

AUDIT COMMITTEE

MONDAY 21 MARCH 2022
5.00 PM

Engine Shed, Sand Martin House, Bittern Way, PE2 8TY

THE CHAIRMAN WILL ASSUME THAT MEMBERS HAVE READ THEIR PAPERS PRIOR TO THE MEETING TO AVOID UNNECESSARY INTRODUCTIONS TO REPORTS. IF ANY QUESTIONS ARE APPARENT FROM THE REPORTS THEY SHOULD BE PASSED TO THE REPORT AUTHOR PRIOR TO THE MEETING

AGENDA

Page No

1. **Apologies for Absence**
2. **Declarations of Interest**

At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests or is a "pending notification " that has been disclosed to the Head of Legal Services.

3. **Minutes of the Meeting Held on 21 February 2022** 3 - 12
4. **Internal Audit Plan 2022/23** 13 - 58
5. **Strategic Risk Management** 59 - 62
6. **Annual Audit Committee report** 63 - 80

INFORMATION AND OTHER ITEMS

7. **Use of Regulation of Investigatory Powers Act 2000 (RIPA)**

To note there have been no updates since the last meeting on 21 February 2022.

8. **Approved Write-Offs Exceeding £10,000** 81 - 88
9. **Work Programme** 89 - 116



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Committee Members:

Councillors: A Shaheed, Joseph, I Ali, S Farooq, Haseeb, Sainsbury (Vice Chairman) and J Allen

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

Substitutes: Councillors: Burbage, Iqbal, Jones and Bond

Further information about this meeting can be obtained from Daniel Kalley on telephone 01733 296334 or by email – daniel.kalley@peterborough.gov.uk



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 5:00PM, ON
MONDAY, 21 FEBRUARY 2022
ENGINE SHED, SAND MARTIN HOUSE, PETERBOROUGH**

Present: Councillors: Sainsbury (Vice-Chair), S Farooq, Haseeb, J Allen, Jones, I Ali, Hogg

Co-opted members: Chris Brooks (Chair), Stuart Graham, Mike Langhorn

Officers in

Attendance: Cecilie Booth, Acting Corporate Director of Resources
Dan Kalley, Senior Democratic Services Officer
Fiona McMillan, Director of Law & Governance and Monitoring Officer
Steve Crabtree, Chief Internal Auditor

Also in Attendance: Councillor Andy Coles, Cabinet Member for Finance
Councillor Day, Green Group representative

35. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Joseph, Haseeb and Shaheed. Councillors Jones and Hogg attended as substitutes.

36. DECLARATIONS OF INTEREST

There were no declarations of interest were received.

37. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 29 NOVEMBER 2021

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

38. DRAFT 2022/23 TREASURY MANAGEMENT STRATEGY

The Audit Committee received a report in relation to the draft Treasury Management Strategy (TMS).

The Interim Corporate Director of Resources introduced the report and highlighted the key elements. The report set out the Council's appetite for

investment and borrowing. This was a technical document outlining the criteria this needed to fulfil.

Members were informed that the TMS would be set as part of the budget being presented to Full Council in March. More training around this area would be provided to members of the committee. A mid-year review of the strategy would be presented to members. The main purpose of the strategy was to look at the risks and appetite for Councillors when investing or borrowing money.

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

- The report highlighted that in 2022/23 there was a capital expenditure of £71.5 million, which was far greater than in previous years. Members were informed that the detail around this figure would be investigated and reported back to committee members. Officers were investigating in detail the savings plan and looking at possible ways to cut back on capital programme going forward as the revenue implications could be significant for the Council.
- It was likely that this was a one off item earmarked for that financial year. As part of the Capital Strategy the capital programme was to be funded from capital receipts. Officers were therefore looking at the asset disposal strategy to minimise borrowing costs.
- It was unlikely that the high level of capital expenditure in 2022/23 was due to the hold on capital expenditure that was agreed at Full Council in December. It was far more likely to be a one-off spend, however officers would investigate further and report back.
- Members were informed that the Minimum Revenue Position (MRP) was a technical term. The MRP was a direct hit on the Council's revenue budget. The guidance on the MRP required the Council to set a number of prudential indicators to reduce the debt liability. This was not to repay borrowing but to reduce debt liability to the Council. This was also required as part of the Capital Financing Requirement (CFR). The Council had used capital receipts in lieu of a hit to the revenue budget as part of the MRP. This was no longer going to be allowed going forward. Members were informed that the cash generated from capital receipts can be used to pay back borrowing.
- The Loan of £15 million with regards to the Hilton Hotel at Fletton Quays and the £500,000 interest to be paid back was likely pushed back slightly due to the pandemic. This was likely to be rolled up in the capital programme and added to the capital receipts when the loan was paid back.
- Members were informed that Peterborough City Council, like many other local authorities was short on revenue but had higher levels of capital. It was no longer common practice for local authorities to use surplus revenue for capital expenditure. One of the key priorities of the Council was to replenish the low reserves level the Council were currently carrying.
- It was unlikely that the Council would use surplus cash to fund the capital programme, this would need to be done through the disposal programme. With regards to the disposal programme officers were taking a long term approach to this to see what assets could be retained

and to understand their potential to support the Council's priorities, any that did not would be disposed of over the next five to six years.

- There were two limits for borrowing, the first being the operational boundary limit. This was the day to day borrowing limit for the Council. Occasionally the Council would borrow for cash flow reasons and the operational boundary was put in place to cover this and could be breached if needed for operational requirements. In terms of the authorised limit this was absolute limit set by the Council and could not be breached. If this level needed to be breached it would need to be placed in front of a meeting of Full Council.
- The authorised limit was set with sufficient headroom to ensure that it was almost impossible for it to be reached and any unforeseen issues can be covered at short notice.
- Some members noted that the level of the operational boundary and authorised limit seemed to be set too high. In particular the authorised limit was around 50% of the total capital expenditure of the Council itself.
- Members were informed that in reality the Council would never borrow up to the authorised level. Borrowing up to this level would be unsustainable. The prudential indicators were also in place to prevent this level of borrowing from becoming a reality. In addition borrowing up to the authorised limit would breach all the requirements set by the Council.
- It was felt by some members that if the long term target was CFR any excess over CFR for the operational limit or the authorised limit needed to be explicit in terms of circumstances when it could be used. In addition it would be useful for analysis to be done over when, realistically, this level of borrowing would be required.
- There were additional concerns raised over the strategy mentioning short term interest rates for borrowing at the short end of the margins set out. This raised concern over whether the Council were matching their assets and liabilities and the point at which these assets and liabilities re-priced.
- It would be useful for the TMS to also set any maturity mismatches with regards to creditors moving forward, with limits setting out how far the Council would allow itself to deviate from that matched position.
- There were a broader set of risks within the TMS that it would be useful for Full Council to understand when setting its budget position. The strategy would benefit from setting out those scenarios and how the Council planned to mitigate those risks.
- Members were informed that the scenarios that may occur between the CFR and the authorised limit could include a situation whereby the revenue software to collect council tax and business rates for a couple of months failed. The Council would still need to pay wages, salaries and bills. It was important that the Council had this headroom for situations such as these.
- Officers agreed that these scenarios and risks would be built into the TMS for Full Council when presented with the budget.
- The guidance around the authorised limit had stated that Council's needed to set a high limit to deal with any unforeseen circumstances.
- In terms of matching assets to debt the guidance stated that Council's must not do this. Members were informed that when the new capital accounting rules came into force in 2003 it specifically stated that this

was not the correct process to follow. The Council would borrow where it was prudent to do so based on market conditions.

- The Council would normally borrow from the Public Works Loan Board (PWLB), the rates on these loans were linked to the rates of the government guild. It was therefore, on occasions, cheap to borrow loans from the PWLB on a short term basis and sometimes on a longer term basis.
- When the Council took out loans they viewed the market forecasts and the rates offered by the PWLB.
- The Council had a smooth maturity profile and along with the CFR the Council tried to have a debt profile with loans maturing in a smooth pattern. This would therefore reduce the risk of large chunks of loans maturing in any one financial year. There needed to be a balance to getting the cheapest rates when taking a loan against the re-financing risks around those loans.
- The Council, in accordance with the code of practice, would have a liability benchmark that tried to forecast what the re-financing liability was going to be for the next 30 years. Officers would then plot the debt portfolio loans against a liability benchmark.
- Members were informed that the code did not require Councils to match loans to the 30 year liability benchmark.
- The committee agreed that it would be useful for the TMS to include a list of potential risks and the mitigation taken, so as to be transparent with Full Council.
- It was considered beneficial if officers could share with committee members the debt repayments and asset revenues to see how the Council was mitigating those risks. Members were also directed to page 26 of the report, which outlined in a bar chart the maturity profile over the long and short term period.
- It was important that in future Treasury Management reports that the committee could see how the Council was managing the debt repayments this would be helpful.
- The report lacked sections on how the risks were going to be managed and what the impact of this would be on the Council. In addition some scenarios would be beneficial.
- The Council only borrowed from the PWLB, although there were other sources of finance they were unusual. Generally the PWLB loan rates were the cheapest for the local authorities. Occasionally local authorities loaned other local authorities money if they had a large cash flow on a short term basis.
- The code of practice does not say that the Council does not have to have regard to the liability benchmark. The Council was forward planning in terms of the capital financing for the next 30 years. The code made specific reference to state that Councils are not to match the assets.
- It was reiterated that the authorised limit was a Full Council decision and it would be unlawful to breach the authorised limit, unless this was agreed at a special Full Council meeting. It was common practice for local authorities to set a high authorised limit.
- There was more possibility to reduce the operational boundary limit but it was not common practice to reduce the authorised limit.
- The authorised limit was calculated and intended to pay two months of bills and payroll at the Council, if no income was able to be collected.

- It was noted that it would be helpful for scenarios and an explanation over the level of the authorised limit to be included in the TMS going forward.

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

1. Review and comment on the draft 2022/23 Treasury Management Strategy (TMS) before it is approved as part of the Medium-Term Financial Strategy (MTFS) at Full Council in March 2022 subject to the inclusion outlining the risks, specific scenarios and mitigation the Council is taking with regards to the (TMS) before being presented to Full Council.

39. DRAFT INTERNAL AUDIT PLAN 2022

The Audit Committee received a report in relation to the potential internal audit coverage for 2022/23.

The Chief Internal Auditor introduced the report and set out the initial thoughts into future audit activity and the emerging themes. The final plan was to be presented to committee at the next meeting.

The report set out a series of themes to be considered for next year's audit. This was an opportunity for members of the committee to comment and input into the areas being considered and make any suggestions to help shape the audit work. The internal audit team need to provide assurances with regards to the governance arrangements in place at the Council so the plan has to cover as many areas as practical.

The team identified themes that were of most importance to the Council based on risk. This included climate change, which was a big priority for the Council. As this was such a large area officers were in discussions with the section as to what the current key activities of climate change were so as to target works appropriately.

Members were informed that the audit plan was established using a planning and assessment tool, where each of the proposed audits were assessed against a number of risks areas to establish a score up to 80. Once this had been completed an overarching audit plan was created. Any areas that scored over 50 were considered a high priority. The audit plan was regularly re-assessed throughout the year so that any areas that previously were not a high priority when the plan was initially drawn up could move up the priority list if needed. Similarly, others could drop down.

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

- The report outlined the current internal audit structure. At the current time one officer was working within the Council's Covid Coordination Hub, which meant the team had reduced capacity. The plan is based on those in post at present. Should the officer return in year, additional works would be able to be covered. However with the resources

available the team were confident that they could provide appropriate assurances to the Council although additional resource would be requested if there were specific needs. If the team had more staff it would then be possible to do more thematic reviews and audits around some of the higher priority areas.

- With regards to last year's plan there had now been an inclusion of the levelling up fund and how this could be delivered around the assurance framework. In addition audit work was now taking place around the Covid grants that were issued.
- Members were informed that the Improvement Panel was now in place and they would be expecting high level reports on how the Council was delivering on savings. It was then important for the team to drill down on these to make sure compliance changes were being delivered.
- With regards to organisational resilience, climate change was such a large area and had a big impact across a number of areas. The audit team investigated whether certain targets and criteria were in place across the organisation to ensure this target was being met.
- In terms of external partners, such as Peterborough Limited and Norfolk Property Services, there had been some initial work done around governance arrangements, however there was still further work to do with these organisations.
- In terms of what was going through the Improvement Plan this was highlighting the top spenders and looking in detail if the Council could get better value for money from these arrangements. There were a large number of contracts under these higher spending levels that needed to be looked at. The team had requested a list of contracts from procurement and some of these would be looked at in detail, focusing on deliverables and where possible value for money.
- In terms of the details on some of those contracts these could be detailed in the audit plan presented to committee or in progress reports.
- It was important for the committee at future meetings to look at the processes and procedures around contracts and procurement.
- In the current year the team had reviewed risk management, looking at the strategy and how it operated through the Risk Bboard and how departments had reacted to this. This process had identified a number of issues that needed to be addressed. The entry in the draft plan focussed on the follow up to and being embedded and now operating.
- It was important that the committee had a look at the risk assurance framework going forward so that expertise could filter into this.
- Some members felt it was important for the committee to understand and note what the internal audit team was not covering.
- For the next meeting it would be useful for the audit plan to have a link to the risk register, links to what the external auditor were looking at, links to the medium term financial review. In addition it would be useful to look at what audits had taken place over the past three years. This would create a broader picture of the work carried out by internal audit.

The Audit Committee considered and **RESOLVED** (unanimously) to note the report, subject to the inclusion in the final audit plan of a broader picture of work carried out by internal audit over the past three years and links to the risk register, external audits and the medium term financial review.

40. INVESTIGATING ALLEGATIONS OF FRAUD

The Audit Committee received a report in relation to investigating allegations of fraud.

The Chief Internal Auditor introduced the report and stated that the report gave the committee an update on how investigations had been conducted at the Council. Members of the committee were informed that there were three policies attached to the report, namely the anti-money laundering policy, the council tax and local council tax reduction scheme sanctions and prosecution policy and the blue badge, parking permits and visitor permits sanctions policy. These were similar to previous years and were still compliant with relevant legislation.

The main purpose behind the report was around the analysis of data in terms of fraud. The Council followed the national fraud initiative, which was completed every two years, this contained a number of data sets from local authorities across the Country. In addition the covid business grants had been included as part of the fraud investigations. Taking what had happened so far, the Council had taken all the data sets and had so far received 6000 matches. Some of the matches were down to poor record management on behalf of the Council. Some examples of this included people who had been deceased and still had a blue badge registered to their name.

With cases relating to the council tax reduction scheme officers were liaising with colleagues from the Department for Work and Pensions as they were the lead on benefit investigations. In the past the Council investigating council tax fraud and the DWP used to investigate benefit fraud, however this was now done in a joined up approach with one interview covering all areas. During the pandemic these interviews were paused, however they had now been ramped up.

With regards to creditors there were three years of data that had been passed to the team. This included around £3000 of duplicate payments that had been made and was being recovered. During the past year the Council had identified just under £60,000 of council tax single person discount that had been claimed incorrectly. This was down from over £100,000 the year before. This had shown an improvement on record keeping. It was anticipated that the early results of the audit from business grants that were given out as a result of covid would be available from March.

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

- There was an argument as to whether the committee needed to look at this and if it should be a function internal audit. The committee had more pressing issues to address at the current time. It was felt this was a more operational matter than a strategic one.
- There was a 21 day period in which people should notify the Council if someone moves in or out of the local authority. The Council were mainly interested in looking at the long term issues and those people

who had moved in or out and had not notified the Council for a long period of time.

- It was agreed that these investigations could be considered as part of the annual fraud report.

The Audit Committee considered and **RESOLVED** (unanimously) to note the report and agreed that the work on investigations be presented annually to the committee as part of the annual fraud report.

41. AUDIT COMMITTEE START TIME 2022/23

The Audit Committee received a report in relation to agreeing the Audit Committee start time for the municipal year 2022/23.

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

- Members felt that a 6pm start time was more favourable for the next municipal year.

The Audit Committee considered and **RESOLVED** (unanimously) to recommend to Full Council the start time of 6pm for 2022/23.

42. USE OF CONSULTANTS

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

The Interim Corporate Director of Resources introduced the report and stated that this was a standard report presented to committee. The figures for the current financial year had been much lower than in previous years. It was not necessarily a bad thing to use Consultants but the Council needed to keep a balance and level of transparency and a schedule of consultants. Members were minded to move this to a more fluid approach and be reported on if the spend started to increase again.

The Audit Committee considered the report on the Use of Consultants up to January 2022 and **RESOLVED** (unanimously) to:

1. consider the update report on the use of consultants for the 2021/22 period for the first seven months of the financial year (April 2021 – January 2022).
2. agree that future monitoring is undertaken within the normal budgetary control reporting process, and brought back to Audit Committee only if requested.

43. DECISIONS OF THE SHAREHOLDER CABINET COMMITTEE

The Audit Committee received a report in relation to the decisions taken by the Shareholder Cabinet Committee.

The Audit Committee considered the report and **RESOLVED** (unanimously) to note the decisions of the Shareholder Cabinet Committee.

44. **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 debated the report and in summary, key points raised and responses to questions included:

- There were potential items for the work programme including:
 - An analysis of the committee's terms of reference. This was covered in the Chair's Annual Audit Report and would be presented at the next meeting.
 - It was important to review the terms of reference and work programme to see if there were items that could be added or removed and the value in covering some items on the list.
 - An update to the work programme so that it could be a rolling work programme rather than a strict annual work programme.
 - A report on the Council's risk register. It was fundamental to look at a summary of these risks and what the Council was doing to mitigate these.
 - A future report on the control environment and the defences the Council had in place.
 - More reports on the Councils value for money position, the effectiveness of the Audit Committee themselves
 - Procurement was an important element of the Councils future contract arrangements and would be useful for the committee to receive updates on.
 - Some members felt that an update was needed in the future around the shared services arrangements with other local authorities and whether these provided value for money.
 - An update on the Corporate Services Strategy would be beneficial for the committee to review.
 - In addition there should be an opportunity for a member of the committee to suggest a topic for the committee to have a deep dive into and investigate in more detail throughout the year.

The Audit Committee considered and **RESOLVED** (unanimously) to note the report, with the inclusion of the additional items going forward.

Chair
5:00pm – 6.42pm

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AUDIT COMMITTEE	AGENDA ITEM No. 4
21 MARCH 2022	PUBLIC REPORT

Report of:	Cecilie Booth – Chief Finance Officer and s.151 Officer	
Cabinet Member(s) responsible:	Councillor Coles - Cabinet Member for Finance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384557

INTERNAL AUDIT PLAN 2022/23

R E C O M M E N D A T I O N S	
FROM: Steve Crabtree, Chief Internal Auditor	Deadline date: N/A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Consider and agree to the Internal Audit Charter for 2022 / 2023 (Appendix A); 2. Consider and agree to the Internal Audit Code of Ethics 2022 / 2023 (Appendix B); and 3. Consider and approve the Internal Audit Strategy and Plans for 2022 / 2023 (Appendix C, D). 4. Note the information requested about Internal Audit work over the previous 3 years (Appendix E) 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee as a routine planned report on the development of the role and service delivery of Internal Audit and investigations.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to ensure that the Council reviews and agrees the audit activity for the next audit year.

2.2 This report is for Committee to consider under its Terms of Reference:

2.2.2.1 To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.

2.2.2.3 To consider reports dealing with the management and performance of the providers of internal audit services.

2.2.2.18 To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. BACKGROUND AND KEY ISSUES

4.1 INTRODUCTION.

4.1.1 In accordance with the mandatory Public Sector Internal Audit Standards (PSIAS), the Chief Internal Auditor must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. This report explains the strategic approach and the detailed plan for Internal Audit to meet that aim.

4.1.2 The role purpose and authority of Internal Audit is documented in the Internal Audit Charter. The Charter is subject to an annual review by the Committee and is compiled in accordance with the Public Sector Internal Audit Standards and the CIPFA Code of Practice for Managing the Risk of Fraud and Corruption.

4.2 INTERNAL AUDIT CHARTER 2022 / 2023 (Appendix A)

4.2.1 The Charter sets out the purpose, objectives and scope of the activities of the service and has been developed to take account of the following requirements, which have previously been reported to the Audit Committee:

- The Public Sector Internal Audit Standards, which came into effect on 1 April 2013 (and revised in 2017); and
- The governance requirements set out in CIPFA Statement on the Role of the Head of Internal Audit in Local Government (2019 Edition).

4.2.2 The Charter has been compiled to ensure compliance with the Public Sector Internal Audit Standards (PSIAS). In summary, the PSIAS, which were agreed by a range of bodies including IIA and CIPFA, place the following requirements on public sector organisations’ internal audit arrangements:

- (i) Compliance with the IIA Code of Ethics (and those of other professional bodies of which an auditor is a member, e.g. CIPFA). The IIA Code of Ethics sets out key principles and rules of conduct covering the following: Integrity; Objectivity; Confidentiality; and, Competency.
- (ii) Purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter which should:
 - define the terms “board” and “senior management” for the purposes of internal audit activity;
 - cover arrangements for appropriate resourcing;
 - define the role of internal audit in any fraud-related work; and
 - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
- (iii) Independence and objectivity: the Chief Internal Auditor must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The Chief Internal Auditor must report functionally to the board. In practice this means that Audit Committee (as the Board) will be involved in:
 - approving the internal audit charter;
 - approving the risk based internal audit plan; and
 - making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations.

- (iv) Proficiency and due professional care: audit engagements must be performed with proficiency and due professional care. Internal auditors must possess the knowledge skills and other competencies needed to perform their individual responsibilities. The Chief Internal Auditor must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.
- (v) Quality assurance and improvement programme: the Chief Internal Auditor should develop an improvement programme that covers all aspects of the internal audit activity. An external assessment should be conducted at least once every five years and progress against any improvement plans, agreed following external assessment, must be reported to senior management and to Audit Committee.

4.2.3 A sharing protocol with Cambridgeshire County Council has been developed to support the delivery of the plan where there is a vested interest in obtaining assurance where a shared service is in operation. Its aim is to avoid duplication and have the potential to use third party assurance where appropriate. The protocol forms part of the Audit Charter and further details can be found at Appendix 1 within the document

4.3 **INTERNAL AUDIT CODE OF ETHICS (Appendix B)**

4.3.1 The Code of Ethics sets out the expected behaviours of Internal Audit staff in relation to service delivery. The basis of standards of conduct has been reviewed and remains unchanged with reference to those followed by Internal Audit in previous years. The Code of Ethics has been developed to mirror the obligations in this area as per the Public Sector Internal Audit Standards and is therefore considered to be in keeping with professional standards.

4.3.2 Aside from the Code of Ethics, the Chief Internal Auditor in the role of the Chief Audit Executive will also be cognisant of and comply with requirements laid down in CIPFA's Statement on the Role of the Head of Internal Audit. It is also further acknowledged that all Internal Audit staff will operate in accordance with their own professional bodies' Code of Ethics, as well as any organisational Codes of Ethics or Conduct relating to their employer.

4.4 **INTERNAL AUDIT STRATEGY 2022 / 2023 (Appendix C)**

4.4.1 The Internal Audit function will:

- Provide the Section 151 Officer and Audit Committee with an overall annual opinion on the Council's governance, risk and control arrangements, which also supports the Annual Governance Statement;
- Review the Council's governance, risk management and control processes through a risk-based annual work plan which is aligned to the Council's objectives, giving assurance on the Council's wider risk profile, not just financial controls, and on key emerging risks;
- Support the organisation through changes in structure, culture and operating models;
- Demonstrate the value of audit by working proactively with those responsible for transformation and efficiency activities, to avoid duplication of audit and assurance effort and provide assurance across governance arrangements;
- Drive improvement in risk management, controls and governance by making effective recommendations to management arising from our work and monitoring and reporting on implementation;
- Assist management to optimise the control environment through a better understanding of risks which potentially enables fewer but better controls to be put in place;
- Co-operate effectively with external auditors and other review bodies functioning in the council;
- Use technology to improve the efficiency of audit testing, using data analytics to foster greater compliance with policies and procedures;
- Improve governance through strengthening of the challenge role of Audit Committee, promoting appropriate compliance and ethical behaviours, and extending assurance arrangements to partnerships

4.4.2 The approach set out above is underpinned by the Internal Audit Strategy which is set out in Appendix C and is aligned with internal audit best practice.

4.5 INTERNAL AUDIT PLAN 2022 / 2023 (Appendix D)

4.5.1 At the February 2022 Audit Committee, Members were provided with details of emerging issues which Internal Audit were using to shape its Internal Audit Plans. This was produced following consultation with Directors and Heads of Service, reviews of strategic and operational risk registers, committee papers, budget proposals, strategies and plans.

4.5.2 The Plan for 2022/23 aims to give the Council the best audit coverage within the resources currently available, in order to provide an Annual Audit Opinion to feed into the Annual Governance Statement. Assurances from other providers will be utilised where appropriate. The number of days available with a full establishment is 950, however one Senior Auditor post is currently vacant due to secondment. This results in the current allocation of deliverable days as 760 as shown below. Discussions are ongoing about the seconded post and the impact on our plans.

Internal Audit Work Activities	Current Days Available	%	Full Establishment Days Available	%
Corporate Governance	75	10	85	9
Financial Governance	115	15	140	15
Information Governance	50	6	65	7
Procurement and Contracts	50	7	80	8
Programmes and Projects	45	6	45	5
Service Delivery	45	6	125	13
External Organisations	20	3	50	5
Certification & Verification	100	13	100	11
Other Resource Provisions	260	34	260	27
TOTAL RESOURCES ALLOCATED	760	100	950	100

4.5.3 We have included, at Appendix E, details of the audit reviews conducted over the past 3 years, as requested at Audit Committee meeting on 21 February 2022.

5. CONSULTATION

5.1 Consultation during the drafting of the documents and plans has been through the Directors and their respective management teams. Further consultation was undertaken with Members of the Audit Committee at the previous meeting when the Emerging Audit Issues were discussed.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 Internal Audit work schedules and resources will be set out for the 2022/ 2023 year.

7. REASON FOR THE RECOMMENDATION

7.1 Audit Committee have a role to oversee the effect delivery of audit resources to ensure that corporate governance arrangements across the Council are monitored, reviewed and are effective to delivering the Council agenda.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 There is a statutory duty for the S151 Officer to put in place appropriate arrangements for the provision of Internal Audit.

9. IMPLICATIONS

Financial Implications

- 9.1 This report does not give rise to any additional capital or revenue financial implications. Actions to communicate the policies and to ensure compliance will be undertaken within the existing budgets.

Legal Implications

- 9.2 None.

Equalities Implications

- 9.3 Not applicable.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

Council Risk Registers

Audit Committee Report: Internal Audit Planning Approach (21 February 22)

Medium Term Financial Strategy

Improvement Plan

- 10.1 None

11. APPENDICES

- 11.1 A: Internal Audit Charter
B: Internal Audit Code of Ethics
C: Internal Audit Strategy
D: Internal Audit Plan
E: Audit Reviews over 3 years

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PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT CHARTER

19

KEY CONTACTS		
Steve Crabtree	Chief Internal Auditor	☎ 384 557
Louise Cooke	Group Auditor	☎ 384 558
Julie Taylor	Group Auditor	☎ 384 559

March 2022

Next Review: By March 2023

1. INTRODUCTION

- 1.1 Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards (the PSIAS), which took effect from the 1 April 2013 and was revised in 2017, is based on the mandatory elements of the Institute of Internal Auditors (IIA) and International Professional Practices Framework (IPPF). It now provides a consolidated approach to promoting further improvement in the professionalism, quality, consistency, transparency and effectiveness of Internal Audit across the whole of the public sector.
- 1.2 The PSIAS require that all aspects of Internal Audit operations are acknowledged within an Audit Charter that defines the purpose, mission, authority and responsibilities of the service provision. The Charter therefore establishes the position of the service within Peterborough City Council (PCC); its authority to access records, personnel and physical properties relevant to the performance of engagements; in addition to defining the scope of Internal Audit activities. There is also an obligation under the PSIAS for the Charter to be periodically reviewed and presented to the Audit Committee, the Section 151 Officer and senior management. This Charter will therefore be revisited annually to confirm its ongoing validity and completeness, and be circulated in accordance with the requirements specified above.

2. PURPOSE

- 2.1 In accordance with the PSIAS, Internal Auditing is defined as:

"An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

- 2.2 However, it should be appreciated that the existence of Internal Audit does not diminish the responsibility of senior management to establish appropriate and adequate systems of internal control and risk management. Internal Audit is not a substitute for the functions of senior management, who should ensure that Council activities are conducted in a secure, efficient and well-ordered manner with arrangements sufficient to address the risks which might adversely impact on the delivery of corporate priorities and objectives.

3. MISSION AND AIM

- 3.1 “To provide an independent risk based and objective assurance service which is responsive to the needs of Councillors and management, ensuring assurance, advice and insight enhances the values and vision of Peterborough City Council.”
- 3.2 In doing so, the internal audit service will demonstrate effective adherence to and operation of the Core Principles for the Professional Practice of Internal Auditing. This encompasses demonstrating integrity; competence and due professional care; being objective and free from undue influence; aligning with the strategic objectives and risks of the organisation; being appropriately positioned and resourced; quality and continuous improvement; effective communication; provides risk based assurance; is insightful, proactive and future focussed and promotes organisational improvement.

4. AUTHORISATION

- 4.1 The requirement for an Internal Audit Service is outlined within the Accounts and Audit Regulations 2015, which state that “*a relevant authority must undertake an adequate and effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*”;
- 4.2 This statutory requirement for continuous Internal Audit has been formally recognised and endorsed within PCC’s Constitution, making Internal Audit primarily responsible for carrying out an examination of the accounting, financial and other operations of the Council, under the independent control and direction of the Section 151 Officer. The role of Section 151 Officer at PCC is fulfilled by the Corporate Director of Resources.
- 4.3 Further, there are other requirements placed upon the Chief Audit Executive (see Section 5: Organisation and Relationships), to fulfil all aspects of CIPFA’s Statement on the Role of the Head of Internal Audit in Public Sector Organisations (2019 edition).
- 4.4 The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation's:
- Records, documents and correspondence (manual and electronic) relating to any financial and other transactions;
 - Physical properties, i.e. premises and land, plus cash, stores or any other Council property; and
 - Personnel – requiring and receiving such explanations as are necessary concerning any matter under examination and generally assisting the Internal Audit activity in fulfilling its roles and responsibilities.

The above rights also include access to organisations and partners where PCC data is processed as part of contractual protocols where an open book/audit access arrangement is in place. An example of this is the Transactional Services provision provided by SERCO.

4.5 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

5. ORGANISATION AND RELATIONSHIPS

5.1 Within the PSIAS, the terms 'Chief Audit Executive,' 'Board' and 'Senior Management' are used to describe key elements of the organisation's governance, and the ways in which they interact with Internal Audit. The PSIAS require that the terms are defined in the context of the governance arrangements in each public sector organisation, in order to safeguard the independence and objectivity of Internal Audit. At PCC, the following interpretations are applied, to ensure the continuation of the current relationships between Internal Audit and other key bodies at the Council. The following terms are explained:

- Chief Audit Executive
- Board
- Senior Management
- External Audit
- Other Internal Audit Service Providers
- Other External Review and Inspection Bodies

5.2 Chief Audit Executive

At PCC, the Chief Audit Executive is the Chief Internal Auditor (CIA). The CIA has a direct line of reporting to the Corporate Director of Resources who would approve all decisions regarding performance evaluation, appointment or removal of the CIA in consultation with senior management. In response to requirements laid down within the PSIAS, it is further confirmed that the CIA has a direct reporting line and free and unfettered access to the Section 151 Officer, Chief Executive and Monitoring Officer should it be required.

5.3 Board

5.3.1 In the context of overseeing the work of Internal Audit, the 'Board' will be the Audit Committee of the Council, which has been established as part of the corporate governance arrangements at the Council. The Committee is responsible for the following with reference to Internal Audit:

- Internal Audit Plans;
- Progress and performance against approved plans;
- Annual Audit Opinion; and
- Compliance with standards.

5.3.2 Internal Audit will work closely with the committee to facilitate and support its activities. Moreover, the CIA also has a direct reporting line, and free and unfettered access to the Chair should it be needed.

5.4 Senior Management

In the context of ensuring effective liaison between Internal Audit and senior officers, Internal Audit has regular access to Directors and Heads of Service. 'Senior Management' for the purposes of this Charter are the Corporate Leadership Team of which the Section 151 Officer is a key member.

5.5 External Audit

Internal Audit interact with the Council's External Auditors – Ernst and Young – in order to minimise any potential duplication of work and determine the assurance that can be placed on the respective work of the two parties.

5.6 Other Internal Audit Service Providers

Internal Audit will also liaise with other Council's Internal Audit Service providers, where shared service arrangements exist. A protocol has been developed with Cambridgeshire County Council where there is an increasing level of shared services. The aim is to enable information to be shared, the potential to place reliance on each other's work or for each team to take the lead in some audit areas to avoid duplication and over auditing of service areas. The protocol is attached as an appendix to the charter (see Appendix 1). Where assurance is being provided to the authority from another internal audit provider, this will be included within reports to the Audit Committee where it is utilised in providing assurance as part of the annual audit opinion.

5.7 Other External Review and Inspection Bodies

The Internal Audit Section confirms it will likewise co-operate with all external review and inspection bodies that are authorised to assess and evaluate the activities of the Council, to determine compliance with regulations, standards or targets. Internal Audit will, wherever possible, utilise third party assurances arising from this work.

6. **OBJECTIVES AND SCOPE**

6.1 The provision of assurance services is the primary role of Internal Audit and there is a duty of care on the Chief Audit Executive to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This responsibility to evaluate the governance framework far exceeds examination of controls applying to the Council's core financial systems. Instead, Internal Audit is required to scrutinise the whole system of risk management, internal control and governance processes established by management.

- 6.2 Internal Audit also has a secondary role, whereby it will provide consultancy services which are advisory in nature and generally performed at the request of the Council to facilitate improved governance, risk management and control, and potentially contribute to the annual audit opinion. This may include participation within working parties such as information governance and risk management.
- 6.3 A risk based Audit Plan will be developed each year to determine an appropriate level of audit coverage to generate an annual audit opinion, which can then be used to assist with the formulation of the PCC's Annual Governance Statement. Moreover, audit work performed will seek to enhance the Council's overall internal control environment. In the event of deficiencies in arrangements being identified during audit assignments, Internal Audit will put forward recommendations aimed at improving existing arrangements and restoring systems of internal control to a satisfactory level, where relevant.
- 6.4 In accordance with the PSIAS, the Internal Audit Service will evaluate and contribute to the improvement of:
- The design, implementation and effectiveness of the organisation's ethics related objectives, programmes and activities.
 - The effectiveness of the Council's processes for performance management and accountability.
 - The Council's IT governance provisions in supporting the organisation's corporate priorities, objectives and strategies.
 - The Council's risk management processes in terms of significant risks being identified and assessed; appropriate risk responses being made that align with the organisation's risk appetite, the capturing and communicating of risk information in a timely manner, and its use by staff, senior management and members to carry out their responsibilities and inform decision making generally.
 - The provisions developed to support achievement of the organisation's strategic objectives and goals.
 - The systems formulated to secure an effective internal control environment.
 - The completeness, reliability, integrity and timeliness of management and financial information.
 - The systems established to ensure compliance with legislation, regulations, policies, plans, procedures and contracts, encompassing those set by the Council and those determined externally.
 - The systems designed to safeguard Council assets and employees.
 - The economy, efficiency and effectiveness with which resources are used in operations and programmes at the Council.
- 6.5 In addition to the areas recorded above, where Internal Audit will give input to their continuing enhancement; the Service will also provide support to the Director in the discharge of their duties as the Section 151 Officer with responsibility for the probity and effectiveness of the Authority's financial arrangements and internal control systems.
- 6.6 **Managing the risk of fraud and corruption is the responsibility of management.** However, as part of the scope of Internal Audit, it will be alert in all its work to the risks and exposures that could allow fraud or corruption to occur and will monitor the extent and adequacy of risk controls built into systems by management, sharing this information with External Audit and other corporate investigators.
- 6.7 In the course of delivering services encompassing all the elements stated above, should any significant risk exposures and control issues subsequently be identified, Internal Audit will report these matters to senior management, propose action to resolve or mitigate these, and appraise the Audit Committee of such situations.

- 6.8 PCC's Anti-Fraud and Corruption arrangements are managed by the CIA, who is responsible for the associated corporate policies. The Anti-Fraud and Corruption Policy and the Whistleblowing Policy both make reference to the requirement to notify the CIA of all suspected or detected fraud, corruption or impropriety.
- 6.9 The CIA will produce an annual investigations report for the Audit Committee which encompasses the work undertaken during the year by the investigations team including any joint reviews with the internal audit team.

7. INDEPENDENCE

- 7.1 The Internal Audit Section operates within an organisational framework that preserves the independence and objectivity of the assurance function and ensures that Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results. The framework allows the CIA direct access to and the freedom to report unedited, as deemed appropriate, to the Audit Committee, the Chief Executive, Section 151 Officer, Monitoring Officer, External Audit and the Corporate Leadership Team.
- 7.2 The CIA has line management responsibility for the Insurance function, Corporate Investigations team, stage 2 corporate complaints and Risk Management. The CIA is also an authoriser for payments from the Councils bank accounts. Other officers within Financial Services also have this responsibility, and the CIA is used as the approver of last resort if others are absent. Prior to undertaking any additional management responsibility, the CIA will consider and discuss with senior management any potential conflicts that may be evident and the appropriateness of undertaking the additional roles. Any reviews within these activity areas will be kept separate and reviewed independently of the CIA. In such circumstances the Group Auditor will report directly to the Corporate Director of Resources.
- 7.3 The remaining Internal Auditors have no operational responsibilities or authority over any of the activities that they are required to review. As a consequence, they do not develop procedures, install systems, prepare records, or engage in any other activity, which would impair their judgement. In addition, Internal Auditors will not assess specific operations for which they were previously responsible, and objectivity is presumed to be impaired if an Internal Auditor provides assurance services for an activity for which they had responsibility within the previous 12 months. Internal Auditors may however provide consulting services relating to operations over which they had previous responsibility.
- 7.4 The CIA will confirm to the Audit Committee, at least annually, the organisational independence of the Internal Audit activity. The Internal Audit Team complete an annual declaration of interests that highlights any potential conflicts which may affect the ability to undertake an individual assignment. Additionally, the internal audit brief requires a declaration to be made prior to the start of an assignment. Where conflicts are evident an alternative team member will be assigned the audit review.
- 7.5 Where internal audit services are provided to external organisations on a commercial basis the nature of the work undertaken, and resultant outputs, will not be shared with PCC.

8. PROFESSIONAL STANDARDS

- 8.1 PCC's Internal Auditors operate and comply in accordance with the revised PSIAS, 2017.
- 8.2 The Internal Auditors are also governed by the policies, procedures, rules and regulations established by PCC. These include, but are not limited to Financial Regulations and Contract Standing Orders, Data Protection Policy, the Anti-Fraud and Corruption Policy and the Code of Conduct. Similarly, the Council's Internal Auditors will be aware of external bodies' requirements (e.g. as identified by CIPFA) and all legislation affecting the Council's activities.
- 8.3 The Council's Internal Auditors will additionally adhere to the Code of Ethics as contained within the PSIAS. Internal Auditors will also demonstrate due professional care in the course of their work and consider the use of technology-based audit and other data analysis techniques, wherever feasible and considered beneficial to the Council. They will similarly not be unduly influenced by their own interests or by others in informing judgements. All working arrangements and methodologies followed by PCC's Internal Auditors are set out in the Audit Manual.

9. AUDIT RESOURCES

- 9.1 The CIA will be professionally qualified (CMIA, CCAB or equivalent) and have wide internal audit management experience, to enable them to deliver the responsibilities of the role.
- 9.2 The CIA will ensure that there are appropriate resources to deliver an annual evidenced-based audit opinion. As stated in the CIPFA Application Note, "No formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidence-based opinion. Local factors within each organisation will determine this minimum level of coverage."
- 9.3 The Internal Audit Service has access to staff that have a suitable range of knowledge, skills, qualifications and experience to deliver requisite audit assignments. The type of reviews that will be provided in year include risk based and systems reviews, contract audits, grant certification work, consultancy input to new / modified systems, compliance and special / fraud investigations. In the event of special investigations being required, this will be pursued in conjunction with the Corporate Investigations team if considered appropriate.
- 9.4 If it is identified that there is a shortfall in a particular or specialist/technical skill the CIA will not agree to undertake the audit assignment which could impact on effectiveness or quality of output. In such circumstances external resources may be procured as appropriate until the in-house team gains the required skills.

9.5 As previously determined Internal Audit may undertake consultancy activity (additional activity requested by management) where it has the necessary skills and resources to do this. This will be determined by the CIA on an assignment basis in conjunction with the Corporate Director of Resources where there is likely to be an impact on the delivery of the audit plan.

10. AUDIT PLANNING

10.1 The CIA will develop an annual audit strategy, together with annual audit plans and a summary of annual audit coverage using a risk based methodology and an assessment tool. The key factors used in the assessment are:

- Materiality: The size of a system or process in terms of financial value or numbers of transactions or number of people affected.
- Corporate Importance: The extent to which the Council depends on the system to meet statutory or regulatory requirements or corporate priorities.
- Stability: The degree of change within the process.
- Vulnerability: Extent to which the system is liable to breakdown, loss, error or fraud.
- Specific concerns: Arising from management's assessment of risk as well as audit intelligence.

It will take into account documented corporate and operational risks, as well as any risks or concerns subsequently notified to Internal Audit by senior management. This will be submitted to Senior Management for their approval prior to being taken forward to the Audit Committee for final endorsement, in advance of the new financial year to which they relate.

10.2 Resources and required skills are identified as part of the annual planning process. As identified in 9.4 any shortfall in technical skills and/or differences in the resources available to meet the requirements of the audit plan will be highlighted to management and the Audit Committee as part of the planning methodology within the audit strategy along with the continuous review of the Internal Audit Training Strategy. It will outline the assignments to be carried out and the broad resources and skills required to deliver the plan. It will provide sufficient information for the Council to understand the areas to be covered and for it to be satisfied that sufficient resources and skills are available to deliver the plan. Areas included in the audit plan are highlighted in **Table 1**.

TABLE 1: AUDIT ACTIVITIES

- Core system assurance work
- Governance, Risk Management and Assurance Framework
- ICT governance and risk
- Corporate / Cross Cutting audits (including value for money reviews)
- Contracts and projects
- Departmental specific reviews
- Compliance activity
- Grant claim certification work
- Fraud and irregularities
- Follow up activity
- Internal consultancy / advice on risks, controls and procedures
- Fee paying audit work
- Member support

10.3 The audit plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks based on planning assessment methodology. It will be flexible but will only contain a small element of contingency to accommodate fraud assignments which could not have been readily foreseen. However, in accordance with the internal audit assessment process, specific audit requests may take precedence over the original audit plan. If a request for additional work arises where the assessment criteria does not identify the review as high priority, Internal Audit will reserve the right to make a charge for any additional work that is still deemed required by the business. This will be done in consultation with the Corporate Director of Resources and reported to the Audit Committee as appropriate. Resources, such as specialist or additional auditors may be required to supplement this.

11. REPORTING

11.1 The process followed for completing each audit is set out in **Table 2**. Upon completion of each audit assignment, an Internal Audit report will be prepared that:

- Provides an opinion on the risks and controls of the area reviewed, and this will contribute to the annual opinion on the internal control environment, which, in turn, informs the Annual Governance Statement; and

- Provides a formal record of points arising from the audit and management responses to issues raised, to include agreed actions with implementation timescales;
- Prompts management to implement agreed actions within targeted dates; and
- Is quality checked by senior officers within Internal Audit prior to circulation.

11.2 Exit meetings are held enabling management to discuss issued Draft Audit Reports. Accountability for responses to Internal Audit recommendations lies with the Chief Executive, Directors, and Heads of Service, as appropriate, who can either, accept and implement guidance given or formally reject it. However, if audit proposals to strengthen the internal control environment are disregarded and there are no compensating controls justifying this course of action, an audit comment will be made in the Final Audit Report, reiterating the nature of the risk that remains and recognising that management has chosen to accept this risk. Similarly, if following exit meeting discussions findings, recommendations or audit conclusions are disputed by the client every effort will be made to resolve any situations arising with the relevant directorate. In both instances, depending on the severity of the situation and risk, the matter may be escalated upwards to the Chief Executive and drawn to the attention of the Audit Committee.

TABLE 2: WORKING ARRANGEMENTS DURING AUDITS	
Audit Brief	Where possible 10 days' notice will be given prior to the commencement of a review, although audits can commence earlier subject to mutual agreement, or where the nature of the work necessitates an immediate start. A brief is produced and agreed with manager(s) prior to the commencement of the review.
Fieldwork	Assignment undertaking including interviews, testing etc.
Exit Meeting	Held at conclusion of fieldwork, or once draft report has been produced (see below), to discuss issues found (if not already provided during course of fieldwork).
Draft report	A draft report will be produced after audit field work completion. A draft report meeting will be arranged with the Head of Service / Line Manager within 10 days of the report issue to discuss and formally obtain management responses. This will incorporate acceptance (or not) of actions together with timescales for implementation.
Final Report	Internal Audit incorporates management comments within the report along with agreed timescales to implement any agreed actions. The report will be re-issued as a final within 5 days of receiving the response. The report will be distributed in accordance with agreed protocols (see Table 4).
Follow-up Review	Audit activities are normally followed up within 6 months of report finalisation, but this can vary depending on target dates for implementation. Management is required to provide details of recommendation implementation which may be subject to further detailed review by internal audit.

11.3 Recommendations are rated and an overall opinion given on the service area reviewed (see **Table 3**). Final Audit Reports will be issued in line with agreed working protocols to the relevant nominated officers and subject to follow up work as necessary. Where there are no responses received from managers despite formally chasing, a report will be deemed as final and issued.

TABLE 3: AUDIT ASSURANCE	
Opinion / Assurance	Description
SUBSTANTIAL	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There is some scope to improve the design of, or compliance with, the control framework in order to increase efficiency and effectiveness.
REASONABLE	The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.
LIMITED	The internal control system is poorly designed and / or there is significant non-compliance with controls, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
NO	There are significant weaknesses in the design of the internal control system, and there is consistent non-compliance with those controls that exist. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.
RECOMMENDATION GRADES	
Grade	Description
Critical	Fundamental control weakness that jeopardises the complete operation of the service. TO BE IMPLEMENTED IMMEDIATELY.
High	Major control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency. To be implemented as a matter of priority.
Medium	Moderate control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority. To be implemented at the first opportunity.
Low	Minor control weakness, which, if corrected, will enhance control procedures that are already relatively robust. To be implemented as soon as reasonably practical.

11.4 Following the end of the year, an annual report will be produced setting out Internal Audit's opinion on the state of the internal controls and governance across the Council. This will comment upon:

- The scope including the time period to which the opinions pertains;
- Any scope limitations;
- Consideration of all related projects including the reliance on other assurance providers;
- The risk or control framework or other criteria used as a basis for the overall opinion;
- The overall opinion, providing reasons where an unfavourable overall opinion is given; and
- A statement on conformance (or non-conformance) with the PSIAS and the results of the quality assurance and improvement programme.

11.5 Significant issues identified will be referred through to senior management for inclusion in the Annual Governance Statement.

11.6 All reports produced are set out in **Table 4**.

TABLE 4: PLANNING AND REPORTING FREQUENCY			
Report Produced	For	Reason	Content
Audit Report	<ul style="list-style-type: none"> • Service Manager • Director • Chief Executive • S151 officer • Monitoring Officer • Leader of the Council • Cabinet Member for Resources • Chair of Audit Committee • Relevant Cabinet Member for portfolio area 	The end of each audit assignment as the main recipient and those charged with implementing the issues identified	<ul style="list-style-type: none"> • Executive Summary • Audit Opinion • Detailed risk issues • Agreed improvement plan
Progress Reports (based around the committee cycle)	Audit Committee	To provide the Council with progress at delivering the audit service and any key governance issues arising.	<ul style="list-style-type: none"> • Progress against annual plan • Any amendments to current annual plan • Details of significant risk issues • Details of non-responses or non-implementation of actions

Annual Opinion and Performance Report	<ul style="list-style-type: none"> • Audit Committee • External Audit • S151 officer • Monitoring Officer 	The end of each year in accordance with PSIAS. An evaluation of the works undertaken, and the level of assurance established.	<ul style="list-style-type: none"> • Annual assurance report giving CIA's opinion on the control environment • Achievement of the annual plan and performance data. • Effectiveness of Internal Audit
Annual Audit Plan	<ul style="list-style-type: none"> • Audit Committee • S.151 Officer • External Audit 	Beginning of year. Details of the service delivered and the future plans to provide assurance across the Council in accordance with PSIAS.	<ul style="list-style-type: none"> • Audit Plan and days to be delivered • Audit Charter • Code of Ethics • Performance indicators to monitor service delivery and quality

12. INTERNAL AUDIT SERVICES PROVIDED TO EXTERNAL CUSTOMERS

12.1 Audit activities undertaken on behalf of other organisations follow similar protocols to that of PCC in terms of compliance with PSIAS. Internal audit plans are developed on a risk-based methodology in providing assurance and delivering an evidence based Annual Head of Internal Audit Opinion. Reporting and progress monitoring is produced in accordance with the respective audit committee and senior management team and terms of reference detailed within service level agreements.

13. QUALITY ASSURANCE AND IMPROVEMENT

13.1 The PSIAS require that the Internal Audit develops and maintains a quality assurance and improvement programme (QAIP) that covers all aspects of the Internal Audit activity. The QAIP is informed by both internal and external assessments, any changes to the PSIAS themselves, best practice guidance and research, and continued improvements in the use of the audit system, Pentana. The results of the quality assurance programme together with progress made against the improvement plan will be reported to senior management and the Audit Committee.

13.2 Internal Assessments

13.2.1 Internal Assessments include on-going monitoring of the performance of the internal audit activity. The Service operates in accordance with a number of key performance indicators.

13.2.2 The PSIAS additionally require periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of Internal Audit practices. This obligation is satisfied by the CIA performing an annual self-assessment of the effectiveness of Internal Audit, before the results are submitted to the Audit Committee. Presenting this information to the Audit Committee enables members to be assured that the Internal Audit Service is operating in a satisfactory manner such that reliance can be placed on the subsequent annual audit opinion provided by the CIA.

13.3 External Assessments

13.3.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external verification. PCC was subject to an external review in 2018 and was found to be fully compliant.



INTERNAL AUDIT: JOINT WORKING PROTOCOL

Vision

Two authorities with a shared vision to work in collaboration for the benefit of providing a better service to its stakeholders.

The overarching ethos is for each organisation to share information to improve service delivery and resident outcomes where there is an overlap of coverage.

Aims and Objectives

Internal Audit teams at PCC and CCC will use the principles contained within this joint working protocol to achieve the outlined vision.

A number of service areas are already jointly managed between the two organisations which offers the potential to have common governance arrangements. Internal Audit teams will explore ways where work can be aligned to ensure effective and efficient assurances are given in those areas where common governance arrangements are in place.

This joint working protocol will facilitate proportionate, consistent and best practice auditing and in turn result in a continually improving the audit service to both Councils.

Successfully implementing joint working arrangements between the two audit teams will include:

- Agreeing areas for shared audit Plans.
- The potential to place increased assurance on work completed by the other team. However, subject to the results, additional compliance works may be required on their own user data;
- Reducing audit work duplication.
- A shared record for action tracking recommendations in joint areas

- Setting standards to follow to ensure improved service outcomes for users;
- Sharing best practice; and
- Exploring the possibilities for workforce development or secondment.

Data Sharing

Data to be shared is restricted to (unless authorised by both Heads of Internal Audit):

- Annual Audit Plans and Annual Audit Opinions committee reports. These are already in the public domain through committee papers.
- Audit documentation for a specific audit which can be used to provide assurance (or otherwise) to the other authority on an area of service which is jointly managed. This can be the test programme identifying the key risks and controls, the tests undertaken alongside the evaluation reached. The final audit report will be made available for information.
- Implementation status of recommended actions in shared areas.

Excluded from the specification are the specific audit transactional data schedules.

Review of Protocol and Release of Information

The Protocol will be agreed by each Council's respective Head of Internal Audit and s.151 Director. It will be referred to each authority's Audit Committee as part of the annual audit planning process (usually in March each year). It will link in with each team's Audit Charter and will ensure that it meets Public Sector Internal Audit Standards.

The responsibility of the Protocol will remain with each Head of Internal Audit. Regular meetings, as a minimum every 2 months, will monitor its delivery with focus on the joint activities, data shared etc.

Sharing of data can be between all Team members. Requests do not need to be channelled through each Head of Internal Audit for approval but they should be made aware of requests etc. (CC in emails can be used). Where final reports are shared, each s.151 Director and the appropriate Executive Director should be advised as courtesy.

Reports / data from one organisation must not be referred to by the other in any public reporting unless specific approvals obtained from the S151 Officer and relevant Director.

Steve Crabtree Peterborough City Council	Neil Hunter Cambridgeshire City Council
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PETERBOROUGH CITY COUNCIL INTERNAL AUDIT CODE OF ETHICS
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INTRODUCTION

The purpose of a Code of Ethics is to promote an appropriate ethical culture for Internal Audit. The Code sets out the minimum standards for the performance and conduct of Peterborough City Council's (PCC) Internal Auditors. It is intended to clarify the standards of conduct expected when carrying out their duties and promote an ethical, professional culture at all times when undertaking audit duties.

PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

- **Integrity.** The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
- **Objectivity.** Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- **Confidentiality.** Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- **Competency.** Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

INTEGRITY

PCC Internal Auditors shall:

- Perform their work with honesty, diligence and responsibility;
- Observe the law and make disclosures expected by the law and the profession;
- Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;
- Respect and contribute to the legitimate and ethical objectives of the organisation.

OBJECTIVITY

PCC Internal auditors shall:

- Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- Not accept anything that may impair or be presumed to impair their professional judgement; and
- Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

CONFIDENTIALITY

PCC Internal auditors shall:

- Be prudent in the use and protection of information acquired in the course of their duties but should ensure that requirements of confidentiality do not limit or prevent reporting within the authority as appropriate; and
- Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

COMPETENCY

PCC Internal auditors shall:

- Engage only in those services for which they have the necessary knowledge, skills and experience;
- Perform Internal Audit services with the International Standards for the Professional Practice of Internal Audit; and
- Continually improve their proficiency, effectiveness and quality of their services

MANAGING ARRANGEMENTS

To ensure compliance with the Code of Ethics:

- There is an annual review of the Code to reinforce understanding and confirm on-going commitment;
- Quality control processes are in place to demonstrate integrity in all aspects of the work;
- All staff are obliged to declare any potential conflicts of interest;
- Confidentiality is clearly understood and any breaches will not be tolerated; and
- Staff are aware and understand the organisations aims and objectives together with an appreciation of the policies and procedures which govern the areas to be audited.

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT STRATEGY 2022/3**

1 INTRODUCTION

- 1.1 Internal Audit has a key role in supporting the Council and its Audit Committee in discharging its governance responsibilities. Its aim is to provide independent risk based and objective assurance which is responsive to the needs of Councillors and management, ensuring assurance, advice and insight enhances the values and vision of Peterborough City Council.
- 1.2 In accordance with the mandatory Public Sector Internal Audit Standards (PSIAS), the Chief Internal Auditor must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. The role, purpose and authority of Internal Audit is defined in our Charter, which is updated annually and presented to the Audit Committee for approval.
- 1.3 This document demonstrates how Internal Audit will support the Council in by delivering a relevant and focused Internal Audit Annual Plan for 2022/3. It explains how the plan was developed, the resources required to fulfil it, and how we will continue to develop the audit service.
- 1.4 The strategy will be reviewed throughout the year to ensure its continued relevance, both in terms of supporting the council’s aims and in achieving a professional, modern audit service.

2 INTERNAL AUDIT PLANNING PROCESS

- 2.1 In an ever-changing risk and control environment, it is important that audit plans can adapt quickly to the needs of the Council. To ensure the plan is flexible and meets the needs of the organisation in real time an assessment and planning tool will be used throughout the year on a rolling basis. This approach has been in operation since 2018 and has the advantage that each selected piece of work is the right one.
- 2.2 In February 2022 Audit Committee, received and discussed some emerging themes as part of the annual planning process. These were generated from our review of: departmental and strategic risk registers; discussions with senior management; the Council’s priorities; the Medium-Term Financial Strategy; key decisions and reports taken to Cabinet, Scrutiny Committee and other committees; and contract and project registers. The themes considered were:

Corporate governance	Information governance	Service Delivery	External Organisations
Financial governance	Environment	Contracts and Procurement	Project and Programme management

- 2.3 The list of ideas that this generated was then subject to an assessment, using our planning tool. The key factors being assessed are:
- Materiality: The size of a system or process in terms of financial value or number of transactions or number of people affected.
 - Corporate Importance: The extent to which the Council depends on the system to meet statutory or regulatory requirements or corporate priorities.
 - Stability: The degree of change within the process.
 - Vulnerability: Extent to which the system is liable to breakdown, loss, error or fraud.
 - Specific concerns: Arising from management's assessment of risk as well as audit intelligence.
- 2.4 The Annual Audit Plan was then compiled on the basis of:
- The prioritised list of potential audit reviews generated by the above assessment.
 - The number of audit days available for the year.
 - The skills, knowledge and experience of audit staff.
 - Assurance from other sources, including Cambridgeshire County Council audit plans in respect of our shared services.
 - An allowance for statutory activities, ad hoc consultancy, planning and progress reporting and follow-up reviews.
- 2.5 During the year, there will be new risks and concerns identified, or changes to those already identified and included in the plan. There will be regular review of these changes and a reassessment of priorities in accordance with the approach set out above. This will result in areas of work being added to or removed from the plan. It is anticipated that there will be a higher-than-normal level of change during 2022/3 due to the activities being undertaken as part of the Improvement Plan. These reviews of our governance arrangements, financial resilience, operating model and service delivery will result in changes to our risk governance and control framework, and we will keep activities and outcomes under review to determine the impact on our plans.
- 2.6 Our planning methodology does mean that we cannot state with certainty which audits will be undertaken, but this approach allows us to be responsive to new and changed risks and to ensure that assurance is provided in the most appropriate areas. Changes to the plan will be notified to the S151 officer and Audit Committee as part of agreed reporting arrangements.

3 AUDIT RESOURCES

- 3.1 The Internal Audit Service is provided by an in-house team with an establishment of 6.10 full time equivalent (FTE) staff. This has remained static for the last 4 years, although numbers in post have varied.

Post Name	FTE
Chief Internal Auditor	1.00
Group Auditor	1.60
Principal Auditor	0.50
Senior Auditor	2.00
Auditor	1.00
Total establishment	6.10

- 3.2 The Chief Internal Auditor is charged with management responsibility for both the Insurance and the Investigations Teams at Peterborough City Council, as well as undertaking any Stage 2 Corporate Complaints along with oversight of Risk Management. Management of these activities equates to approximately 0.5 FTE. The team holds a vacancy for a senior auditor, due to secondment to the Covid Co-ordination Hub. After adjusting for this the remaining FTE available to provide an audit service to Peterborough City Council is 4.6 FTE.
- 3.3 The audit team has a working protocol with Cambridgeshire County Internal Audit services. Peterborough City and Cambridgeshire County Councils operate shared services in many areas, requiring both audit teams to provide assurances to their respective management teams and audit committees. We liaise with our Cambridgeshire colleagues to minimise duplication, use resources efficiently, and to place reliance on each other's work where possible.
- 3.4 The audit plan does identify a conflict of interests regarding the risk management review, due to the Chief Internal Auditor's role in Risk Management. Our Charter states that such audits will be reviewed independently from the Chief Internal Auditor, and we will determine the most appropriate arrangements at the time. We will continue to keep this under review during the year as individual reviews are scoped to identify and new conflicts arising.

4 QUALITY ASSURANCE AND IMPROVEMENT

- 4.1 The Internal Audit team will operate to the mandatory professional standards outlined in the Public Sector Internal Audit Standards (PSIAS). We will continue to monitor and improve the quality of our work in the following ways:
- Robust, evidenced quality reviews of each piece of audit work by senior management.
 - Ongoing supervision and mentoring of staff, though 1:1s.
 - Assessment of the training needs of staff in conjunction with the internal audit training strategy and the corporate appraisal process.
 - Post-audit questionnaires obtaining the views of auditees.
 - Customer surveys to understand the requirements of management and their views on the quality of our service.
 - Producing and implementing an improvement plan based on any self or externally assessed reviews of our work.

5 AUDIT SERVICE DEVELOPMENT

- 5.1 We aim to continually review and improve our service to ensure it is of the highest quality and meets our aims, as set out in the Charter. We will continue to develop and implement our Quality Assurance Improvement Plan, including the following:
- Continued development of our joint working protocol with Cambridgeshire County Council to improve efficiency and share best practice.
 - Review our reporting templates to enhance the provision of information about risks and controls.
 - Review our performance targets to ensure they are in line with best practice.
 - Update our follow-up process, to improve efficiency and ensure all actions are tracked and easily reportable.
 - Review our post-audit questionnaire, with the aim of increasing its return rate using electronic surveys.
 - Ongoing upgrades of our audit software, to ensure we are making full use of best practice enhancements.

6 OVERVIEW OF PLAN

- 6.1 The Plan for 2022/3 aims to give the Council the best audit coverage within the resources currently available, in order to provide an Annual Audit Opinion to feed into the Annual Governance Statement. The plan is based on 4.6 FTE, our currently available resources, which equates to 760 days. Appendix D lists the planned audits achievable within current resource levels, but also provides details of other high priority audits that have been considered as part of this planning process. Discussions are ongoing about the seconded post and the impact on our plans.
- 6.2 The detailed plan at APPENDIX D also identifies where our audits align to departmental and corporate risks. It should be noted that risk registers are in the process of being updated to refocus on business-as-usual risks following Covid, and therefore we have placed reliance on a variety of other sources of information to determine areas for review.
- 6.2 The table below summarises our coverage of the key areas we consider annually. The allocation of resource demonstrates our key focus on financial and corporate governance in light the council's current strategy and objectives to enhance financial resilience and improve governance structures. A full establishment will also offer the opportunity to provide fuller coverage of service delivery activities, which will be important given the likely changes occurring as part of the Improvement Plan. It will also enable us to increase our focus on contracts and procurement, an area that is key to the council's financial success.

Internal Audit Work Areas	Current Days Available	%	Full Establishment Days Available	%
Corporate Governance	75	10	85	9
Financial Governance	115	15	140	15
Information Governance	50	6	65	7
Procurement and Contracts	50	7	80	8
Programmes and Projects	45	6	45	5
Service Delivery	45	6	125	13
External Organisations	20	3	50	5
Certification & Verification	100	13	100	11
Other Resource Provisions	260	34	260	27
TOTAL RESOURCES	760	100	950	100

6.1 Financial Governance

We have a strong focus on financial governance this year given the well documented financial issues facing the Council and as a key theme in the Improvement Plan. We will look at the new Financial Operating Framework to ensure adequate controls are built into our financial governance procedures. We will also review the plans in place to ensure we achieve our savings targets, as well as how we charge for services and recover debts. Three of our key financial systems are included and this is based on our risk assessment rather than a cyclical approach. Many of our other audits will pick up on financial aspects, including our reviews of contracts and projects.

6.2 Corporate Governance

This is another key theme in the Improvement Plan. Our plan provides a high-level overview of the governance arrangements at the Council, including Human Resources management, how we make and approve decisions, Risk Management and a review of compliance with the Local Code of Governance. We will continue to attend the Risk Management Board. The Chief Internal Auditor also provides input to the Annual Governance Statement.

6.3 Information Governance

This theme includes our work on IT, an area that used to be provided under our contract with Serco, but which returned to the Council last year under a shared service arrangement with Cambridge County. We are planning to review Cyber Security, including a more detailed review of remote working arrangements, and Disaster Recovery arrangements. We will also look at our compliance with GDPR legislation and Payment Card industry standards. We will continue to attend the Strategic Information Governance Board, providing consultancy advice on the policy framework and emerging issues.

6.4 External Organisations

Each year we aim to look at services delivered by external organisations in which we have an interest, such as joint ventures. This is an area that is to be reviewed as part of the Improvement Plan, and the scope of the review is currently in development. We have included time for an audit of the assurance framework for a joint venture with the Cambridgeshire and Peterborough Combined Authority and Anglia Ruskin University, and any further work will be considered during the year. We intend to review any new arrangements that are implemented to oversee external organisations once they are embedded, which may be this year or next year.

6.6 Service Delivery

Again, service delivery is a key theme in the Improvement Plan, and we are currently awaiting information on the scope of those reviews, and any outcomes, which may impact on the work we decide to do. We have however included time for a review of our property management system and safeguarding assurances. In line with our corporate commitment to tackling climate change, we will look at operational activities during a variety of audits to determine their impact on our Climate Change Action Plan targets.

6.7 Procurement and Contracts

We assess the management of contracts as high priority at a strategic level and always include time in our plan. We will not look at those contracts being reviewed as part of the Improvement Plan but have incorporated the contract management of two large contracts in our plan, along with a high-level review of tendering processes carried out by our procurement team, and others.

6.8 Programmes and Projects

We assess the management of projects as high priority at a strategic level and always include time in our plan. Two major systems implementation projects have been included. We will examine projects to ensure appropriate business cases have been made and that they are being managed effectively to achieve their objectives. The Improvement Plan itself is being managed as a programme, with a number of crucial projects being managed by officers across the council. We will provide assurance that appropriate project management principles are being applied.

6.9 Certification and Verification

As a result of the Council continuing to receive and obtain grant funding, and particularly as a result of additional Covid funding, the demand for internal audit to certify grants continues. Also included in this area of the plan is other verification work carried out in line with Government requirements, such as Troubled Families programme (to become Supporting Families), an annual financial audit of the Mayor's Charity and Business Support grant assurance work. The latter has been a requirement in 21/2 and continues into 22/3 but we anticipate that it will cease after that.

6.10 Other Resource Provisions

This area includes time for:

- Completing 2021/2 audits that have yet to be finalised at the beginning of 2022/3
- Following-up the implementation of audit recommendations, normally within 6 months of the original audit.
- The provision of control advice and consultancy, which is requested on an ad-hoc basis from a variety of managers and officers. A large amount of this work consists of advice during the update or implementation of new systems or processes.
- Fraud related activities, including work under the National Fraud Initiative.
- A small contingency to cover unplanned work arising from changes implemented under the Improvement Plan.
- Annual audit planning, progress monitoring and reporting.
- Other committee support, including reporting, Audit Committee training and a review of Audit Committee effectiveness
- Review and update of the Internal Audit Charter and Ethics statement, Quality Assurance Improvement Plans and review of Internal Audit effectiveness

6.11 Anti-fraud Culture

The Chief Internal Auditor manages an Investigations Team, and reports to Audit Committee separately about their work. However, in delivering all of its work, internal auditors are alert to the risks and exposures that could allow fraud or corruption to occur. Our plan also includes time for our annual work in relation to the National Fraud Initiative where internal audit have a key role. Where suspected irregularities require prompt reactive investigating, we will re-prioritise our audit plan to enable time to be released from other audit work. We will also work with the Investigations Team where appropriate.

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2022/23**

AUDIT ACTIVITIES Provision for Internal Audit and Anti-Fraud activities that are not subject to risk assessment.	
SERVICE / SYSTEM	AUDIT SCOPE
Annual Audit Planning and monitoring	Produce risk assessed annual plan and strategy, including reporting of the progress of the plan during the year. In accordance with PSIAS. Review of Internal Audit effectiveness, Internal Audit Charter, Internal Audit Ethics Policy. Development and monitoring of the Quality Assurance Improvement Plan.
Annual Audit Opinion	Produce report detailing work carried out and Head of Internal Audit Opinion of Governance, Risk and Control, in accordance with PSIAS.
Audit Committee Support	This includes a review of Audit Committee effectiveness, update of the Audit Committee Handbook, provision of training and attendance at meetings.
Annual Governance Statement	Review of senior management self-assessment assurance statements to feed into the AGS. Verification of (but not production of) final AGS.
Local Code of Corporate Governance	Review of compliance with this code.
Fraud activities	National Fraud Initiative – Review of data matches and submission of data. Investigations into alleged fraud or irregular activity, as required. Review of fraud policies, including Whistleblowing policy.
Working Groups/ Boards/Committees	Attendance at working group/board meetings (for example: Risk Management, Information Governance, Cyber Security, Project and Procurement boards) and council committees, including annual report of audit activity relating to external organisations to the Shareholder Committee. Reviewing emerging issues.
Carry Forward Provision	Provision for the completion of 2021 - 22 audits.
Follow Up Provision	Revisiting audits after 6 months to monitor the implementation of recommendations.
Contingency	Allowance for unplanned work, particularly considering changes to the risk, control and governance framework that may result from the Improvement plan.
Advice and Consultancy	Allowance exists for time spent on providing risk and control advice to officers, management and members, as well as ad hoc requests for consultancy work.
TOTAL AUDIT DAYS	
260	

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2022/23**

CERTIFICATION & VERIFICATION

Certification of grant claims in relation to funding received from government and other funding bodies, as well as other submissions we are required to make to government. These are not subject to risk assessment as they must be completed.

DESCRIPTION	DEPT	COMMENTS
Disabled Facilities	PEC	Non-ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations. Completion by July 2022.
Traffic Signals Maintenance	PEC	From CPCA. Completion by September 2022
Integrated Transport Block	PEC	A DfT scheme via the CPCA to help local authorities cut carbon emissions and create local growth. Completion by September 2022
Highways Maintenance	PEC	A DfT grant via CPCA for small transport improvement schemes costing less than £5 million, and for planning and managing the road networks. Completion by September 2022 (Needs Element, Incentive Element, Additional Incentive Element).
Pothole Action Fund	PEC	A capital funded DfT grant via the CPCA to support pothole repairs. Completion by September 2022
National Productivity Investment Fund	PEC	From DfT via CPCA to improve local road networks and public transport. Completion by September 2022
Supporting Families	ACE	Payment by results scheme. Requirement to audit 10% of the claims for every submission. Also, to review the council's Outcomes Plan, which documents how PCC will apply the scheme. Claims reviewed monthly.
Basic Needs Fund	ACE	From DfE. Annual grant to support the creation of school places. Completion by December 2022.
Contain Outbreak Management Fund (Covid)	PH	From DHSC. Covid related grant to support the management of covid outbreaks, including Test and Trace. Completion by Jun 2022.
Mayor's Charities	L&G	Independent examination of the Mayor's Charities' accounts, in line with the Charity Commission's requirements.
Business Support Grants (Covid)	Res	Payment Assurance activity, as required by DLUCh, in respect of all Covid business support schemes. Use of government fraud checking service, review payments made to determine error or fraud, submission of monitoring data and documents to evidence our work.

TOTAL AUDIT DAYS**100**

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2022/23**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources.

SERVICE OR SYSTEM	SOURCE	DEPT	OUTLINE AUDIT SCOPE	PRIORITY
Financial Resilience	Corporate Risk	Res	Risk: Savings targets are not achieved / financial sustainability not realised. A review of the arrangements in place to ensure that savings targets are robust and that they are monitored.	H
Financial Operating Framework	Internal Audit	Res	Control advice during development of revised Financial Operating Framework, including Financial Regulations, Contract Standing orders, Contract management policy, Capital governance strategy.	H
Income Generation / Charging	Corporate Risk	ACE PEC	Risk: Income levels reduced following COVID. A review of processes that ensure accurate and complete billing and debt recovery in key service areas.	H
Cyber Security	Internal Audit	C&D	Follow-up of previous Limited Assurance audit report and review of project underway to implement enhancements following the National Cyber Security Centre survey into Malware and Ransomware. Communications team risk: corporate website fails or is attacked (green).	H
Payroll	Financial System	Res	Full system review. Previous audit work has reported on weaknesses in accuracy and completeness of data.	H
Decision Making	Internal Audit	L&G Res	A review of the governance structures for making and approving decisions, including delegated authority, compliance with the constitution, financial rules and the capital governance structure.	H
HR Management	Corporate Risk	Cex	Risk: Increase in staff absence and loss of staff. Review of actions to mitigate this risk including implementation of new workforce development strategy; management of staff wellbeing and use of the apprenticeship levy. Follow up of Absence management audit.	H
Procurement Spend Controls	Resources Risk	Res	Risk: Savings targets are not achieved / financial sustainability not realised. Review of new controls to reduce spend outside of contract and to ensure procurement controls are adhered to. Possible data analysis using audit analytics tool.	H
Covid 19 Public Inquiry	Mngt Request	All	Review of arrangements to ensure that data in respect of the Council's response to Covid 19 is retained appropriately and is available for a response to the public inquiry.	H

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2022/23**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources.

SERVICE OR SYSTEM	SOURCE	DEPT	OUTLINE AUDIT SCOPE	PRIORITY
Risk Management	Internal Audit	Res	Follow-up of previous Reasonable Assurance audit report and support to develop further enhancements to the strategy and operational aspects.	H
Safeguarding Arrangements	P&C Risk	ACE	Risk: Failure of the Council's arrangements for safeguarding vulnerable children and adults Review of mitigating activity outlined in the risk register, along with the safeguarding assurances in place. Liaise with CCC.	H
Integrated Transport System	Project	ACE	A review of project management of this new system shared with CCC, which covers school and Adult Social Care transport route planning, DBS checks of drivers, payments to suppliers and other local authorities.	H
Contract Tendering	Internal Audit	Res	Assessment of arrangements to secure best value in contracts.	H
OPUS Contract	Contract	Cex	A review of the management of the contract for agency staff. Contract value is £6.7m annually and £20m total contract value.	H
Levelling-up Fund	Internal Audit	PEC	Assurances that the £20m fund is being managed appropriately through our agreements with the CPCA, including joint ventures. Advice in relation to the required assurance framework. The fund is primarily being used for the University.	H
NNDR	Financial system	Res	Full systems review, to include application of reliefs and impact of Covid. (non-payment, eligibility for new and existing reliefs)	H
Spectrum Replacement	Project	Res	Advice on control framework during design/implementation of the cash management system. Due to complete Jun 22.	H
Property Asset Management	Resources Risk	Res	Risk: Quality of data and impact on financial accounts. A review of the property asset management system. Land transfer processes have also been highlighted as an area of concern.	H
Climate Change – Action Plan	Corporate Risk	PEC	Risk: actions not developed and budget uncertainty. Review of compliance with targets and actions. To be incorporated into audit reviews of relevant areas.	H

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2022/23**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources.

SERVICE OR SYSTEM	SOURCE	DEPT	OUTLINE AUDIT SCOPE	PRIORITY
Disaster Recovery	C&D Risk	C&D	Risk: DR plans are not tested A review of disaster recovery plans in place.	H
Information Governance	L&G Risk	L&G	Compliance with GDPR legislation. RISK: Lack of oversight and control of information management	H
PCI compliance	C&D Risk	C&D	Risk: council is not complying with PCI regulations. Compliance with Payment Card Industry requirements.	H
MyVlew - Expenses Module	Project	Cex	Control advice during implementation of expenses module - for online submission and approval of expenses.	H
Drug and Alcohol Treatment System Contract	Contract	PH	Review of Contract Management. Annual value £5.4m.	H
External Organisations	PEC Risk	PEC Res	Review of operation of new arrangements for governance of external companies as part of the Improvement Plan. RISK: failure of partnerships to deliver BAU.	H
TOTAL AUDIT DAYS				400

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2022/23**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources.

SERVICE OR SYSTEM	SOURCE	DEPT	OUTLINE AUDIT SCOPE	PRIORITY
Supplier Resilience	Corporate Risk	ACE	Risk: Impact of challenging financial position of key health partners. Supplier Resilience following Covid. Review of due diligence, supplier set up and processes in place to monitor supplier resilience. Liaise with CCC.	H
Home to School transport	P&C Risk	ACE	RISK: Increased demand for services, combined with financial pressures, will threaten the council's ability to deliver service within budget. Process to ensure transport is awarded in line with eligibility criteria. Area of high spend.	H
Healthy Child Programme	Contract	PH	Review of contract management. Joint contract with CCC and subject to s75 agreement. Annual value £12m.	H
Care and Repair Contract	Contract	PEC	Review of contract management or tender process. Annual cost £4m. Contract Value £16m.	H
Integrated Care System	P&C Risk	ACE	Risk: impact on the way our services work with NHS services. A review of data sharing arrangements as the new operating structure and IT system develops.	H
Direct Payments	Internal Audit	ACE	Arrangements for managing direct payments to ensure they are spent in line with care plans.	H
Aragon	Internal Audit	PEC	Review of Finance operations in this PCC subsidiary, including billing and charging arrangements.	H
Sundry Debtors	Internal Audit	Res	Review revised debt management process including CHC joint funding tool, and impact on outstanding debt with CCG.	H

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2022/23**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources.

SERVICE OR SYSTEM	SOURCE	DEPT	OUTLINE AUDIT SCOPE	PRIORITY
Temporary Accommodation	Corporate Risk	PEC	Risk: of increased demand due to homelessness. Review of management of costs, including a variety of contracts.	H
Council Tax	Financial system	Res	Full systems review, to include application of reliefs and impact of Covid (non-payment, eligibility for new and existing reliefs)	H
Climate Change – Organisational resilience	Mgmt Request	PEC	Arrangements for dealing with the potential effects of climate change on the Council.	M
Academy to Cloud Project	Corporate Risk	C&D	Risk: GDPR issues impacting on delivery of project. Review of management of this project. Alternatives being looked at due to high data storage costs.	M
WRAP Food Waste project	Corporate Risk	PEC	Risk: Failure of Aragon in delivery of WRAP Food Waste Project. Review of project management. Funds received from WRAP for a food waste capture improvement project.	M
MRF contract	Mgmt Request	PEC	This Materials Recycling Facility is operated in partnership with other authorities at a total value of £3.5m. Management request to carry out an open book review of the income share arrangement.	M
Blue Badges	Internal Audit	PEC	Arrangements for ensuring Blue Badges are awarded to/used by those eligible to receive them. A new IT system or new contract is planned.	M
TOTAL AUDIT DAYS				200

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2022/23**

DEPARTMENTS	
Res	Corporate Resources
Cex	Chief Exec, including Human Resources
L&G	Law and Governance
C&D	Customer and Digital
BID	Business Improvement & Development
ACE	Adults, Children and Education
PEC	Place, Economy and Communities
PH	Public Health

PETERBOROUGH CITY COUNCIL
AUDIT REVIEWS UNDERTAKEN DURING PREVIOUS 3 YEARS

2021/22 (includes reviews in progress)	2020/21	2019/20
Annual Governance and Assurance		
Annual Governance Statement Review Annual Investigations Report Annual Audit Opinion (2020/21) Annual Audit Plan and Strategy Internal Audit Effectiveness Audit Committee Effectiveness / Support Shareholder Cabinet Committee (activity reporting)	Annual Governance Statement Review Annual Investigations Report Annual Audit Opinion (2019/20) Annual Audit Plan and Strategy Internal Audit Effectiveness Audit Committee Effectiveness	Annual Governance Statement Review Annual Investigations Report Annual Audit Opinion (2018/19) Annual Audit Plan and Strategy Internal Audit Effectiveness Audit Committee Effectiveness
Corporate Governance and Risk Management		
Risk Management (Management Board and Strategic Review) Risk Management (Shared Service) Shareholder Cabinet Committee – Follow Up	Risk Management (Management Board and COVID-19 Risk Register) External Bodies Oversight – Shareholder Cabinet Committee	Risk Management (Management Board and COVID-19 Risk Register) Information Governance Framework (F/Up)
Information Governance		
Information Governance (Shared Service Strategic Board) Cyber Security Remote Working – Data Protection	Information Governance (Shared Service Strategic Board attendance) Adult Social Care – Website Data Quality	Information Governance (Shared Service Strategic Board attendance)

PETERBOROUGH CITY COUNCIL
AUDIT REVIEWS UNDERTAKEN DURING PREVIOUS 3 YEARS

2021/22 (includes reviews in progress)	2020/21	2019/20
Anti- Fraud Culture		
National Fraud Initiative Anti-Fraud Policies	National Fraud Initiative Anti-Fraud Policies	National Fraud Initiative Anti-Fraud Policies Fraudulent Cheques Cyber Attack – August 2019
Financial Systems		
Procurement Card System Follow-up Energy Management Follow up Payroll and Pension Processes Sundry Debtors Sundry Debtors Follow up Waste Collection Refunds	Financial Control Framework Business Model Working Group Home Services Delivery Payment BACS Bureau Energy Management - Follow up	Savings Targets Mosaic Payment Controls Procurement Card System Energy Management
Contracts and Procurement		
Milestone Infrastructure Ltd Contract Approvals (previously Skanska) Integrated Community Equipment Service (CCC Lead)		Espo Northminster MSCP – Closure Review Materials Recycling Facility Clare Lodge Contract Procurement Processes

PETERBOROUGH CITY COUNCIL
AUDIT REVIEWS UNDERTAKEN DURING PREVIOUS 3 YEARS

2021/22 (includes reviews in progress)	2020/21	2019/20
Projects and Programme Management		
Payment Data Analysis Programme and Project Management Town Fund Deal Town Fund Assurance Certification Middleholme Project Disaster Recovery Project Digital Signatures Project	Aragon Transition Project – Follow up HR Management System	Transition of Amey Contract to Council LATCo Agresso – Periodic Supplier Payments
External Organisations		
City Culture Peterborough	Norfolk Property Services – Follow up Mayors Charity – Follow Up Newborough Parish Council	Peterborough Investment Partnership Norfolk Property Services Peterborough Mayors Charity – Processes Aragon Services – Statutory Testing Hampton Hargate School NCTL The Phoenix School NCTL

PETERBOROUGH CITY COUNCIL
AUDIT REVIEWS UNDERTAKEN DURING PREVIOUS 3 YEARS

2021/22 (includes reviews in progress)	2020/21	2019/20
COVID-19 – Grant Schemes or Process Change Reviews resulting from the pandemic		
COVID-19 Business Support Grant Schemes	COVID-19 Corporate Process Changes COVID-19 Business Support Grant Schemes COVID-19 Winter Grant Scheme COVID Hub – Food Parcels COVID Infection Control Grant Test and Trace Isolation Payments Supplier Relief Payment Controls Procurement Card System	
Service Delivery		
Business Continuity – Follow Up and Operational Risk Registers Teachers Pensions – Premature Retirement F/up Financial Resilience – Business Improvement Plan Working Group Safeguarding Clients Assets (shared Service)	Business Continuity – Strategy (PCC/CCC shared Service) Health and Safety follow-up Teachers Pensions – Premature Retirement Free School Meals	0-25 Disabilities Service in Peterborough and Cambridge (Shared Service) IT Asset Management Community Infrastructure Levy Health and Safety Apprenticeship Levy Scheme Armed Forces

PETERBOROUGH CITY COUNCIL
AUDIT REVIEWS UNDERTAKEN DURING PREVIOUS 3 YEARS

2021/22 (includes reviews in progress)	2020/21	2019/20
Service Delivery Cont:		
Regional Adoption Agency (shared service) Absence Management Absence Management Follow up IT Asset Management Follow up Payments in Lieu of Notice ITSM System Approval Process	SEN Payments All Saints Church of England School	Disabled Facilities –in house system processes Safeguarding Action Plan –follow up Lone Working Taxi Licencing Gifts and Hospitality IT Asset Management
Grants and Other Certification		
Highways and Infrastructure Grants (5) Bus Service Operations Home to School Transport Additional Funding Disabled Facilities Connecting Families Mayors Charity Fund Emergency Active Travel Grant Hampton Hargate NCTL Grant Arts Council Covid Recovery Fund (3) COVID-19 Compliance and Enforcement	Highways and Infrastructure Grants (5) Bus Service Operations Taxi Infrastructure Disabled Facilities Grants Connecting Families Mayor’s Charity Fund	Highways and Infrastructure Grants (5) Bus Service Operations Taxi Infrastructure Disabled Facilities Grants Connecting Families Mayor’s Charity Fund Carbon Reduction Commitment

PETERBOROUGH CITY COUNCIL
AUDIT REVIEWS UNDERTAKEN DURING PREVIOUS 3 YEARS

AUDIT COMMITTEE	AGENDA ITEM No. 5
21 MARCH 2022	PUBLIC REPORT

Report of:	Cecilie Booth – Chief Finance Officer and s.151 Officer	
Cabinet Member(s) responsible:	Councillor Coles – Cabinet Member for Finance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384557

STRATEGIC RISK MANAGEMENT

RECOMMENDATIONS	
FROM: Steve Crabtree, Chief Internal Auditor	Deadline date: N/A
It is recommended that Audit Committee:	
1. Review, note and comment upon the strategic risks identified for the Council	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee as a routine planned report on the development of the strategic risks and management of risks across all departments.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to provide Members with details of strategic risks which could impact on the delivery of the Councils vision and objectives and the arrangements in place to manage these.

2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.2.15

- *To monitor the effective development and operation of risk management and corporate governance in the Council”.*

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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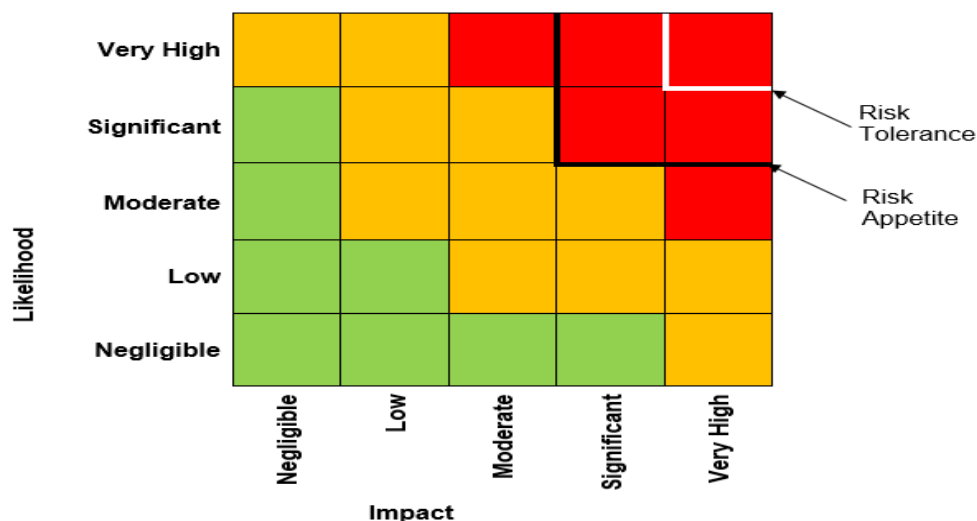
4. BACKGROUND AND KEY ISSUES

4.1 INTRODUCTION

4.1.1 To achieve the ambitions, outcomes and priorities determined by the Council, it is essential that it continues to understand, manage and communicate the diverse range of risks and challenges that could threaten the organisation and vital services. Risks originate from a variety of sources, many of which are out of our direct control – for example global events such as the pandemic or

austerity. More localised incidents can impact on residents, individuals, services or the infrastructure. It is paramount that all risks are clearly identified, managed and reported through the relevant channel. Risks can never be eliminated entirely but proportionate and targeted action can be taken to reduce risks to an acceptable level. The effect of uncertainty on an organisation's objectives is risk. Risk management is the process of identifying what might go wrong, what the potential consequences could be, and how to best mitigate the likelihood of the risk occurring. If it does go wrong, as is inevitable sometimes, proactive risk management will ensure the impact is kept to a minimum.

- 4.1.2 Local authorities are required to maintain a sound system of internal control, including risk management, internal audit, and whistleblowing arrangements. Risk management is the application of Council strategies, governance, policies and processes to identify and manage risks that are acceptable to the Council. Managing risk processes effectively enables the Council to safeguard against potential threats and take advantage of potential opportunities to improve services whilst continuing to provide better value for money for residents, visitors, local businesses and service users.
- 4.1.3 The Council is accountable to the public for its performance and financial management. This means that the Council has a low appetite for risk, however this will need to change in order to take careful consideration of risk to develop new and innovative ways to delivery services, support communities and ensure the long term financial stability of the Council is not impaired by short term decisions. This makes good risk management essential.
- 4.1.4 In order to formalise risk management arrangements across the business, the Council has developed a Risk Management Strategy. The objectives of this strategy are to maintain the effective management of risk through:
- Increasing the likelihood of achieving the organisation's goals and delivering outcomes;
 - Improving the identification of opportunities and threats across the project portfolio;
 - Improving governance, stakeholder confidence and trust;
 - Establishing a reliable basis for informed decision making and planning;
 - Effectively allocate and use resources for risk treatment; and
 - Improving organisational resilience.
- 4.1.5 This approach enables the Council to:
- Identify risks;
 - Assess the risk;
 - Agree and take action to manage the risk; and
 - Monitor, review and escalate risks
- This results in:
- Resources being directed to the risks that matter and away from risks that do not – and as a consequence lead to fewer surprises; and
 - Enabling opportunities to be exploited as risks are understood and managed.
- 4.1.6 The following criteria is applied to determine if a risk is also a corporate risk:
- If it would cause reputational damage to the council
 - If it would have a financial impact on the council
- 4.1.7 The Council operates against a risk management strategy which identifies risks both strategically and operationally. Risks are based on a 5 x 5 matrix (see chart) with the current risk appetite as deemed appropriate by Members identified. These are recorded within POWER BI which enables reports to be produced and discussed at the bi-monthly Risk Management Board. Similarly risks will be reported to the Improvement Panel to oversee the effective delivery of the changes required to make the Council sustainable.



4.1.8 The Strategy has been in place for a number of years and is in need of refresh to ensure it meets current and future requirements, reflects the new reporting tools utilised with the various changes across the Council. This will be brought to a future Committee for consideration. In addition, training will be delivered to Committee members.

4.2 CORPORATE RISKS

4.2.1 Based upon all the red risks, the Council has the following Corporate Risks (identified as at 28 February 2022 and scoring 15 or above):

Department	Risk Description	Score
People and Communities	Pressures due to demographic change	16
	Impact of potential post Covid surge in Adults services	16
	Provider sustainability	16
	Viability of day opportunities	16
	Safeguarding arrangements failure for children and adults	15
Resources	Financial resilience	25
	Empower loan refinancing	20
	Increase in borrowing rates	16
	Failure to maintain an effective business continuity plan	15
	Reduce income levels (post Covid)	15
Public Health	National PH grant insufficient	16
	BAU capacity during pandemic	15

5. CONSULTATION

5.1 There is a bi-monthly Risk Management Board meeting where lead officers from all departments update their individual Risk Registers and review a detailed analysis of both departmental and corporate risks.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 That risks to the delivery of council services are identified and rated in a timely manner and mitigating actions are put in place to minimise their impact. That risks are reviewed on a periodic basis to ensure their impact and likelihood are correctly stated and mitigating actions are being delivered.

7. REASON FOR THE RECOMMENDATION

7.1 The Audit Committee must be assured that the council has processes in place to identify risks on a timely basis and that actions are put in place to monitor and mitigate their effects.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 None

9. IMPLICATIONS

Financial Implications

9.1 None in this report, however there may be costs associated with individual risk mitigations. These are picked up in the normal monthly monitoring process and separate Committee reports.

Legal Implications

9.2 None

Equalities Implications

9.3 None

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

10.1 None.

AUDIT COMMITTEE	AGENDA ITEM No. 6
21 MARCH 2022	PUBLIC REPORT

Report of:	Fiona McMillan, Director of Law and Governance and Monitoring Officer	
Cabinet Member(s) responsible:	Councillor Coles, Cabinet Member for Finance	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296334

ANNUAL AUDIT COMMITTEE REPORT

R E C O M M E N D A T I O N S	
FROM: Fiona McMillan, Director Law and Governance and Monitoring Officer	Deadline date: N/A
It is recommended that Audit Committee approve the draft Annual Audit Committee Report for submission to Council as shown in Appendix 1 .	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee in line with the agreed Work Programme for the Municipal Year 2021 / 2022.

2. PURPOSE AND REASON FOR REPORT

2.1 The Audit Committee has been in operation since Annual Council in May 2006 (first meeting June 2006). The Committee has a wide-ranging remit that underpins the Council's governance processes by providing independent challenge and assurance of the adequacy of risk management, internal control including internal audit, anti-fraud and the financial reporting framework. These are shown in its terms of reference.

2.2 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.1.13

To produce an annual report for consideration by Full Council.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	
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4. BACKGROUND AND KEY ISSUES

4.1 The attached Draft Annual Report has been produced (**Appendix A**). The report shows:

- Background to the Committee, its roles, responsibilities and membership.
- An overview and coverage of its remit including Internal Audit, Accounts and Financial Management, External Audit, Risk Management, Control Assurance, Corporate Governance, and Fraud and Irregularities; and

- Training provided to ensure that suitable challenge and scrutiny is adopted.

4.2 During the year the Audit Committee has undergone some changes to its membership with the appointment of three independent members as part of the recommendations set out by CIPFA in November 2021.

4.3 Items from this meeting will be included fully before the report is presented to Council in July 2022.

5. CONSULTATION

5.1 None required

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 Publication of the report will enable the public to gain an insight into the role of the Committee and will ensure that the Committee can continue to progress and develop in the future. The City Council continues to evolve its Audit Committee in line with best practice to provide effective challenge to the governance arrangements adopted.

6.2 Subject to approval by Audit Committee, it is intended to present the report to Council for noting as part of the Committee's annual update in order to demonstrate the work carried out to improve the governance arrangements across the Council.

7. REASON FOR THE RECOMMENDATION

7.1 To seek endorsement from Members that the Committee is delivering against its terms of reference and provided effective challenge to the organisation

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 None

9. IMPLICATIONS

Financial Implications

9.1 None.

Legal Implications

9.2 None

Equalities Implications

9.3 None

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

10.1 The Councils Constitution

Chartered Institute of Public Finance and Accountancy (CIPFA)

11. APPENDICES

11.1 Appendix A - Draft Audit Committee Annual Report

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**ANNUAL REPORT FROM
THE CHAIR OF AUDIT COMMITTEE
2021 / 2022**

Assurance

Governance

Accountability

Risk Management

Independence

INTRODUCTION

MEMBERSHIP AND MEETINGS

KEY ACTIVITIES AND TRAINING DURING THE MUNICIPAL YEAR

PLANS FOR 2022 / 2023

DRAFT

FOREWORD FROM THE CHAIR OF AUDIT COMMITTEE

I am pleased to provide the Audit Committee's Annual Report for the municipal year 2021 / 2022. The Council is requested to note the work carried out by the Audit Committee in improving the governance arrangements across the Council.

The Audit Committee has recently undergone some changes following the reports published by the Department for Levelling Up, Housing and Communities with a focus on strengthening the role of the Council's Audit Committee through the co-opting of 3 independent members to the Committee. This is a new approach for the committee and I hope it will help this function grow in strength and expertise.

The report shows how the Audit Committee has continued to make a positive contribution to the Council's governance and control environments. These cover all aspects, such as internal control; risk management; internal audit; anti-fraud; external audit; and financial reporting.

Although I have only been the Chair of the Committee since the end of January 2022 I can see opportunities for the Audit Committee to grow and provide robust challenge to the internal and external controls in place at the Council.

I would like to take this opportunity to give thanks to Committee Members and Officers for their contribution in supporting the Audit Committee's work during the year and my role as Chair. Audit Committee Members have supported and challenged officers to ensure our risk, control and governance processes are effective and transparent. Officers have presented well-prepared reports and taken on suggestions to make sure the benefits of this Committee are passed onto our citizens.

Going forward, 2022 / 2023 will continue to a testing time for the Council with the resources available becoming more important. How we risk manage our priorities, resources and partnerships will be vital, notwithstanding the risk of fraud. The Audit Committee holds a unique position to challenge and scrutinise the activities of the Council, and with the support of Officers, Councillors and fellow Independent Members I hope this can continue to be the case.

INTRODUCTION

This is the 14th annual report produced by Peterborough City Council's Audit Committee. It is produced in accordance with latest best practice¹. This report sets out what the Committee has investigated and looked at over the past 12 months in line with the constitution. I am keen that this work continues and is strengthened in light of the unique challenges the Council face over the coming years. I can see that Councillors and officers are working hard to operate the highest standards of governance.

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risks and weakens the control environment, and to oversee the financial reporting process.

The key benefits of an Audit Committee can be seen as:

- Raising greater awareness of the need for internal control and the implementation of both internal and external audit recommendations;
- Increasing public confidence in the objectivity and fairness of financial and other reporting;

¹ Best practice as contained in the Chartered Institute of Public Finance and Accountancy (CIPFA) document "A Toolkit for Local Authority Audit Committees"

- Reinforcing the importance and independence of internal and external audit and similar review processes; and
- Providing additional assurance through a process of independent and objective review.

The Terms of Reference for the Audit Committee can be found at **Annex A** of this report.

This report sets out the work undertaken by the Audit Committee for 2021 / 2022 and specifically highlights those areas where its scrutiny and review process has made a difference to performance.

In the forthcoming year I hope that training for Members becomes a focus, enabling the committee members to best effectively scrutinise the functions of the Council's audit processes.

MEMBERSHIP AND MEETINGS

During 2021 / 2022, the Audit Committee met on the following dates:

- 21 June 2021 - Extraordinary
- 29 July 2021 moved from 15 July 2021
- 13 September 2021
- 29 November 2021 moved from 15 November 2021
- 21 February 2022 moved from 24 January 2022
- 21 March 2022

There is a cross representation of all parties in accordance with the make-up of the Council. The members for 2021 / 2022 were:

In addition Cllr Day attended on behalf of the Green Group Leader for the meetings on 21 February and 21 March 2022.

Table 1: Audit Committee Membership 2021 / 2022 as at 21 March 2022:

Conservative	Liberal Democrats	Labour	Co-opted Members (from 27 January 2022)
Over (Chair) (up to 26 January 2022) Sainsbury (Vice Chair) Saqib Farooq Jackie Allen (From 27 January 2022)	Shaheed	Imtiaz Ali Haseeb Joseph	Chris Brooks (Chair) Stuart Green Mike Langhorn
Subs: Cllr Burbage	Subs: Cllr Andrew Bond Cllr Hogg – attended 21 February 2022	Subs Cllr Amjad Iqbal Cllr Jones – attended 21 February 2022	

Senior officers from the Council are also present, including the Director of Law and Governance, Corporate Director Resources, Head of Corporate Finance and Deputy S151 Officer and Chief Internal Auditor. Dependent on the subject matter on the agendas, other officers will attend in addition to external representation from the Councils' External Auditors. During the year the Corporate Director Resources Peter Carpenter resigned and was replaced immediately by an Interim Corporate Director Resources Cecillie Booth

KEY ACTIVITIES AND TRAINING DURING THE MUNICIPAL YEAR

Background

The Audit Committee's terms of reference covers 6 main areas:

- Internal Audit
- Internal Control and Corporate Governance
- Annual Accounts
- Risk management
- External Audit
- Counter Fraud and Irregularities

DRAFT

Internal Audit

2.2.2 Terms of Reference

- 2.2.2.1** To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
- 2.2.2.2** To consider summaries of specific internal audit reports as requested.
- 2.2.2.3** To consider reports dealing with the management and performance of the providers of internal audit services.
- 2.2.2.4** To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale
- 2.2.2.9** To commission work from internal and external audit.
- 2.2.2.18** To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

29 July 2021

- *Annual Internal Audit Opinion 2020/21.*

This report was presented to Audit Committee and provides details of the performance of Internal Audit during 2020 / 2021 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise risk to the council.

- *Review of Effectiveness of the Audit Committee*

The Audit Committee reviewed its effectiveness over the past 12 months and the key areas that the Committee focused on. The report also contained an assessment against an existing good practice model in respect of the knowledge and skills expected of an effective audit committee to enable it to effectively discharge its duties

29 November 2021

- *Internal Audit Plan 2020/21 Progress Report.*

The report provided 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 the completed internal audits from the Annual Audit Plan 2021 / 2022 as at 30 September 2021.

21 February 2022

- *Internal Audit Plan 2022/23 – Approach to Audit Planning*

The report provided Members with details of Internal Audit's annual planning approach and emerging issues and risks that Internal Audit need to provide assurance over. It provided an opportunity for Members to consider these themes and provide input into the development

of the Audit Plan.

21 March 2022

- *Internal Audit Plan 2022/23.*

Internal Control and Corporate Governance

2.2.1 Terms of Reference

2.2.2.1 To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.

2.2.2.5 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

Regulatory Framework

2.2.2.12 To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee

2.2.2.14 To review any issue referred to it by the Chief Executive or a Director, or any Council body.

2.2.2.18 To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

29 July 2021

- *Annual Governance Statement.*

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

The preparation of an AGS is necessary to meet the statutory requirements as set out in the Accounts and Audit (England) Regulations 2015. The AGS covers the Council's governance arrangements for the 2020 / 2021 reporting year.

13 September 2021

- *Use of Consultants.*
- Following the review of consultants used by the Council in 2010 it was recommended and agreed that Audit Committee would monitor progress. The Committee received an update in September 2021.
- *Decisions made by Shareholder Cabinet Committee*

The Audit Committee received a report on the decisions made by the Shareholder Cabinet report in the past 12 months.

29 November 2021

- *Treasury Management Mid-Year Update.*

The Committee received an update on the Treasury Management Strategy. The report updated members on the prudential indicators that the Council adhere to when setting the Treasury Management Strategy.

- *Use of Consultants.*

Following the review of consultants used by the Council in 2010 it was recommended and agreed that Audit Committee would monitor progress. The Committee received an update in November 2021.

- *Debt write-offs exceeding £10,000*

The Audit Committee received a report outlining the debt over £10,000 that the Council had to write-off.

21 February 2022

- *2022/23 Draft Treasury Management Strategy.*

The Audit Committee received the Treasury Management Strategy that was to be presented to Full Council in March 2022. The Audit Committee noted and approved the strategy subject to the strategy being updated to show the risks around the strategy and this being presented to Full Council.

- *Use of Consultants.*

- Following the review of consultants used by the Council in 2010 it was recommended and agreed that Audit Committee would monitor progress. The Committee received an update in January 2022.

Annual Accounts

2.2.2 Terms of Reference Accounts

- 2.2.2.19** To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 2.2.2.20** To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.

21 June 2021 - Extraordinary

- *Statement of Account to those charged with Governance (ISA 260)*

The Audit Committee received the final statement of accounts for the year ended 31 March 2020.

29 July 2021

- *Budget Monitoring Report Final Outturn 2020/21.*
- The report provided the Audit Committee with the outturn position for both the revenue budget and capital programme for 2020/21. The Committee also noted performance on payment of creditors and collection performance from debtors.
- *Draft Statement of Accounts to those charged with Governance (ISA260).*

The Committee considered the robustness of financial processes and the financial standing of an organisation. The Council achieved this through the publication of the draft Statement of Accounts ahead of the statutory deadline, and also through the completion of a successful external audit process.

Risk Management

2.2.1 Terms of Reference

Regulatory Framework

- 2.2.1.15** To monitor the effective development and operation of risk management and corporate governance in the council.

21 March 2022

- *Strategic Risk Management Report*

External Audit

2.2.2 Terms of Reference

- 2.2.2.5** To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 2.2.2.6** To consider specific reports as agreed with the external auditor.
- 2.2.2.7** To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 2.2.2.8** To liaise with the Public Sector Audit Appointments Ltd (PSAA) over the appointment of the council's external auditor.
- 2.2.2.9** To commission work from internal and external audit.

29 July 2021

- *Verbal Update Ernst & Young(EY)*

The Audit Committee received a verbal update from the external auditors EY regarding their progress with the Council's statement of accounts.

13 September 2021

- *Ernst & Young (EY) Audit Plan for the year ended 31 March 2021*

The Audit Plan had been prepared to inform the Council about the responsibilities of its external auditors and how those responsibilities will be discharged. It had been discussed and agreed jointly by Council representatives and External Audit (EY).

The plan had been developed to consider the impact of the recent key developments, understanding of the Council and the local government sector, and risks based upon discussion with management.

29 November 2021

- *Audit Results report for the year ended 31 March 2021*

The Audit Committee received a verbal update from the external auditors on the statement of accounts for the year ended 31 March 2021

- *Invitation to opt into the National Scheme for Auditor Appointments from April 2023*

The Audit Committee were asked to recommend to Full Council and confirm to Public Sector Audit Appointments that it will opt into the national scheme for auditor appointments from April 2023.

Counter Fraud & Irregularities

2.2.2 Terms of Reference

2.2.2.10 To have oversight of the Regulation of Investigatory Powers policy and processes.

2.2.2.11 Authority to approve any changes regarding the Council's Whistle-Blowing policy and arrangements.

Regulatory Framework

2.2.2.15 To monitor the effective development and operation of risk management and corporate governance in the council.

2.2.2.16 To monitor Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the Council's complaints process.

29 July 2021

- *Annual Report Investigating Fraud 2020/21.*

This report was submitted to Audit Committee as a scheduled report on fraud and irregularity in accordance with the established Work Programme. The purpose of this 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.

13 September 2021

- *Use of Regulatory Investigatory Powers Act 2000 (RIPA)*

The Audit Committee received a report into a recent inspection into the Council's use of RIPA and work that had been undertaken to update the Council's policies.

21 February 2022

- *Investigating Allegations of Fraud*

The Council provides a raft of services to the public from its scarce resources. Every effort is made to ensure that resources are used for their intended purpose. However, there are occasions when this may not always be the case and the Council needs to have appropriate mechanisms to protect the public purse. This report sets out some of the approaches in place to tackle fraud and corruption together with the outcomes. The report identified that the whistleblowing policy is subject to refresh and will be brought back to a future Audit Committee following approval through staffing forums (Joint Consultative Forum)

FUTURE DEVELOPMENTS AND PLANS FOR 2022 / 2023

Overall, the Audit Committee want to continue to develop and build on our current achievements. For 2022 / 2023 this will involve:

- Continuing to drive up standards of corporate governance;
- Continuing to equip existing and any new Members to fulfil the Audit Committee's responsibilities by providing or facilitating training on all aspects of the Audit Committee's remit. The Chair will seek views of Members on their concerns and areas of perceived risk and will look to get officers to deliver training throughout the year;
- Assisting and supporting officers to promote the work of the Audit Committee and the roles of internal audit, external audit and risk management;
- Supporting the continued production of high quality and compliant statutory accounts;
- Helping to further increase awareness within the Council of its governance arrangements and areas of risk, with particular emphasis on information for tackling fraud and corruption;
- Areas of growing or increased risk will be explored through the Committee and this may include Procurement, value for money, MTFs, strategies for shared services and corporate services and specific "deep dives" to establish compliance against standards; and
- Providing effective challenge to officers, raising awareness for sound internal control arrangements and giving assurance to the Authority that its control arrangements are sound.

2.2. Audit Committee

2.2.1 It is advised that Members undertake relevant training within the past three years in order to hold a seat on this committee.

2.2.2 Terms of Reference

2.2.2.1 To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.

2.2.2.2 To consider summaries of specific internal audit reports as requested.

2.2.2.3 To consider reports dealing with the management and performance of the providers of internal audit services.

2.2.2.4 To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

2.2.2.5 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

2.2.2.6 To consider specific reports as agreed with the external auditor.

2.2.2.7 To comment on the scope and depth of external audit work and to ensure it gives value for money.

2.2.2.8 To liaise with the Public Sector Audit Appointments Ltd (PSAA) over the appointment of the council's external auditor.

2.2.2.9 To commission work from internal and external audit.

2.2.2.10 To have oversight of the Regulation of Investigatory Powers policy and processes.

2.2.2.11 Authority to approve any changes regarding the Council's Whistle-Blowing policy and arrangements.

2.2.2.12 To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.

2.2.2.13 To produce an annual report for consideration by Full Council.

Regulatory Framework

- 2.2.2.14 To review any issue referred to it by the Chief Executive or a Director, or any Council body.
- 2.2.2.15 To monitor the effective development and operation of risk management and corporate governance in the council.
- 2.2.2.16 To monitor Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the Council's complaints process.
- 2.2.2.17 To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.
- 2.2.2.18 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

Accounts

- 2.2.1.19 To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 2.2.1.20 To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.

Independent Members of Audit Committee

- 2.2.1.21 The Audit Committee will include up to 3 independent co-opted non-voting members sitting alongside 7 elected members. Independent members will be appointed by the Council to serve an initial 4 year term, which may be extended with the agreement of Council.
- 2.2.1.22 The Committee will be chaired by an Independent Member. In the absence of the appointed chair one of the remaining two Independent Members will be appointed as Chair by the Committee.
- 2.2.1.23 The Vice-Chair will be an elected member whose purpose will be to support the Chair and in the event of an equality of votes, to exercise a second or casting vote.
- 2.2.1.24 The role of an Independent Member is to support the Council's Audit Committee in its role to provide independent assurance to the members of Peterborough City Council, and its wider citizens and stakeholders.

- 2.2.1.25 Independent members will be expected to actively participate in meetings of the Audit Committee and demonstrate independence, integrity, objectivity and impartiality in their decision-making. They will support reporting as required to Full Council, including the Annual Audit Committee report.
- 2.2.1.26 Independent members will contribute to the work of the Audit Committee in its role in reviewing the Council's financial affairs, including making reports and recommendations, overseeing internal and external audit arrangements, reviewing and scrutinising financial statements, seeking assurances of compliance with the Treasury Management Strategy and practices and reviewing and assessing the governance, risk management and control of the authority.

DRAFT

AUDIT COMMITTEE	AGENDA ITEM No. 8
21 MARCH 2022	PUBLIC REPORT

Report of:	Cecilie Booth – Interim Director of Resources, S151 Officer	
Cabinet Member(s) responsible:	Cllr Coles – Cabinet Member for Finance	
Contact Officer(s):	Cecilie Booth – Interim Director of Resources, S151 Officer	Tel: 07970 325557

UNCOLLECTABLE DEBTS IN EXCESS OF £10,000

RECOMMENDATIONS	
FROM: Cecilie Booth – Interim Director of Resources, S151 Officer	Deadline date: 21 March 2022
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> Note the Uncollectable Debts in excess of £10,000 report. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee for information from Cllr Coles (Cabinet Member for Finance) following the publication of a Cabinet Member Decision Notice (CMDN).

2. PURPOSE AND REASON FOR REPORT

2.1 This report is for information following the Cabinet Member for Finance exercising delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (n).

2.2 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.2.14 To review any issue referred to it by the Chief Executive or a Director, or any Council body.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	
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4. BACKGROUND AND KEY ISSUES

4.1 The attached CMDN report details the Cabinet Member's approval to write-off uncollectable debts that exceed £10,000 in relation to accounts receivable (sundry debt), as detailed in the appendices to this report. The aggregate total value of these debts is £200,552.

4.2 All cases requested for write-off follow a lengthy process to recover the outstanding money, sometimes dating back many years. Only once all avenues have been exhausted will the council consider writing off debt.

- 4.3 It is acknowledged that given the high volume and value of invoices and bills issued there will always be a requirement to write off an element of debt as uncollectable.
- 4.4 Per annum (excluding the impact of the pandemic), the Council currently expects to receive approximately £100m in non-domestic rates and in excess of £70m of sundry invoice income. As a result of activity on this scale, the Council recovers millions of pounds every year in unpaid debt, sometimes dating back years, due to being persistent in recovery activity. When the sum recommended for write-off is expressed as a percentage of the total debt raised over the period, it represents only 0.02%. If debts less than £10,000 are also included, the total percentage written off is only 0.03% of the total debt raised.
- 4.5 The majority of debt to be written off has been provided for in the council's debt provisions. As a result, the impact on the Council's revenue position as a result of this write off exercise is £51,421. All debt recovery actions available to the council must be exhausted before outstanding debt can be recommended for write-off.

5. CONSULTATION

- 5.1 Information concerning the consultation undertaken is detailed within the attached CMDN report.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 It is anticipated that the Committee will note the attached 'Uncollectable Debts in Excess of £10,000' Cabinet Member Decision Notice.

7. REASON FOR THE RECOMMENDATION

- 7.1 Reasons for recommendation are detailed within the attached CMDN report.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Alternative options are detailed within the attached CMDN report.

9. IMPLICATIONS

Financial Implications

- 9.1 Financial implications are detailed within the attached CMDN report.

Legal Implications

- 9.2 Financial implications are detailed within the attached CMDN report.

Equalities Implications

- 9.3 There are no significant equalities implications.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 10.1 Cabinet Member Decision Notice: To approve the write-off of any uncollectable debts in excess of £10,000.

11. APPENDICES

- 11.1 Cabinet Member Decision Notice: To approve the write-off of any uncollectable debts in excess of £10,000.

UNCOLLECTABLE DEBTS IN EXCESS OF £10,000
COUNCILLOR ANDY COLES, CABINET MEMBER FOR FINANCE
March 2022
Deadline date: 21 March 2022

Cabinet portfolio holder: Responsible Director:	Councillor Andy Coles, Cabinet Member for Finance. Cecilie Booth, Director of Resources and Section 151 Officer
Is this a Key Decision?	NO If yes has it been included on the Forward Plan: N/A Unique Key decision Reference from Forward Plan: N/A
Is this decision eligible for call-in?	YES
Does this Public report have any annex that contains exempt information?	NO
Is this a project and if so has it been registered on Verto?	NO

RECOMMENDATIONS
The Cabinet Member is recommended to authorise the write-off of the debt shown as outstanding in respect of non-domestic (business) rates and accounts receivable (sundry debt) accounts included in the Appendices (which detail the financial year and the category for the write-off request). The total value of these debts is £200,552.

1. SUMMARY OF MAIN ISSUES

- 1.1 This report seeks the Cabinet Member’s approval to write-off uncollectable debts that exceed £10,000 in relation to non-domestic rates and accounts receivable (sundry debt), as detailed in the appendices to this report. The aggregate total value of these debts is £200,552.
- 1.2 When the sum recommended for write-off for all debt is expressed as a percentage of the total debt raised over the period, it represents only 0.02%. If debts less than £10,000 are also included, the total percentage written off is only 0.03% of the total debt raised.
- 1.3 The majority of cases requested for write-off follow a lengthy process to recover the outstanding money, sometimes dating back many years. Only after all avenues have been exhausted will the council consider writing off debt.

- 1.4 It is acknowledged that given the high volume and value of invoices and bills issued there will always be a requirement to write off an element of debt as uncollectable.

2. PURPOSE OF THIS REPORT

- 2.1 This report is for the Cabinet Member for Finance to consider exercising delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (i).

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO
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4. DETAILS OF DECISION REQUIRED

- 4.1 The Cabinet Member for Resources is requested to approve the write off of uncollectable debt in excess of £10,000. These debts relate to non-domestic rates and accounts receivable (sundry debt) accounts.

Financial Context

- 4.2 The Council is committed to taking all appropriate action necessary before considering a debt for write off. This includes multiple written reminder letters early in the recovery process, telephone call follow up, senior management dialogue with counterparts, and where necessary, court and enforcement agent action. It can take several years before all actions have been undertaken.
- 4.3 Per annum (excluding the impact of the pandemic), the Council currently expects to receive approximately £100m in non-domestic rates and in excess of £70m of sundry invoice income. As a result of activity on this scale, the Council recovers millions of pounds every year in unpaid debt, sometimes dating back years, due to being persistent in recovery activity.
- 4.4 Despite our best endeavours, it is inevitable that a small percentage of debt will not be collected and will ultimately have to be written off. There are a number of reasons why this occurs with the most common being where a company has gone into liquidation, an individual has been made bankrupt, a debtor has died with no funds available within the respective estate, or where it has not been possible to trace a debtor. Over the last 2 years, there has also been the impact of the Covid-19 pandemic on individuals and businesses across the local economy. It is very common for large organisations in both the public and private sectors to incur debt, and the Council is no different in that respect. Writing off debt is standard practice and recommended as part of good budget management.
- 4.5 In addition to the balances to be written off as part of this report, debts with a value less than £10,000 also require write-off consideration. While not forming part of this governance process (due to delegation limits as part of the Council's financial regulations), the values are shown in Appendix 2 for completeness and overall context.

5. CONSULTATION

- 5.1 Consultation between relevant Council Officers, the Local Taxation section and key Heads of Service within the Peterborough-Serco Strategic Partnership was undertaken to provide the relevant information for this report.

6. ANTICIPATED OUTCOMES

- 6.1 It is anticipated that the Cabinet Member for Finance will approve the write-off of the debt amounts summarised in Appendix 1.

7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION

- 7.1 In all cases included in this Cabinet Member Decision Notice the authorisation for write-off is requested due to one of the following scenarios:

- the individual/ company being made insolvent/ bankrupt;
- the result of legal processes/ negotiations/ disputes concluding

- 7.2 Where debt being written off is in relation to companies that have gone into administration/ individuals being made bankrupt, proof of debt has been lodged with the Administrators or Liquidators in all appropriate cases and either it has been confirmed that no dividend is payable or a final dividend payment has been received. Recovery action has therefore been exhausted and there is no further action that can be taken to obtain any further payments in relation to the debt. Table 2 in Appendix 1 summarises the rationale for the different reasons for write off decisions by year and by value.

- 7.3 The majority of the aged debt outlined in Appendix 1 has been fully provided for in the council's debt provisions in accordance with the council's debt provision policies, local accounting procedures and statutory accounting regulations. As a result, the impact on the Council's revenue position as a result of this write off exercise is £51,421. All debt recovery actions available to the council must be exhausted before outstanding debt can be recommended for write-off.

- 7.4 To further strengthen its debt collection procedures, the Council has a robust end-to-end accounts receivable process, including ensuring that all debt write-off exercises take place on a quarterly basis if material.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The alternative option is to not write off this debt. This would result in uncollectable debts continuing to be shown as outstanding, with a bad debt provision apportioned to these balances. It should be noted that once a debt is no longer collectable it should be written off in the Council's accounts and the debt provision adjusted accordingly.

- 8.2 All other alternative options available to the Council to collect the debt have already been undertaken before making a decision to recommend a debt for write off.

9. IMPLICATIONS

- 9.1 Financial and legal implications have been included within this report.

- 9.2 Section 151 of the Local Government Act 1972 requires a local authority to make arrangements for the proper administration of their financial affairs and the write-off of debts falls within such duties.

- 9.3 There are no equalities implications arising from the recommendation.

Carbon Impact Assessment

9.4 It is considered that there is no/ negligible impact of implementing this decision.

10. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

None

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985) and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

There are no documents.

12. APPENDICES

Appendix 1 - Debt Write-Offs With A Value Over £10,000 by type

Appendix 2 - Debt Write-Offs With A Value Under £10,000 (for information only)

Appendix 1 - Debt Write-Offs With A Value Over £10,000

Table 1: By financial year and % of debt type raised

Year	NNDR Debt			Sundry Debt		
	Write-Off Amount (£)	Debt Raised (£)	Write-Off as a %	Write-Off Amount (£)	Debt Raised (£)	Write-Off as a %
14/15	-	96,008,318	0.00%	-	45,140,000	0.00%
15/16	-	100,664,032	0.00%	2,736	54,270,000	0.01%
16/17	-	101,768,770	0.00%	8,057	56,610,000	0.01%
17/18	-	100,459,326	0.00%	113	56,914,648	0.00%
18/19	-	101,527,035	0.00%	14,762	67,843,815	0.02%
19/20	50,462	101,497,506	0.05%	5,299	68,726,462	0.01%
20/21	40,747	62,978,022	0.06%	25,730	69,698,833	0.04%
21/22	22,406	86,793,698	0.03%	30,240	*49,443,624	0.06%
Total	113,615	751,696,707	-	86,937	468,647,382	-

*Year to date figure up to 02/03/22

Table 2: By financial year and write-off rationale

Year	Company/ ratepayer placed into Administration/ Liquidation/Bankruptcy/ Entered into a CVA (£)	Disputed value/ legal agreement (£)	Total (£)
14/15	-	-	-
15/16	-	2,736	2,736
16/17	-	8,057	8,057
17/18	-	113	113
18/19	-	14,762	14,762
19/20	50,462	5,299	55,761
20/21	40,747	25,730	66,477
21/22	22,406	30,240	52,646
Total	113,615	86,937	200,552

Appendix 2 - Debt Write-Offs With A Value Under £10,000 (For Information Only)

Table 1: Sundry Debt Write-Off by type and financial year

Financial Year	Adult Social Care Write-Off (£)	Housing Debt Write-Off (£)	Market Debt Write-Off (£)	Property Debt Write-Off (£)	Other Sundry Debt Write-Off (£)	Under £10k Write-Off Total (£)	Total Debt raised in year (£)	write-off as a %
14/15	6,441	7,427	-	10,646	2,751	27,265	45,140,000	0.06%
15/16	5,228	8,856	240	3,559	2,159	20,042	54,270,000	0.04%
16/17	3,671	225	7,759	2,752	6,738	21,145	62,238,589	0.03%
17/18	1,891	3,104	651	5,114	3,531	14,291	62,295,850	0.02%
18/19	289	2,027	1,593	3,093	859	7,861	72,565,265	0.01%
19/20	-	3,525	16,750	9,877	4,800	34,952	74,397,999	0.05%
20/21	-	-	1,380	379	1,440	3,199	75,167,148	0.00%
21/22	-	-	9,935	-	-	9,935	*49,443,624	0.02%
Total	17,520	25,164	38,308	35,420	22,278	138,690	495,518,475	0.03%

*Year to date figure up to 02/03/22

AUDIT COMMITTEE	AGENDA ITEM No. 9
21 MARCH 2022	PUBLIC REPORT

Report of:	Chair of Audit Committee	
Cabinet Member(s) responsible:	Councillor Coles, Cabinet Member for Finance	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296 334

WORK PROGRAMME 2022/23

R E C O M M E N D A T I O N S
<p>It is recommended that the Audit Committee:</p> <ol style="list-style-type: none"> Notes and agrees the Work Programme for the municipal year 2022/23 and matrix of terms of reference

1. ORIGIN OF REPORT

1.1 This is a standard report to the Audit Committee which forms part of its agreed work programme. This report provides details of the Draft Work Programme for the following municipal year.

2. PURPOSE AND REASON FOR REPORT

2.1 The Work Programme is based on previous year's agendas. The programme can be refreshed throughout the year in consultation with senior officers and the Committee membership to ensure that it remains relevant and up to date. In addition, any delays in reporting issues are recorded so that they do not drop off the committee agenda.

2.2 The Work Programme has been updated to reflect a rolling programme of work, this will allow the committee to see items in a 12-15 month period coming up. This has now also included a reference to the committees' terms of reference and a column to outline any reports that will be presented at Cabinet or Council. To note the dates are provisional as agreed at Full Council in January 2022.

2.3 This has also been adapted in a separate document to show a matrix of the terms of reference and the items presented to committee so that the committee can satisfy themselves that they have covered a broad range of topics throughout the year. There are some areas highlighted in yellow that members may wish to have included in the work programme going forward.

3. IMPLICATIONS

Financial Implications

3.1 There are none

Legal Implications

3.2 There are none

Equalities Implications

3.3 There are none

4. APPENDICES

4.1 Appendix A – Rolling Work Programme 2022/23
Appendix B – Committee matrix – terms of reference

Meeting date: Monday 21 March 2022

Training/Briefing Dates: 14 March 2022 & 17 March 2022

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Annual Statement of Accounts (now to be presented post elections)	Ernst & Young (External Auditors). Sian Warren/Kirsty Nutton/Cecilie Booth - Finance	2.2.1.19 To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.	The Council is required to prepare a Statement of Accounts each financial year, and it must be prepared in accordance with statutory timelines and accounting practices. Since 2010/11 those accounting practices have been based on International Financial Reporting Standards (IFRS) which facilitate the production of accounts in a standardised and consistent format across all industries, public and private sectors, providing greater transparency to all stakeholders.	
Draft Annual Audit Committee report	Dan Kalley – Senior Democratic Services Officer Cecilie Booth – Acting Corporate Director Resources Steve Crabtree – Chief Internal Auditor	2.2.2.13 To produce an annual report for consideration by Full Council.	The Audit Committee has been in operation since Annual Council in May 2006 (first meeting June 2006). The Committee has a wide ranging remit that underpins the Council's governance processes by providing	Full Council July 2022

			independent challenge and assurance of the adequacy of risk management, internal control including internal audit, anti-fraud and the financial reporting framework.	
Internal Audit: Internal Audit Plan 2022 / 2023	Steve Crabtree – Chief Internal Auditor	<p>2.2.1.1</p> <p>To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.</p> <p>2.2.1.3</p> <p>To consider reports dealing with the management and performance of the providers of internal audit services.</p> <p>2.2.1.18</p> <p>To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.</p>	The purpose of this report is to ensure that the Council reviews and agrees the audit activity for the next audit year.	

Risk Management: Strategic Risks	Steve Crabtree – Chief Internal Auditor	2.2.2.15 To monitor the effective development and operation of risk management and corporate governance in the council.	The purpose of this report is for the Audit Committee to note and comment on the Risk Management Report.	
Uncollectable Debts over £10,000	Chris Yates – Finance Manager Cecilie Booth – Interim Director Resources	2.2.2.14 To review any issue referred to it by the Chief Executive or a Director, or any Council body	The purpose of the report is to note an debt write off's over £10,000	

Meeting date: Monday 25 July 2022

Training/Briefing Dates:

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Audit Committee deep dive	TBC	TBC	An opportunity for the Committee to have a deep dive into an area of interest to the Committee. Further details of the nature of the deep dive will be updated in the work programme.	

Annual Governance Statement	Steve Crabtree – Chief Internal Auditor Cecilie Booth – Acting Corporate Director Resources	<p>2.2.1.17</p> <p>To oversee the production of the authority’s Annual Governance Statement and to recommend its adoption</p> <p>2.2.1.18</p> <p>To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.</p>	The production of the Annual Governance Statement (AGS) forms part of the annual closure of accounts process. It is not a financial exercise, but represents a corporate overview of the processes and procedures adopted by Peterborough to manage its affairs.	
Internal Audit: Annual Audit Opinion	Steve Crabtree – Chief Internal Auditor	<p>2.2.1.1</p> <p>To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.</p>	The purpose of this report provides 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.	
Investigations Team Annual Report 2021 / 2022	Steve Crabtree – Chief Internal Auditor	<p>2.2.1.16</p>	The purpose of this report is to present the work carried out during the past year to	

		To monitor council policies on “raising concern at work” and the anti-fraud and anti-corruption strategy and the Council’s complaints process.	minimise the risk of fraud, bribery and corruption occurring in the Council.	
Insurance: Annual Report 2021 / 2022	Steve Crabtree – Chief Internal Auditor	2.2.1.15 To monitor the effective development and operation of risk management and corporate governance in the Council.	The purpose of this report is to present 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.	
Budget Monitoring Outturn 2021 / 2022	Cecilie Booth – Acting Corporate Director Resources Emma Riding – Budget Planning and Reporting Manager	2.2.1.19 To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.	The report provides Audit Committee with the outturn position for both the revenue budget and capital programme for 2021/22. The report contains performance information on the payment of creditors and collection performance for debtors, local taxation and benefit overpayments.	
Audit Results report for year ended 31 March 2022	Ernst & Young – External Auditors Cecilie Booth – Acting Corporate Director Resources	2.2.1.19 To review the annual statement of accounts, specifically, to consider	To review the Audit results report from the External Auditors.	

	Kirsty Nutton – Deputy S151 Officer	whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.		
Audit Committee Effectiveness	Steve Crabtree – Chief Internal Auditor	2.2.1.18 To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	To provide Members with an update on progress in developing the audit plan.	
Decisions of the Shareholder Cabinet Committee	Pippa Turvey – Democratic & Constitutional Services Manager	2.2.2.12 To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.	The purpose of this report is to ensure that the Audit Committee is updated on the work of the Shareholder Cabinet Committee in relation the Council's companies.	

Meeting date: Monday 12 September 2022

Training/Briefing dates:

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and
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				date (if applicable)
Risk Management: Strategic Risks	Steve Crabtree – Chief Internal Auditor	2.2.2.15 To monitor the effective development and operation of risk management and corporate governance in the council.	The purpose of this report is for the Audit Committee to note and comment on the Risk Management Report.	
External Audit plan for year ended 31 March 2022	Ernst Young – External Auditors Sian Warren/Cecilie Booth/Kirsty Nutton - Finance	2.2.2.5 To consider the external auditors annual letter, relevant reports and the report to those charged with governance. 2.2.2.7 To comment on the scope and depth of external audit work and to ensure it gives value for money.	The purpose of this report is to involve the Audit Committee in determining the audit approach and to identify any additional issues it considers relevant to the audit.	
Update on Procurement (single tender contracts) to include an update from Head of Procurement				
Actions and results from the first Independent Panel	Cecilie Booth – Interim Corporate Director Resources			

	Fiona McMillan – Director Law and Governance			
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Meeting date: Monday 28 November 2022

Training/Briefing dates:

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Audit Committee deep dive (potentially on write offs)	TBC	TBC	An opportunity for the Committee to have a deep dive into an area of interest to the Committee. Further details of the nature of the deep dive will be updated in the work programme.	
Internal Audit: Mid Year Progress Report	Steve Crabtree – Chief Internal Auditor	<p>2.2.2.1</p> <p>To consider the annual audit report and opinion of the Corporate Director of Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.</p>	The purpose of this report provides 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 the completed internal audits from the Annual Audit Plan 2022 / 2023 as at 30 September 2022.	

Audit Committee start time 2023/24	Dan Kalley – Senior Democratic Services Officer	<p>Council Standing Order section 4.4.1</p> <p>The timings of normal committee meetings will be agreed by the committee for the next municipal year in January of the preceding municipal year (or as near to this time as possible).</p>	The purpose of this report is to allow the Audit Committee to discuss and agree the start times for meetings from the beginning of the Municipal Year 2023-24.	Full Council January 2023
Treasury Management Strategy (Half year report)	<p>Cecilie Booth – Acting Corporate Director Resources</p> <p>Fiona Leverton – Capital Accounting & Treasury Manager</p>	<p>2.2.1.18</p> <p>To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.</p>	The purpose of this report is to report current performance and the forecast outturn position against the Prudential Indicators in the strategy.	
Report on Shared Services	<p>Cecilie Booth – Acting Corporate Director Resources</p> <p>Matt Gladstone – Chief Executive</p>			
Decisions of the Shareholder Cabinet Committee	Pippa Turvey – Democratic & Constitutional Services Manager	<p>2.2.2.12</p> <p>To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.</p>	The purpose of this report is to ensure that the Audit Committee is updated on the work of the Shareholder Cabinet Committee in relation the Council's companies.	

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Meeting date: 23 January 2023

Training/Briefing dates:

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Audit Committee deep dive	TBC	TBC	An opportunity for the Committee to have a deep dive into an area of interest to the Committee. Further details of the nature of the deep dive will be updated in the work programme.	
Internal Audit: Approach to Audit Planning	Steve Crabtree – Chief Internal Auditor	2.2.2.9 To commission work from internal and external audit.	The purpose of this report is to provide Members with details of Internal Audit's annual planning approach and emerging issues and risks that Internal Audit need to provide assurance over. It provides an opportunity for Members to consider these themes and provide input into the development of the Audit Plan.	
Councils Value for Money position				

Treasury Management Strategy including update on risks	Cecilie Booth – Acting Corporate Director Resources Fiona Leverton – Capital Accounting & Treasury Manager	2.2.1.18 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	To provide the Treasury Management Strategy 2022/23 to Audit Committee for approval of the policies and Prudential Indicators in line with the consultation timelines for the MTFS.	Part of the Medium Term Financial Strategy presented to Full Council in March
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Meeting date: 20 March 2023

Training/Briefing dates:

Agenda Item	Responsible Author(s)	Audit Committee Terms of Reference	Brief description	Relevant onward Committee and date (if applicable)
Audit Committee deep dive	TBC	TBC	An opportunity for the Committee to have a deep dive into an area of interest to the Committee. Further details of the nature of the deep dive will be updated in the work programme.	
Draft Annual Audit Committee report	Dan Kalley – Senior Democratic Services Officer Cecilie Booth – Acting Corporate Director Resources	2.2.2.13 To produce an annual report for consideration by Full Council.	The Audit Committee has been in operation since Annual Council in May 2006 (first meeting June 2006). The Committee has a wide ranging remit that underpins the Council's governance	Full Council July 2023

	Steve Crabtree – Chief Internal Auditor		processes by providing independent challenge and assurance of the adequacy of risk management, internal control including internal audit, anti-fraud and the financial reporting framework.	
Internal Audit: Internal Audit Plan 2023 / 2024	Steve Crabtree – Chief Internal Auditor	<p>2.2.1.1</p> <p>To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.</p> <p>2.2.1.3</p> <p>To consider reports dealing with the management and performance of the providers of internal audit services.</p> <p>2.2.1.18</p> <p>To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure</p>	The purpose of this report is to ensure that the Council reviews and agrees the audit activity for the next audit year.	

		compliance with best practice.		
Risk Management: Strategic Risks	Steve Crabtree – Chief Internal Auditor	2.2.2.15 To monitor the effective development and operation of risk management and corporate governance in the council.	The purpose of this report is for the Audit Committee to note and comment on the Risk Management Report.	
Decisions of the Shareholder Cabinet Committee	Pippa Turvey – Democratic & Constitutional Services Manager	2.2.2.12 To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.	The purpose of this report is to ensure that the Audit Committee is updated on the work of the Shareholder Cabinet Committee in relation the Council's companies.	

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Draft planning document linking constitution to delivery in meetings.

Audit Committee

2.2.1 It is advised that Members undertake relevant training within the past three years in order to hold a seat on this committee.

2.2.2 Terms of Reference

2.2.2.1 To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.

2.2.2.2 To consider summaries of specific internal audit reports as requested.

2.2.2.3 To consider reports dealing with the management and performance of the providers of internal audit services.

2.2.2.4 To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

2.2.2.5 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

2.2.2.6 To consider specific reports as agreed with the external auditor.

2.2.2.7 To comment on the scope and depth of external audit work and to ensure it gives value for money.

2.2.2.8 To liaise with the Public Sector Audit Appointments Ltd (PSAA) over the appointment of the council's external auditor.

2.2.2.9 To commission work from internal and external audit.

2.2.2.10 To have oversight of the Regulation of Investigatory Powers policy and processes.

2.2.2.11 Authority to approve any changes regarding the Council's Whistle-Blowing policy and arrangements.

2.2.2.12 To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.

2.2.2.13 To produce an annual report for consideration by Full Council.

Regulatory Framework

- 2.2.2.14 To review any issue referred to it by the Chief Executive or a Director, or any Council body.
- 2.2.2.15 To monitor the effective development and operation of risk management and corporate governance in the council.
- 2.2.2.16 To monitor Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the Council's complaints process.
- 2.2.2.17 To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.
- 2.2.2.18 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

Accounts

- 2.2.1.19 To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 2.2.1.20 To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.

Independent Members of Audit Committee

- 2.2.1.21 The Audit Committee will include up to 3 independent co-opted non-voting members sitting alongside 7 elected members. Independent members will be appointed by the Council to serve an initial 4 year term, which may be extended with the agreement of Council.
- 2.2.1.22 The Committee will be chaired by an Independent Member. In the absence of the appointed chair one of the remaining two Independent Members will be appointed as Chair by the Committee.
- 2.2.1.23 The Vice-Chair will be an elected member whose purpose will be to support the Chair and in the event of an equality of votes, to exercise a second or casting vote.
- 2.2.1.24 The role of an Independent Member is to support the Council's Audit Committee in its role to provide independent assurance to the members of Peterborough City Council, and its wider citizens and stakeholders.
- 2.2.1.25 Independent members will be expected to actively participate in meetings of the Audit Committee and demonstrate independence, integrity, objectivity and impartiality in their decision-making. They will support reporting as required to Full Council, including the Annual

Audit Committee report.

- 2.2.1.26 Independent members will contribute to the work of the Audit Committee in its role in reviewing the Council's financial affairs, including making reports and recommendations, overseeing internal and external audit arrangements, reviewing and scrutinising financial statements, seeking assurances of compliance with the Treasury Management Strategy and practices and reviewing and assessing the governance, risk management and control of the authority.

Terms of reference	Meeting	Report title	Assurance activity
2.2.2.1 To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.	Mar 2022	Internal Audit: Draft Internal Audit Plan 2022 / 2023	Provide Audit Committee with detailed planned audit coverage for the year.
	July 2022	Internal Audit: Annual Audit Opinion	Audit Plan 2021/22 outturn. Provide Audit Committee with all works completed together with an opinion of the level of control / governance in place. Details of resources utilised. Areas of concern and non-compliance will be highlighted.
		(Draft) Annual Governance Statement	Details of the governance arrangements in place at PCC. Reporting of the assurance framework to establish the AGS. Reporting of areas where improvements are required
Nov 2022	Internal Audit: Mid-Year Progress Report	Audit Plan 2022/23. To provide progress against the agreed plan. Details of any changes made to audit risks and resources and how this is impacting on	

			works.
	Mar 2023	Internal Audit: Draft Internal Audit Plan 2023 / 2024	Provide Audit Committee with detailed planned audit coverage for the year.
2.2.2.2 To consider summaries of specific internal audit reports as requested	July 2022	Internal Audit: Annual Audit Opinion	Audit Plan 2021/22 outturn. Provide Audit Committee with all works completed together with an opinion of the level of control / governance in place. Details of resources utilised. Areas of concern and non-compliance will be highlighted.
	Nov 2022	Internal Audit: Mid-Year Progress Report	Audit Plan 2022/23. To provide progress against the agreed plan. Details of any changes made to audit risks and resources and how this is impacting on works.
2.2.2.3 To consider reports dealing with the management and performance of the providers of internal audit services.	Mar 2022	Internal Audit: Draft Internal Audit Plan 2022 / 2023	Provide Audit Committee with detailed planned audit coverage for the year.
	Mar 2023	Internal Audit: Draft Internal Audit Plan 2023 / 2024	Provide Audit Committee with detailed planned audit coverage for the year.
2.2.2.4 To consider a report from audit on agreed	July 2022	Internal Audit: Annual Audit Opinion	Areas of non-compliance with timescales to implement change

	recommendations not implemented within a reasonable timescale	Nov 2022	Internal Audit: Mid-Year Progress Report	Areas of non-compliance with timescales to implement change
2.2.2.5	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.	Sept 2022	External Audit plan for year ended 31 March 2022	External auditor presents reports
2.2.2.6	To consider specific reports as agreed with the external auditor.	Jan 2023	Council's Value for Money position	
			Medium Term Financial Strategy review and recommendations	
2.2.2.7	To comment on the scope and depth of external audit work and to ensure it gives value for money.	Sept 2022	External Audit plan for year ended 31 March 2022	
2.2.2.8	To liaise with the Public Sector Audit Appointments Ltd (PSAA) over the appointment of the council's external auditor.	As required – last done November 2021		
2.2.2.9	To commission work from internal and external audit	Jan 2023	Internal Audit: Approach to Audit Planning	To set out future audit work based on the current issues impacting on PCC

2.2.2.10	To have oversight of the Regulation of Investigatory Powers policy and processes.	As required		
2.2.2.11	Authority to approve any changes regarding the Council's Whistle-Blowing policy and arrangements.	As required		
2.2.2.12	To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.	Sept 2022	Decisions made by the Shareholder Cabinet Committee	
2.2.2.13	To produce an annual report for consideration by Full Council.	Mar 2022	Annual Audit Committee report	Draft report that currently gets presented to Full Council in July.
		Mar 2023	Annual Audit Committee report	Draft report that currently gets presented to Full Council in July.
2.2.2.14	To review any issue referred to it by the Chief Executive or a Director, or any Council body.	As required		

2.2.2.15 To monitor the effective development and operation of risk management and corporate governance in the council.	Mar 2022	Risk Management Strategic Risks	Overview of current strategic risks.
	July 2022	Insurance: Annual Report 2021 / 2022	Sets out how insurance service has operated to ensure effective management and control of its assets, and provide cover to manage risks
	Sept 2022	Risk Management Strategic Risks	Overview of current strategic risks
2.2.2.16 To monitor Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the Council's complaints process.	July 2022	Investigations Team Annual Report 2021 / 2022	Annual report into Investigations Team works.
		COMPLAINTS? There is nothing reported on in relation to the levels of complaints received / LGO investigations etc. Why is there no Annual Report?	
2.2.2.17 To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.	July 2022	(Draft) Annual Governance Statement	Details of the governance arrangements in place at PCC. Reporting of the assurance framework to establish the AGS. Reporting of areas where improvements are required

2.2.2.18 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.	Mar 2022	Internal Audit: Draft Internal Audit Plan 2022 / 2023	Provide Audit Committee with detailed planned audit coverage for the year.
	July 2022	Review of Effectiveness of Audit Committee	Overview of the operation of the Committee against the CIPFA standards.
		Annual Governance Statement	Details of the governance arrangements in place at PCC. Reporting of the assurance framework to establish the AGS. Reporting of areas where improvements are required
		INFORMATION GOVERNANCE There is nothing reported on in relation to IG. Needs an annual report. This is a big area of governance impacting on all of the Council. Members need to get an overall annual report – cyber / IT coverage / policies updates etc.	

	Sept 2022	Treasury Management Progress Report (including risks)	
		Review of Procurement, reporting of single tender contracts	
		Shared services strategy, TMS monitoring report	
	Nov 2022	Treasury Management Strategy (Half year report)	
	Jan 2023	Treasury Management Strategy including update on risks	
	Mar 2023	Internal Audit: Draft Internal Audit Plan 2023 / 2024	Provide Audit Committee with detailed planned audit coverage for the year.
	2.2.1.19 To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and	July 2022	Budget Monitoring Outturn 2021 / 2022

<p>whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.</p>		<p>Audit Results report for year ended 31 March 2022</p>	
<p>2.2.1.20 To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.</p>	<p>Mar 2022</p>	<p>Statement of Accounts</p>	
	<p>Nov 2022</p>	<p>Statement of Accounts</p>	

<p>Independent Audit Committee Members feedback</p>	
<p>2.2.1.25 Independent members will be expected to actively participate in meetings of the Audit Committee and demonstrate independence, integrity, objectivity and impartiality in their decision-making. They will support reporting as required to Full Council, including the Annual Audit Committee report.</p>	
<p>2.2.1.26 Independent members will contribute to the work of the Audit Committee in its</p>	

<p>role in reviewing the Council's financial affairs, including making reports and recommendations, overseeing internal and external audit arrangements, reviewing and scrutinising financial statements, seeking assurances of compliance with the Treasury Management Strategy and practices and reviewing and assessing the governance, risk management and control of the authority.</p>	
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