

**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

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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.

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