounts were due to start later than anticipated there were elements that were out of the Councils control. It was a good effort from the team to be able to publish a draft set of accounts within the prescribed timeframe. It was agreed that an explanation would be included on the website to explain the delay in signing these off officially.

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

1. review and comment on the draft Statement of Accounts prior to the Chief Finance Officer's certification by the 29 July 2022
2. to note that Annual Governance Statement will be a separate report in 2021/22 and not included in the draft Statement of Accounts.

ACTIONS:

1. Political composition within the draft statement of accounts needed to be updated before being published. - Cecilie Booth/Kirsty Nutton/Emma Riding by 29 July 2022
2. Website needed to explain the delay in signing off the accounts and the delay in starting the audit of the accounts until January 2023. - Cecilie Booth/Kirsty Nutton/Emma Riding by 29 July 2022
3. Local Authority Trading Companies (LATCO's) needed to be included in the report on procurement that was going to be presented to committee in September. - Cecilie Booth/Mark Sandhu/George Wallace by 12 September 2022
4. Extraordinary meeting in August for signing off the accounts 2020/21 - EY/Sian Warren/Kirsty Nutton by end of August 2022
5. Officers to work at regularising the preparation and timings of signing off the statement of accounts going forward – Cecilie Booth/Kirsty Nutton/Sian Warren by TBC

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

The Audit Committee resolved to note that there was no RIPA update.

23. APPROVED WRITE-OFFS EXCEEDING £10,000

The Audit Committee resolved to note that there was no debt write-off exceeding £10,000.

24. DECISIONS OF SHAREHOLDER CABINET COMMITTEE

The Audit Committee resolved to note the decisions of the Shareholder Cabinet Committee.

25. WORK PROGRAMME

The Audit Committee received the report with the committee's work programme for the year 2022/23.

The purpose of the report was to allow the committee to add/remove any items from the work programme for the year ahead.

The report was introduced by the Senior Democratic Services Officer. The work programme had been updated to reflect a rolling programme of work.

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

- Review of procurement to expand to LATCO (Local Authority Trading Company) companies and the significant money going through these processes.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to note the work programme and agreed to the additional items being added to future meetings.

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