

**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 6PM, ON
30 JANUARY 2022
BOURGES/VIERSEN, TOWN HALL, PETERBOROUGH**

Committee Members Present: Councillors Imtiaz Ali (Vice-Chair), Haseeb, Perkins, D Jones, Rangzeb, Jackie Allen and Sandford

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

Officers Present: Cecilie Booth, Executive Director Corporate Services and S151 Officer
Steve Crabtree, Chief Internal Auditor
Richard McCarthy, Procurement Operations Manager
George Wallace, Head of Procurement
Dan Kalley, Senior Democratic Services Officer
Rochelle Tapping, Director of Legal and Governance and Monitoring Officer

Also Present: Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance.
Dan Cooke. Ernst&Young (EY) Senior Manager

55. APOLOGIES FOR ABSENCE

Apologies for absence were received from Dr Stuart Green. Councillor Shaz Nawaz sent his apologies and Councillor Dennis Jones attended as substitute.

56. DECLARATIONS OF INTEREST

Councillor Jackie Allen declared that she was a member of the board for Peterborough Limited, however this would not impact her role on the Audit Committee.

57. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 28 NOVEMBER 2022

The minutes of the meeting held on 28 November 2022 were agreed as a true and accurate record save for the following corrections:

From: This included around £3.5 for transport services.

To: This included around £3.5 *million* for transport services; and

From: There was 40,000m that needed to be refinanced before the end of the fiscal year

To: There was £40 *million* that needed to be refinanced before the end of the fiscal year

58. ACTIONS AND MATTERS ARISING

The Senior Democratic Services Officer confirmed that the actions log had been updated to show completed actions at the bottom of the log.

The EY Senior Manager updated the committee on the 2020/2021 audit which was still being audited, this was due to be completed within the next few weeks and will be presented to the committee at the meeting on the 20 March. There was still some work to be completed across the areas flagged up at the meeting in November.

With regards to the issues around infrastructure assets CIPFA (Chartered Institute of Public Finance and Accountancy) had released a bulletin two weeks ago which was being reviewed. This guidance set out clearly what local authorities needed to do and this, it was hoped, would close down the issue to allow the audit to be completed.

In terms of the ongoing work on the empower valuation the external auditors were still awaiting working papers and have been promised these shortly. In addition, there was still some internal work and reviews taking place following the FRC (Financial Reporting Council) report sent through to the Chair of the committee.

The external auditors were still working on the final set of statement of accounts and recorded audit results report and were waiting for the council to produce these.

There were a few small areas that also still needed picking up, including testing some journals and requesting a few pieces of evidence, additionally there was some work to look at arrangements that were in place for Covid. It had also been useful to have some meetings with new members of the finance team and all indications pointed to a successful conclusion of the audit in March.

In terms of the 2021/22 audit this would not start until the 2020/21 audit had been fully completed. However, members were informed that external auditors had spoken to the finance team and plans were in place to start this in April.

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

- The issue of infrastructure assets was a national issue. The guidance from CIPFA was clear that the council should remove previous assets that were replaced. Although this involved some work it would ultimately make it easier to audit.
- Members were informed that this would have no impact on the Council's balance sheet.
- External Auditors were on track to complete the audit in the next few weeks with the aim of bringing the final report to the committee in March.

Members raised some concerns over the procurement governance arrangements and the overall landscape with regards to how much was being covered in terms of overall spend for the Council.

There was some confusion over the action point relating to refunds on subsidised bus journeys and who received a refund. The Council provided the Combined Authority with £3.5 million a year to subsidise some stagecoach bus journeys. It was important to find out whether the Council received a refund on these cancelled journeys, or if this was the Combined Authority. The Cabinet Member for Finance and Corporate Governance agreed to speak to the Overview and Scrutiny Committee at the Combined Authority to ascertain

whether the Council or the Combined Authority received a refund from Stagecoach if a bus journey was cancelled.

ACTIONS:

1. Councillor Coles to address the Overview and Scrutiny Committee at the Combined Authority to get clarity over whether the Council or the Combined Authority received a refund from Stagecoach for a cancelled bus journey that was subsidised by the Council. - July 2023 – Councillor Coles

59. ANTI-FRAUD AND CORRUPTION

The Audit Committee received a report in relation to the Council's statement on Anti-Fraud and Corruption.

The purpose of the report was to provide Members with an overview of how the Council provides a raft of services to the public from its scarce resources. Every effort was made to ensure that the resources were used for their intended purpose. However, there were occasions when this may not always be the case and the Council needs to have appropriate mechanisms to protect the public purse. This report set out the Council's approach to tackling fraud and corruption.

The report was introduced by the Chief Internal Auditor who confirmed that the Council had a policy in place for the last ten or eleven years. This was the first revision of the policy bringing together best practice and some guidance from professional bodies, to try and minimise fraud and corruption. The policy was fluid and stood alone from any other policies, the definition of fraud had been updated. It was now important for the Council to engage officers to ensure they fully understood the policy. It was important to note that not many cases were referred to the team to investigate.

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

- Training would be given to staff to help them understand the policy and their responsibilities. This was also something that could be provided to members.
- The training was going to be available on the Council's e-learning portal, this was to be mandatory for some members of staff. A report could be generated to show who had done the training so those crucial officers who had not done the training could be chased.
- The Council had a whistleblowing policy in place. This was not just for staff but for members of the public.
- The policy was not intended to create a blame culture within the authority. The key messages were getting training to members of staff across the Council at different levels.
- Members were informed that an ex-employee had recently used the whistleblowing policy against a former employee, who had not come forward previously due to a different culture. This perception had now changed and this was the reason for the ex-employee now coming forward.
- Each case was risk assessed and Councillors were able to bring forward any suspicious behaviour on behalf of residents they serve. This would then be investigated before a response given.
- The review of the policy was picked up as part of the annual fraud report. This work would now be picked up as part of the annual fraud report.
- This had also been picked up as part of the series of workshops around values that the Council were going to put in place.

- Officers would look at the how the numbers around the policy were presented going forward. This would include the form of reporting, for example whether it was fraud or whistleblowing.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to consider and make appropriate comment on the updated Anti-Fraud and Corruption Statement.

ACTIONS:

1. Officers to present within the Annual Fraud Report a picture of what avenue reports of fraud or corruption were being channelled through and what form this took – Steve Crabtree – July 2023

60. INTERNAL AUDIT PLAN 2023/24; APPROACH TO AUDIT PLANNING

The Audit Committee received a report on the Internal Audit Plan 2023/24 and the Councils approach to audit planning.

The purpose of the report was to provide Members with details of Internal Audit's annual planning approach and emerging issues and risks that Internal Audit need to obtain assurance over. It provided an opportunity to consult with Members in considering these themes and to provide input into the development of the Audit Plan as appropriate.

The report was introduced by the Chief Internal Auditor and confirmed that the final plan would be presented to the committee at the March meeting. Departmental Management Teams were being consulted with to obtain their input and determine what changes had taken place while considering looking forward to the next 12 months.

The resourcing implications within the team was identified as a key issue. There were currently two vacancies within the team, although it was highlighted that an interview was in place for later in the week for a permanent placement which would hopefully alleviate some of the pressures. A separate agency placement for the other post was also in train. Members were informed that some areas had been moved from Internal Audit, this included responsibility for risk management which had been realigned elsewhere within Corporate Services. In addition, the Chief Internal Auditor had been appointed to sit on the board of Peterborough Limited following approval by the Leader of the Council for the remainder of the municipal year. This would only involve some time on the part of the Chief Internal Auditor. Separate governance issues in the plan for the year ahead focussed around partnership relationships between the Council and companies. Any areas suggested for the audit plan were risk assessed to make sure they could be incorporated.

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

- Members were informed that Treasury Management would fall until financial governance and a specific reference to it could be included in the final plan.
- In terms of savings proposals this was included in last year's proposals. This was being regularly reviewed and the team were looking at what had gone through in the last year to see if there was anything that could be picked up going forward. As a minimum we would look at assurance available so far.
- With regards to contracts work, this was being undertaken with procurement to target resources to look more in depth at contracts and where the money was spent to make sure key contracts were being looked at in the right timeframes.
- The Executive Director Corporate Services addressed the issue relating to Peterborough Limited. The reason for placing the Chief Internal Auditor on the board was due to the Council not having the requisite expertise on the Board for a long time. There was a conflict of interest as the last representative was the Chief

Finance Officer. There was no other individual within the finance team that had the correct level of expertise and the Chief Internal Auditor had the right skill set to step up and sit on the Board. Officers were looking into whether an external and independent person could sit on the Board, however there were some issues with this as it needed an individual with a level of finance background to make sure there was good oversight from the Council on this board.

- In terms of the Joint Ventures (JV's) it was not possible to cover every JV in a single year, however they were regularly audited.
- Every member of the audit team received climate change training. The Council has an overall action plan in place. This would help target the team and the Council into specific areas in order to achieve its targets.
- There were still concerns over the level of resources available and it was essential that this was fulfilled. It was good however to see that recruitment was underway which would assist the team in focusing their efforts on a number of audits coming up.
- The Chief Internal Auditor confirmed that as part of his role, the annual declaration of interests would reference being on the Board of Peterborough Limited. The Audit Charter sets out that at this point the rest of the audit team would carry on with the audit with no oversight by the Chief Internal Auditor. This would separate out any potential conflict and ensure the Chief Internal Auditor would have no role in auditing Peterborough Limited. Any final reports would also be presented to the Directors and not the Chief Internal Auditor.
- An option suggested by Members was outsourcing the audit of Peterborough Limited to ensure that no member of the Internal Audit team was potentially compromised.
- Officers welcomed the potential broader approach of looking at internal audit especially as the issues around resources remain. It was important that impartiality remained and that officers investigate how this could be demonstrated to external organisations and individuals.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to note and comment upon the emerging themes to be considered for inclusion in the 2023 / 2024 Internal Audit Plan.

ACTIONS:

1. Chief Internal Auditor to include specific reference to Treasury Management under Financial Governance in Audit Plan – Steve Crabtree – March 2023.
2. Officers to investigate how it was possible to demonstrate having the Chief Internal Auditor on the board of Peterborough Limited could be seen as impartial – Cecillie Booth/Rochelle Tapping.

61. UPDATE – PROCUREMENT ACTIVITY JANUARY 2023

The Audit Committee received a report in relation to an update on procurement activity.

The purpose of the report was to set out progress on Procurement Activity since October 2022 and provided additional or background information requested by the Committee at its meeting on 17th October 2022.

The report was introduced by the Procurement Operations Manager. The report was an update following the meeting in October. Officers were working across three themes one of which was around contract values and spend management. This was dependent on using the ERP management system to make sure there were controls in place, this meant that managers wishing to spend money needed to have a valid contract in place. Officers were working on the 2B phase of the project to see what solutions could be put in place

and to make this more real. It was hoped that officers would be further forward by the next meeting in March and how the Council could procure those services.

In terms of governance processes were much stiffer and stricter. The Executive Director of Corporate Services was not signing any exemptions that breached procurement thresholds. At the current time there were seven breaches that were going through CLT, the Procurement Board and then would be reported to the Audit Committee. Officers were putting in place education and processes so that these issues did not occur in the future, one of those was around placements in children's and adults' services, this was mainly due to decisions needing to be made at short notice to ensure the needs of those people were met. There was a proposed exemption around placements that was being considered.

Officers were now taking a tougher stance on procurements that had gone through exemptions, for example around apprenticeships. Reports were now going to CLT to make them aware of any issues, it was hoped this would reduce the number of exemptions going through. There needed to be a more proactive approach to help officers understand the procurement process and what the needs of teams and departments are. There had been the removal of the procurement form and officers were now encouraged to speak to officers within the procurement team. A number of meetings were now scheduled with departments and teams to go through the processes and procedures. Once these meetings had taken place officers would have a better understanding of those teams needs and be able to advise on the resources required and if exemptions would be needed.

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

- If the Council softened some of the limits it was important to monitor these to ensure that nothing fell through the gaps and left the Council with issues in terms of awarding contracts.
- It was important that comprehensive communications were sent out around the policy as this had not been updated for some time and had been fully enforced before. A letter would be going out to all suppliers reminding them that if no purchase order (PO) was made then there would be no payment made. It was important that training was offered to staff to ensure they were brought up to speed on these rules. (7pm at this point Cllr Perkins left the meeting).
- There were a number of invoices that did not have a corresponding PO or exemption. This was a significant risk and could potentially cause embarrassment for the Council. Managers were now informed that no invoices would be paid unless a Purchase Order could be produced.
- There had been improvements across procurement as a whole and officers had spent time going through a number of spends across the Council and reconciled this to the procurement plan. There had previously been a lack of oversight and a lack of keeping the contract register updated. There had been examples of retrospective procurements that needed to be signed off and this had been a regular theme. Members were informed that the Executive Director of Corporate Services was no longer signing such procurements off as it had failed some basic procurement rules that officers should be aware of.
- Officers were now starting to be aware of the rules and that work streams were being impacted on if the rules were not followed. It was common practice across all other local authorities that if there was no PO then the supplier would not get paid.
- The limits to sign off contract awards were originally £1000, this meant that budget holders were not taking responsibility for their service areas. This had now changed to £25,000 allowing budget holders to take more responsibility for signing off

contracts. The knock-on effect was to allow Directors more time to scrutinise higher value contracts.

- Members welcomed the higher profile on climate change and social value and for this to be a criterion when awarding contracts. This was also important to local residents who wanted to see the Council favour local suppliers and tradespeople.
- Officers agreed to send any interim information that may arise on the criterion used to award contracts the committee would then receive more detail on the work procurement were doing at the March meeting, this included work that was being done to try and mirror what Suffolk Council had implemented. It was hoped this would be a good starting point to introduce to any new suppliers to the Council.
- Members of the committee were keen to see a more complete picture of what was going to be the coverage of procurement and what channels it was going to cover. This would then allow members to see what was not going to be covered.
- Another key issue was the pace of this going forward and to make sure governance arrangements were in place.
- Once officers had the chance to review contracts across the different departments and gone through the spend data then a full picture could be drawn up. This was due to the systems currently in place not allowing officers the ability to investigate the system in that level of data. It was unlikely the systems would be able to do this by March, but officers were looking at if this was possible to do manually.

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

1. Receive an update of Procurement Activity for the key requests from the previous Audit Committee Meeting of 17th October 2022.
2. Agree that more details and evidence of progress be received at the planned meeting of the Audit Committee in March 2023.

ACTIONS

1. Any interim information on the criterion used to award contracts/procure services (especially around climate change and social value) to be sent to members of the committee before the March meeting if applicable. - Richard McCarthy – March 2023.

62. RESERVES STRATEGY AND POLICY

The Audit Committee received a report in relation to the Reserves Strategy and Policy.

The purpose of the report was to provide an overview to members of the Councils Reserves Strategy and Policy

The report was introduced by the Executive Director Corporate Services and S151 Officer, the original draft report came to committee at the end of last year. Comments and suggestions from the meeting had been taken on board and the policy had now been updated. The Council had earmarked reserves that could be re-prioritised, in addition to the general and transformation reserves that were in place. The General Fund reserve was risk based. It was best practice to have between 3-5% of net revenue budget as reserves. The Council had started the year with £7.3 million and was looking to increase the reserves to around 5% by 2025-26. Members were reminded that the government was keeping a close watch on reserves built up by local authorities.

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

- Some of the reserves were dependent on the cost savings identified for the years going ahead.
- The Council had a transformation reserve fund of £20 million and were looking to spend £10 million of that on a range of services that needed transforming and updating. Officers were still looking at topping up the reserves and trying to get better value for money on some services.
- Members were informed that a review of procurement and the finance teams had identified some savings, in particular there had been a number of savings identified within procurement.
- The most important reserves were the general reserves, however there was nothing on the horizon that would require using the general reserves. Some of the energy costs had been increasing however this was offset by energy waste savings.
- Some of the transformation reserve was there to provide additional resources to help improve the recycling rates.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to consider the Council's Reserves Strategy and Policy provided in Appendix A to this report

63. **SECOND INDEPENDENT IMPROVEMENT AND ASSURANCE PANEL REPORT**

The Audit Committee received a report in relation to the second Independent Improvement and Assurance Panel Report.

The report was introduced by the Executive Director Corporate Services and S151 Officer. Members were reminded that out of the 11 local authorities that had requested a capitalisation directive, Peterborough City Council was the only one who did not have commissioners come in, instead a panel of experts had helped the Council improve. They had a strong steer on how the Council could improve and the Council had accepted the recommendations made by the Panel. There was lots of support for officers and members from the Panel and they were encouraging of the work that had been carried out so far. There was no mention of Peterborough being placed under special measures. There was now a balanced budget and a stronger steer on the medium-term financial strategy.

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

- It was clear the Council had made a number of improvements over the past year to 18 months. There was still some concern over the rhetoric around all out elections. The Council had carried out its commitment to go out to consultation and a vote on this was taken by all members at a meeting of Full Council. There had been no evidence presented to show how all out elections made for stronger financial sustainability compared to elections in thirds.
- There now seemed to be a plan in place to carry out the basic housekeeping when running a local authority, which should have taken place before now.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to review the second report of the Independent Improvement and Assurance Panel and note the actions and progress being made with the delivery of the Improvement Plan.

USE OF REGULATORY INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE

The Audit Committee resolved to note that there was no RIPA update for the meeting

65. APPROVED WRITE-OFFS EXCEEDING £10,000

The report was introduced by the Executive Director of Corporate Services and S151 Officer. This report had been presented to the Cabinet and was now being presented to the Audit Committee to note.

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

- There was concern over the confidential appendix not being included in the papers to members of the committee. It was agreed that this item could be deferred to the next meeting.
- It was good practice to write off debts, however this had been on hold during the pandemic. The Council did all it could to recover debts including appointing bailiffs. Members were informed that the Council set aside some budget every year to cover debts that had been written off.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to defer the report to the meeting on 20 March 2023.

ACTIONS:

1. Debt write-off report to be deferred to March meeting to include confidential appendix. - Chris Yates – 20 March 2023.

66. 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:

- There was some concern over the number of external audits that needed to be completed over the next 20 months. It was important for the committee to understand how officers were going to get this back on track.

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

Chair 6pm – 7.50pm

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