

Audit Committee Chairman – update on Audit Committee work

Background

The Audit Committee comprises an independent co-opted non-voting Chair, 7 voting councillors representing the parties within the council and 2 independent co-opted non-voting members. The independent members have been in place since February 2022 and are here to provide insight, knowledge and challenge to this committee from their varied and extensive experience. This committee is apolitical.

Activity over the past 8 months

The Audit Committee has met 5 times (in March, June, July, August, and October) and discussed a varied and busy agenda.

Main areas of discussion

Finalising the 2020/21 accounts – working with the external auditors E&Y to make use of the expected statutory instrument to enable PCC to have an unqualified set of accounts, working around a national issue on accounting for infrastructure assets affecting many councils.

Strategic risk management and the processes around the refreshing and management of those risks

Fraud including the annual report by Internal Audit and the National Fraud initiative

Budget monitoring and the tracking of the financial outturn

Council reserves policy – examining the logic and process by which reserves are made, accepting the challenging financial position of the council.

The process and scope of Procurement

Main areas of comfort

The external audits have progressed well and any issues raised addressed by management. The Financial Statements have been produced on time and to a good quality. The Finance team have been excellent in supporting the process.

The quality of the audit work of E&Y for the financial year 2019/20 has been independently checked by the AQR inspectors of the FRC and was found to require improvement in a couple of small areas which were addressed for subsequent audits.

Internal audit has a comprehensive program of work and have made progress although they have had resource challenges which if not addressed could reduce the levels of future assurance.

Areas of concern

The governance and tracking of the realisation of the required savings for the Council to achieve its financial plans of a balanced budget will continue to be challenging and the committee is keen to keep abreast of the situation and any further risks that may emerge.

The ongoing identification and management of strategic risks in these times of economic uncertainty which could produce a range of outcomes is an area that requires transparency and continuous review to navigate these difficult times. The range of possible outcomes should be discussed as well as the most probable outcome, such that the breadth of that range is understood.

The risks and governance around Procurement, including the scope of the Procurement department, their systems and the exceptions that flow through those systems, was the subject of a recent paper to the committee. PCC expenditure flows through different routes and the Audit Committee is concerned that the governance around all of those routes needs to be improved and as effective as possible for good control and value for money. This risk is also an opportunity for PCC to achieve the savings it needs in this and subsequent financial years.

Summary

The Audit Committee is working effectively and continues (through a planned and responsive rolling agenda) to seek assurance that PCC is managing risk effectively in challenging times whilst delivering its plans.

The Council is continuing to improve its governance of risk and strengthen its internal control environment accepting the areas of concern noted above.

Chris Brooks

Chair of the Audit Committee