

**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 6PM, ON
24 JULY 2023
BOURGES/VIERSEN ROOM, TOWN HALL, PETERBOROUGH**

Committee Members Present: Councillors Farooq, Perkins, Rangzeb, Eley and Barkham

Co-Opted Members: Mike Langhorn, Stuart Green

Officers Present: Cecilie Booth, Executive Director Corporate Services & S151 Officer
Emma Riding, Service Director Financial Management & Deputy S151 Officer
Jill Evans, Service Director Corporate Finance & Deputy S151 Officer
Steve Crabtree, Chief Internal Auditor
Dan Kalley, Senior Democratic Services Officer
Rochelle Tapping, Director of Legal and Governance and Monitoring Officer (virtual)

Also Present: Janet Dawson, Associate Partner, Ernst&Young (EY)
Dan Cooke, Audit Manager, Ernst&Young (EY)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Dennis Jones and Haseeb.

2. DECLARATIONS OF INTEREST

There were none.

3. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 20 MARCH 2023

The minutes of the meeting held on 20 March 2023 were agreed as a true and accurate record.

4. ACTIONS AND MATTER ARISING

The purpose of the report was to inform the Audit Committee of the actions outstanding and progress made to date.

The report was introduced by the Senior Democratic Services Officer who outlined that the actions log had been updated to reflect the previous meetings actions, plus any actions that were still outstanding.

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

- The risk management framework and the strategic risk register had been worked on and final references were being undertaken to ensure it was in the best format.
- The new strategic risk register had been to the Corporate Leadership Team (CLT) and collective mitigations were being put in place. It was hope this would be operational in October and that it would be reported on to the Audit Committee at the meeting in September
- Officers were to discuss updating the committee's terms of reference on the back of the governance review that was taking place. This would include speaking with members of the committee, independent members and the Chair.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to note the actions and matters arising from previous meetings and progress made to date.

ACTIONS

1. Officers to link in with members of the Audit Committee and Independent Members once constitution review starts to review the Audit Committee terms of reference – Dan Kalley from September/October.

5. AUDIT RESULTS REPORT

The Audit Committee received a report on the Audit Results Report from the external auditors EY.

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. Before the introduction to the report the Chair outlined that this set of accounts was presented to the Audit Committee, firstly in July 2021 and the Audit Committee at that stage had discharged its function on those parts of the accounts that were presented. The remaining areas that the committee were looking at in terms of this report were the results of the audit, any unadjusted errors or misstatements that remained in the accounts, along with any issues raised by the auditors or post balance sheet events.

The report was introduced by Janet Dawson, Associate Partner, EY. The report was an update to that which the committee received back in August 2022. The external auditors confirmed the areas of work that were outstanding from the meeting in August and highlighted the key areas in the report. The conclusion from the external auditors was that the Council was still a going concern. One of the main areas for the delay with the accounts was around infrastructure assets. This was a national issue and affected local authorities up and down the country. There had been a lot of debate within the Department for Levelling Up, Housing and Communities (DLUHC), along with CIPFA, as to how this was to be accounted for. Peterborough City Council had chosen to take advantage of the statutory override and adapt the disclosures in the accounts. The external auditors commented that they had looked at the value for money reporting, especially around the difficult time the organisation went through in 2021. The external auditors had updated their view as to where the organisation was now compared to 2021. The external auditors concluded that the proposed accounting for the Empower loan was appropriate.

It was explained testing work on journals and covid grants was not complete at the point it was reported to committee in August 2022, however this was now complete. There was one control recommendation made to management around authorisation of journals, but overall, the external auditors were satisfied with that piece of work. There was one

uncorrected misstatement around the Empower loan impairment, however this was not material and would be corrected in the 2021/22 accounts.

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

- In terms of the value for money qualification position there was one area of oversight around the Empower Loan, for which the management team had identified and plans were in place to improve these entities going forward. The external auditors confirmed there were no other areas of concern for the accounting period in front of members this evening, if there were any such areas for concern these would have been identified.
- The external auditors confirmed the report reflected the situation the Council faced coming into 2020/21, especially around value for money. Going forward the qualification around this was likely to be removed due to the work the Council was undertaking to address the situation.
- With regards to the misstatement the Council would apply its policy and unwind the error over a three-year period. The external auditors explained they were content for the Council to do this as it was not material to the financial statements. Members commented that this would still leave an error unadjusted for the 2021/22 and 2022/23 accounts with regards to the opening reserves position.
- In terms of financial resilience officers and members of the committee had worked hard to help secure value for money and improving the financial resilience of the Council. There was a sense from the report that not much had been done, when in fact a lot of work had been done.
- The use of the word 'ruthlessly exposed' was harsh and implied a certain emotion which may not have been helpful.
- Officers confirmed they had been working on the accounts up until the day the reports were published and circulated to members.
- A summary of the all the changes that had been made since the report was last presented to committee was included in the document pack. There was nothing in the pack that changed the cumulative impact of the reserves, these were merely balance sheet adjustments. There was some narrative added around the Annual Governance Statement (AGS), the Council as a going concern and that the Council was in a much better position than it was a few years ago.
- It was commented that EY had significant support and had worked well with finance officers from the Council.

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

1. Receive and approve the Annual Accounts for 2020/21,
2. Delegate approval of any minor amendments to the Executive Director Corporate Services and the Chair of the Audit Committee, and
3. Review the Auditors updated final Audit Results Report for the year ended 31 March 2021 from Ernst & Young (EY) on behalf of the Council.

6. VERBAL UPDATE – EXTERNAL AUDIT PLAN

The Audit Committee received a verbal update on the status of the External Audit Plan.

Janet Dawson, Associate Partner, EY commented that the DLUHC and the FRC were had issued letters to all Chief Executives, Audit Committee Chairs and audit firms to talk around proposals to deal with the delayed audits, for Peterborough this would include the 2021/22 and the potential impact on the 2022/23 audits to try and get to a level playing field. The proposals included potential reductions in the scope of the 2022/23 audit requirements, along with a potential backstop for audits that needed completing before this. The difficulty

with this work was that the full detail was still unknown and it was likely work on this would take 6-8 weeks. Work had begun on the 2021/22 accounts so that a plan could be prepared for the committee, however it was still unsure what the system would be asking of audit firms. There were still some 500 audits outstanding and there was a demand on finance teams and external auditors up and down the country. The close working relationship with officers from the council would allow a solid platform to get going on the accounts once further details had been released.

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

- Members commented they were disappointed with the current progress on the 2021/22 audit, at the meeting in November members were informed that these would be starting in March 2023. Following this the committee were informed in March that this was now likely to move to July and this had now moved back to September. It had felt as if the next audit could not start until the last one was complete. It was hoped that a positive start to the 2021/22 audit would be in place before the meeting in September and then some timetables agreed for the 2022/23 audit to commence.
- The external auditors commented that they had started the 2021/22 audit in April of this year. It was understandable the position of the council to move forward with the backlog in the audits, however the council was one organisation in a system that was now under scrutiny from government and they were making changes to the way in which audits were being dealt with across the system. It was not possible to commit to prioritising Peterborough over other local authorities.
- Members commented that action was needed as soon as possible to resolve the delays in the auditing of the accounts to ensure it was brought up to date, rather than prioritising Peterborough City Council specifically.
- The external auditors explained that until the national audit office issued a change in the audit code of practice they had to adhere to the scope as outlined in the code. If this was to change along the lines outlined by DLUHC the scope would be reduced and the external auditors would need to change how they approached audits. Further work was being done to better understand the resource implications so that the best service could be offered to organisations.
- The Executive Director Corporate Services and S151 officer encouraged support from the external auditors. At the current time the Council was under intervention with an Improvement Panel which was due to finish at the end of December. It would therefore be a milestone to get the 2021/22 accounts signed off by then. Officers at the Council would assist in way they could do to help external auditors.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to note the verbal update from external auditors.

ACTIONS:

1. Officers to liaise with EY to start the audit for the 2021/22 accounts as soon as possible and to present a timeline for action – Jill Evans/EY - September 2023

7. 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 outlined the various trends with regards to insurance and how this had developed over time. The Council had a low insurance level and were proactive in managing risks, therefore this resulted in lower premiums being paid in comparison with other local authorities.

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

- It was positive to see that inflation rates were falling which would have a positive impact when it came time to renew some of the insurance premiums.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to review and then endorse the annual report on the provision of Insurance during 2022 / 2023 included at Appendix 1.

8. 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 which highlighted the work undertaken by the fraud team. It set out the activities the team had been involved with, including joint working with DWP which had now continued following the pandemic. Work was carried out in line with the National Fraud Initiative.

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

- There were benchmarking clubs across local government and officers would investigate some of the data that other local authorities hold in order to carry out a comparison exercise.
- Data sets were downloaded and sent to the Cabinet Office, who then compiled the data in order to compare this with other organisations. This was used to check, for example, if people were waiting on a housing list in Peterborough and another authority.

- This exercise was only done every two years due to the large volume of data that was captured and submitted. Key matches included looking at people claiming single person council tax rates and viewing these against the electoral roll.
- Every record that came in would be looked at, an initial check would be done to see if they were claiming benefits, if not it would be parked and it was not then recorded. There were circumstances where the record was malicious. The issue with the fraud hotline was that unless the person left contact details it was then difficult to follow up on. However, the team were making a note of all those that were not investigated due to the data being spurious.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to review and endorse the annual report on the investigation of fraud within the Investigations Team during 2022 / 2023 included at Appendix A.

ACTIONS:

1. Officers to benchmark against other local authorities in relation to data around fraud and investigations and circulate briefing note. - Steve Crabtree – November 2023

9. ANNUAL INTERNAL AUDIT OPINION 2022/2023

The Audit Committee received a report in relation to the Annual Internal Audit Opinion 2022/23

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 2022 / 2023

The report was introduced by the Chief Internal Auditor and set out work completed by audit team over the last 12 months. There were a series of appendices that supplemented the work that had been carried out. The opinion itself was a statutory role that the Chief Internal Auditor was required to perform, based on the evidence and work undertaken, forming an opinion as to whether or not the controls across the council were working as they should do. It was not possible to look across the whole organisation as this was resource intensive. The team were looking at getting assurances from other areas of the business, for example if Ofsted or the CQC came into the council the team could place a reliance on these organisations to have conducted their own audits of that business area. In addition the Improvement Panel had been doing some assessments of their own and providing levels of assurance to the council. All that work was set out in Appendix D to the report. The main bulk of the work undertaken by the team was set out in Appendix B.

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

- Members commented that the reduction in the overall number of assurance reports highlighted some of the concerns around the resources in the team. It was important the committee saw a return to normal levels as this was essential to the role of the committee.
- There was an importance placed on the quality assurance review, this was the auditing of the audit team itself, checking to see how well the audit team were doing and if there were any areas for improvement. It was commented that this review was done thoroughly and independently, outside of the audit team itself.
- Members were directed to page 181 of the agenda pack. The Chief Internal Auditor commented that this showed data on the recommendations made during the year. The Audit Plan itself was based on risk. There had been no critical recommendations made or bad failures reported.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to review and then endorse the Chief Internal Auditors annual report for the year ended 31 March 2023 included at Appendix A

10. 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 represented a corporate overview of the processes and procedures adopted by Peterborough to manage its affairs.

The report was introduced by the Chief Internal Auditor, this document formed part of the accounts and was a statutory requirement. The AGS had been updated during the course of the year to make it more visually appealing. As part of the process of updating the document it had been circulated to all directors to feed in their comments. This document also mapped out what was happening across the different committees at the Council. The report had been presented to CLT to ensure buy in from senior management. Regular updates were proposed to ensure that any areas of concern were addressed.

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 for 2022 / 2023;
2. Formally approve the Draft Annual Governance Statement so that the document may be signed by the Chief Executive and Leader of the Council for inclusion in the statement of accounts.

11. 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 looking at best practice, which was usually done by doing a self-assessment against a set criterion. For this year's self-assessment, it was agreed with the previous Chair of the committee that this would be done in partnership with them, along with officers, to ensure that the committee were working to their terms of reference. The arrangements for assessing the committee's effectiveness were set out by CIPFA, for which new arrangements were now in place and appendix to the document was now attached. The proposal going forward was the development of an e-form, which set out a series of questions and would be put to all committee members to see how the committee was fairing against its terms of reference. It was hoped this would be ready to send to members of the committee at the end of September/early October. Responses to this would then be presented to committee in November or January.

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

- Members requested that officers look at the effectiveness of the committee, it was then hoped this would create some gaps in the work of the committee that could be looked at going forward, ensuring that the committee met the new standards outlined by CIPFA.
- Alongside this was the council's review of its governance arrangements, which in turn was an opportunity for the committee to review its terms of reference, in conjunction with the CIPFA model terms of reference. It was anticipated that this would result in an update to the committees' terms of reference.

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

1. Approve the planned approach for the assessment of the effectiveness of the Audit Committee as set out in section 4 and
2. Notes the CIPFA position statement included at Appendix 1

12. BUDGET OUTTURN REPORT 2022/23

The Audit Committee received a report in relation to the Budget Outturn Report.

The report was introduced by the Executive Director Corporate Resources and S151 Officer and the Service Director Financial Management and Deputy S151 Officer. The report outlined the budget outturn position for the 2022/23 financial year. The council came in £600k under budget which was placed back into the general fund. The report highlighted some of the positive achievements, including an additional £1 million in treasury management income. The council had also now brought back in house Opportunity Peterborough and NPS, along with the procurement service from Serco. Collection rates on business rates and council tax had been exceptional and were performing better than a number of authorities.

- Officers would investigate the overspend on legal and governance and provide members of the committee on those details.
- In terms of the Empower loan, this was part of financial receipting and would not affect the outturn report.
- There were discussions over whether an external review could be carried out around the Minimum Revenue Position (MRP). It was hoped by doing this some savings could be realised.

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

ACTIONS:

1. Officers to get details of the overspend in legal and circulate to members of the committee. - Cecilie Booth – September 2023

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

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

14. APPROVED WRITE-OFFS EXCEEDING £10,000

The Audit Committee received a report on approved write-offs exceeding £10,000.

The report was introduced by the Executive Director Corporate Services and S151 Officer who commented that the previous process for writing off debt was not satisfactory. This was now going to be presented on a more regular basis to ensure that large sums were not left. Improvements around collecting debt had been made, especially with regards to chasing

invoices and collection rates, although these were good in comparison with other authorities.

The Audit Committee considered the report and **RESOLVED** (Unanimous) to note the approved write-offs exceeding £10,000.

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

