

**ANNUAL REPORT FROM  
THE CHAIRMAN OF AUDIT COMMITTEE  
2019 / 2020**

*Assurance*

*Governance*

*Accountability*

*Risk Management*

*Independence*

## **AUDIT COMMITTEE: ANNUAL REPORT 2019 / 2020**

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**MEMBERSHIP AND MEETINGS**

**KEY ACTIVITIES AND TRAINING DURING THE MUNICIPAL YEAR**

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## FOREWORD FROM THE CHAIRMAN OF AUDIT COMMITTEE

I am pleased to provide the Audit Committee's Annual Report for the municipal year 2019 / 2020. The Council is requested to note the work carried out by the Audit Committee in improving the governance arrangements across the Council.

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.

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 Chairman. 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, 2020 / 2021 will be another testing time for all Councils 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, with the support of Officers and my fellow Councillors, long may this continue.

## INTRODUCTION

This is the 12<sup>th</sup> annual report produced by Peterborough City Council's Audit Committee. It is produced in accordance with latest best practice<sup>1</sup> and shows that the Council is committed to working as an exemplary organisation, operating the highest standards of governance. This report demonstrates how the Audit Committee has successfully fulfilled its terms of reference and has endeavoured to improve the Council's governance and control environments.

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;
- 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 2019 / 2020 and specifically highlights those areas where its scrutiny and review process has made a difference to performance. The Audit Committee has overseen good progress in all areas under its supervision.

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

This is the first year the Audit Committee has held briefing sessions the week prior to the meeting for Members to better understand the role of the Audit Committee. The Committee have held training sessions during the course of the year which has expanded knowledge of the service areas around the Council.

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

**MEMBERSHIP AND MEETINGS**

During 2019 / 2020, the Audit Committee met on the following dates:

- 15 July 2019
- 16 September 2019
- 18 November 2019
- 27 January 2020
- 23 March 2020

There is a cross representation of all parties in accordance with the make-up of the Council. The members for 2018 / 2019 were (excluding substitutes):

Table 1: Audit Committee Membership 2019 / 2020 as at 23 March 2020:

Conservative	Liberal Democrats	Labour
Over (Chair) Coles (Vice Chair) Warren	Shaheed	Fower Skibsted (to January 2020) Jones (from January 2020) Joseph

Senior officers from the Council are also present, including the Director of Law and Governance, Acting Corporate Director Resources 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.

**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

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

15 July 2019

- *Annual Audit Opinion.* Internal Audit produces an Annual Audit Plan which forms the basis of their audit activity. Progress is noted throughout the year and an independent annual report is produced highlighting assurances obtained across the organisation as well as any misgivings into the effectiveness of controls. The report also sets out the teams' performance. Where standards have not been maintained across the Council, Audit Committee are provided with Executive Summaries of Audit reports for further scrutiny. Internal Audit concluded that they were able to provide reasonable assurance based on the work reviewed in the year.
- *Review of Committee effectiveness* – The Audit Committee reviewed its effectiveness over the past 12 months and the key areas that the Committee focused on.

18 November 2019

- *Internal Audit Mid-Year Opinion.* The Audit Committee received a half year progress report highlighting internal audit performance against targets and quality assurance results to enable it to review and comment on the work and performance of internal audit. Any areas reviewed which are considered to be weak or requiring attention following Internal Audit activity can result in officers from across the Council being held to account.
- *Mayors Costs.* The Committee received a report outlining the internal audit undertaken in relation to the Mayors costs and the new processes that had been put in place.

27 January 2020

- *Internal Audit Plan 2019/20 Planning Approach and emerging themes.* The Audit Committee noted the proposed work for internal audit in 2019/20
- *National Fraud Initiatives.* The Audit Committee has remit to oversee the fraud initiatives of the Council and the methods by which the Council claims any overspend.

## **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
- 2.2.2.13** To review any issue referred to it by the Chief Executive or a Director, or any Council body.
- 2.2.2.17** To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

15 July 2019

- *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.
- Audit Committee reviewed the Annual Governance Statement on 15 July 2019. The Committee agreed to the final report and this was signed off within the legal timeframes.
- *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 July 2019.

16 September 2019

- *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 2019.

18 November 2019

- *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 2019.

27 January 2020

- *2019/20 Treasury Management Strategy.* The Audit Committee received the Treasury Management Strategy that was to be presented to Full Council in March 2020. The Audit Committee noted and

approved the strategy.

- *2019/20 Asset Management Acquisition Strategy and Asset Investment Plan.* The Audit Committee received a report on the Asset Investment Strategy. The Committee approved the strategy before approval at Full Council in March 2020.
- *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 2020.

## **Annual Accounts**

### **2.2.2 Terms of Reference**

#### **Accounts**

- 2.2.2.18** 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.
- 2.2.2.19** To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.

15 July 2019

- *Budget Monitoring Report Final Outturn 2018/19.* The report provides the Audit Committee with the outturn position for both the revenue budget and capital programme for 2018/19. The Committee also noted performance on payment of creditors and collection performance from debtors.
- *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. 2017/18 is the first year where the production and audit of the accounts must comply with tighter statutory deadlines introduced by the Accounts and Audit Regulations 2015.

## **Risk Management**

### **2.2.1 Terms of Reference**

#### **Regulatory Framework**

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

15 July 2019

- *Insurance Service and Insurance Fund Annual Report 2018/19.* The Audit Committee received a report presenting 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.

16 September 2019

- *Risk Management Report.* Audit Committee received a report of the strategic risks impact on the Council and the mitigating actions to address these.

## **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.

15 July 2019

- *Audit Fees 2019/20.* The Audit Committee considered the proposed Audit Fees for 2019/20. The Audit Committee noted and commented on the proposed fees in keeping with previous years fees.

16 September 2019

- *Ernst & Young Annual Audit Letter for year end 31 March 2019.* The Committee received a report on the annual findings letter of the external auditors.

## **Counter Fraud & Irregularities**

### **2.2.2 Terms of Reference**

Regulatory Framework

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

15 July 2019

- *Fraud and Investigations Team Annual Report.* Audit Committee received an annual report highlighting counter fraud and irregularity work over the previous year. The Committee's review of the work and performance of the counter fraud team showed strong support and interest and requested to be provided with regular updates in terms of team resources.

## **Training**

Throughout the year, the provision of ongoing training to Members has been the cornerstone of developing



Members (new and existing). During the year, officers provided presentations on:

- The preparation and scrutiny of the Statement of Accounts and the impact of International Financial Reporting Standards on these;
- General overview of the committee covering Information Governance; Regulation of Investigatory Powers Act (RIPA); Risk Management; Code of Conduct; and Whistleblowing.
- Ernst and Young have run conferences for Audit Committee Members across the East of England regions.

In addition, members have access to a committee handbook which provides additional support / information.

#### **FUTURE DEVELOPMENTS AND PLANS FOR 2019 / 2020**

Overall, the Audit Committee want to continue to develop and build on our current achievements. For 2020 / 2021 and 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;
- 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;
- Increase training for members of the Audit Committee, ensuring members are best placed to scrutinise effectively the work of the Council and it's audit functions;
- Helping to further increase awareness within the Council of its governance arrangements, with particular emphasis on information and tackling fraud and corruption; 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: TERMS OF REFERENCE<sup>2</sup>

### 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.
- 2.7.2.11 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.

### Regulatory Framework

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

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<sup>2</sup> (Source: Constitution: Part 3, Delegations Section 2 - Regulatory Committee functions. Approved Annual Council)

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

**Accounts**

2.2.1.18 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.

2.2.1.19 To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.

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