

**PETERBOROUGH CITY COUNCIL AUDIT COMMITTEE
ANNUAL REPORT
2021 / 2022**



Assurance

Governance

Accountability

Risk Management

Independence

AUDIT COMMITTEE: ANNUAL REPORT 2021 / 2022

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FOREWORD FROM THE INDEPENDENT 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.

**Chair of the Audit Committee
Chris Brooks**

INTRODUCTION FROM CHAIR

This is the 14th annual report produced by Peterborough City Council's Audit Committee. It is produced in accordance with latest best practice. 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;
- 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 **Appendix B** 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.

STRENGTHENING AUDIT COMMITTEE FOLLOWING EXTERNAL ASSURANCE REPORT

Independent members of Audit Committee

As part of the External Assurance Review's Governance recommendations, the Council was asked to strengthen the membership and leadership of the Audit Committee by appointing external independent members to the Committee to improve its expertise and independence, in line with considered best practice. On 16th December the Council agreed to commence a recruitment process with a view to appointing an Independent Chair of this committee and two further independent members of the committee for an initial fixed term of four years ending May 2026, with provision for extension. The vacancies were advertised locally and nationally seeking candidates who have had previous experience or knowledge of audit functions and could demonstrate their political independence and suitability to provide robust challenge to the Council's financial management. Full Council appointed three new independent members on 26th January 2022 from a strong field of applicants. They are as follows:

Chris Brooks (new chair of Audit Committee) is a recently retired Chief Financial Officer and Chartered Accountant (FCA) who has worked in Peterborough for many years as a Finance Director, including with government arms-length bodies, most recently as Chief Financial Officer at the Joint Nature Conservation Committee. He has previously been employed as Director of Finance at the CITB, Tui Travel PLC, BGL Group Ltd, Barclays Bank PLC and Boots PLC. He also

has ten year's public and private sector audit experience with PwC including VFM audits and auditing two county councils.

Mike Langhorn ACA is a retired chartered accountant with experience in both the private and charity sectors having acted as Senior Director, Internal Audit in an organisation that runs commodities and derivatives trading exchanges prior to retirement and as director and trustee of a charity dedicated to lifelong learning, full employment and inclusion. He started his career at EY in London and then Cambridge where he qualified as a chartered accountant before moving to the private sector. He has held finance, risk, operational and internal audit leadership positions at Prudential, Egg, Teathers, Itochu and Intercontinental Exchange Inc. In recent years he has also complemented his full-time work with a voluntary role in the charity sector, contributing as a trustee and member of the Board of the National Learning and Work Institute and chairing their Audit Committee.

Dr Stuart Green is a professionally qualified accountant, member of CIPFA and ACCA and works as a lecturer at the University of Durham. He has taught across further, higher and professional education on a range of programmes in accounting, finance, banking and taxation. Presently, he teaches and publishes research at Durham University Business School. Roles as a non-executive director at several large organisations help Stuart to embed employability skills and practice-based learning into his teaching; they also help to develop and inform his research. He has recently been appointed as Chair of the Joint Independent Audit Committee of Cleveland Police and Cleveland PCVC and is Vice-Chair (Audit) of the North East Combined Authority Joint Transport Committee.

Member training and development

The Council was also asked to commission and support a development/support programme for councillors, including a specific programme for the Audit Committee. The governance assurance report found that the Council's Audit Committee has not been scrutinising the council's financial challenges with sufficient urgency or focus and not paying sufficient attention to the strategic risks and issues facing the Council or the Council's MTFS processes. Members needed to be more willing to challenge the assumptions and information presented to them. The Council committed to ensuring all members have the knowledge and skills needed to effectively scrutinise and challenge the Council's financial decisions, governance and procedures. CIPFA and officers first conducted a skills analysis assessment of the Audit Committee with the aim of delivering a targeted and appropriate two-year training and development programme, focusing on financial scrutiny and governance, where the weaknesses have been identified.

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 are attached at **Appendix A**.

KEY ACTIVITIES 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

Internal Audit provides an independent review of the functions and service delivered across the Council. Its focus is driven by risks and the activities undertaken those of highest risk.

It sets out plans for each year and these are monitored against. Plans change as risks change across the Council and these are reported through to Committee.

Role of the Committee – The review of the Internal Audit Plan is a key task for the Committee and provides an opportunity to review the content of the plan and the risks and priorities identified by the Chief Internal Auditor alongside the resourcing. As well as being important to Internal Audit, it is also at the heart of what the Committee do over the year. The audits contained in the plan will feature risk and assurance issues which will be considered as part of the Committee's agenda. Progress reports will be produced and key issues and recommendations arising highlighted to the Committee together with actions taken to address them by management.

In reviewing the annual Audit Opinion, it will also provide assurance towards the Annual Governance Statement.

Internal Control and Corporate Governance

Each Local Authority operates through a governance framework. This brings together an underlying set of legislative requirements, governance principles and management processes. These are collected in the Local Code of Governance and published as part of the accounts in the Annual Governance Statement. This should be an open and honest statement setting out what works well and where improvements are needed.

Internal controls represent actions / procedures performed by management to increase the likelihood activities achieve their objectives. In other words, control is a response to risk, either to contain the risk to an acceptable level or to increase the likelihood of a desirable outcome. These would cover operational controls, financial controls or compliance controls.

Role of the Committee: The Audit Committee has an ongoing role in delivering good governance. It should have oversight of the Local Code and the Annual Governance Statement and monitor progress on actions taken against any shortcomings identified.

Internal controls will be closely linked with reviews of the Annual Governance Statement. It will also need to be scrutinised in relation to any reports produced by Internal Audit, Risk Management, Finance or External Audit.

Annual Accounts

The Statement of Accounts brings together the major financial statements for the financial year and are prepared in accordance with statutory guidance. The statements and the notes that accompany them give a full and clear picture of the financial position of the Council.

Role of the Committee:

The Audit Committee has a responsibility to receive and approve the Statement of Accounts. This includes the 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.

Risk Management

Risk Management forms part of effective governance. Internal controls are influenced by risks. Effective control will manage an identified risk, perhaps by reducing the likelihood of the risk happening or minimising the impact if it did.

Role of the Committee: The ways that the Audit Committee fulfils its role includes:

- oversight of the risk management function and its effectiveness
- reviewing risks and assessing the maturity of the Council
- commenting on changes to Risk Management policies
- understanding the key strategic risks facing the Council

As well as supporting effective risk management, knowledge of the Council's key risks helps the Committee discharge its responsibilities such as reviewing the Internal Audit Plan or Annual Governance Statement.

External Audit

The external auditors provide an opinion on the Council's Statement of Accounts. Their opinion is provided as to whether they give a true and fair view of the financial position of the Council and if they have been properly prepared. As part of their audit, they will provide a separate report - The Audit Results Report (ISA 260).

Role of the Committee: The Audit Committee has a responsibility to receive and note the Audit Results Report on behalf of the Council. This report will be reviewed by the Committee and any issues in the report arising from the audit of the accounts will be considered.

Counter Fraud & Irregularities

Good governance is the cornerstone of an effective Council. However, there are occasions when standards drop below this, and steps are taken to investigate and correct. Sometimes these also impact on the Council from external sources and these need to be verified.

Role of the Committee: Key roles for the Committee include:

- reviewing Counter Fraud strategies and championing good practice across the organisation
- monitoring outputs from fraud works undertaken, whether from specific works or the National Fraud Initiative

WORK AT MEETINGS

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. This was presented to the committee by the external auditors Ernst & Young.

29 July 2021

- [Annual Internal Audit Opinion 2020/21.](#)

The purpose of this report was to provide an overall opinion on the soundness of the control environment in place to minimise risk to the Council. It was based on the findings of completed audits and activities undertaken by the Internal Audit Team during 2020 / 2021.

- [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.

- [Annual Governance Statement.](#)

The production of the Annual Governance Statement (AGS) forms part of the annual closure of accounts process. This provided the committee with an overview of the processes and procedures in place adopted by the Council to manage its affairs.

- [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.

- [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 the Council. 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.

- [Annual Report Investigating Fraud 2020/21.](#)

The committee were presented with the work carried out over the past year to minimise the risk of fraud, bribery and corruption occurring in the Council.

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. This was prepared by the external auditors in discussion with Council officers.

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.

- **[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 on the overall spend on consultants and agency staff.

- **[Decisions made by Shareholder Cabinet Committee](#)**

The Audit Committee received a report noting the decisions made by the Shareholder Cabinet Committee.

- **[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.

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.

- **[Treasury Management Mid-Year Update.](#)**

The Committee received an update on the Treasury Management Strategy. The report updated members on the key 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 on the overall spend on consultants and agency staff.

- **[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. This followed extensive work by the Council and all avenues assessed to collect the outstanding debts.

- [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.

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.

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 on the overall spend on consultants and agency staff.

- [Investigating Allegations of Fraud](#)

The committee received a report setting 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)

21 March 2022

- [Internal Audit Plan 2022/23.](#)

The report provided the committee with the final Internal Audit Plan for the year 2022/23. Members were also advised on the work carried out by internal audit over the past three years.

- [Strategic Risk Management Report](#)

The committee received a report outlining the key strategic risks for the Council and how these were to be managed. It was agreed that more regular reporting to the committee would take place going forward.

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.

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