

**PETERBOROUGH CITY COUNCIL AUDIT COMMITTEE  
ANNUAL REPORT  
2022 / 2023**



***Assurance***

***Governance***

***Accountability***

***Risk Management***

***Independence***

# AUDIT COMMITTEE: ANNUAL REPORT 2022 / 2023

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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 2022 / 2023. The Council is requested to note the work carried out by the Audit Committee in improving the governance arrangements across the Council.*

*I would like to acknowledge the positive feedback received from the second report of the Independent Improvement and Assurance Panel on the progress made this year in the work of the Audit Committee.*

*I would like to thank the members of the Audit Committee, and the officers of the Council who have provided reports and papers to the Committee, for their diligence in working through the many areas noted in this report. Councillor members of the Audit Committee have expressed their thanks to the new independent Audit Committee members for bringing their knowledge,*

*experience and suggestions to the meetings.*

### *Main areas of comfort during the year*

*In common with many Local Authorities, the external auditors have raised some very technical concerns about the reporting of certain infrastructure assets. This has delayed the finalisation of audits since 2020/21. Recent guidance from CIPFA will now allow Ernst and Young to finalise the delayed audits and we expect to receive clean audit opinions on the financial statements. The Finance Team have worked hard to ensure that the Financial Statements continue to be produced promptly and to a good quality, despite all the uncertainties around the treatment of certain assets.*

*The quality of the external audit work of Ernst & Young has been independently checked by the AQR inspectors of the Financial Reporting Council. The Audit Committee has worked closely with Ernst & Young to ensure that all of the improvements required are fully implemented and is confident that none of the improvements required have impacted on the accuracy or reliability of the financial statements.*

*Internal audit has a comprehensive rolling program of work and has concluded that the Council has adequate and effective systems of internal control in place to manage the achievement of its objectives. Notwithstanding this overall opinion, Internal Audit's work identified a number of opportunities for improving control procedures which management has accepted. The Audit Committee receives regular reports on the resolution of these improvement opportunities.*

*The Audit Committee reviews the resourcing for Internal Audit and continues to monitor 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. The Committee is keen to keep abreast of the situation and any further risks that may emerge.*

*In these times of economic uncertainty, the ongoing identification and management of strategic risks is important to assess the range of possible outcomes, which should be made transparent so they can be managed effectively.*

*The risks and governance around Procurement, including the scope of the Procurement department and their systems and exceptions that flow through those systems, is an ongoing focus for the Committee. PCC expenditure flows through many different routes and the Committee is concerned that the governance around all of those routes needs to be 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.*

#### *Conclusion*

*Overall I am pleased with the progress of the Committee and the positive attitude of the officers of the Council to improve governance, risk management and the control environment.*

**Chair of the Audit Committee  
Chris Brooks**



## INTRODUCTION FROM CHAIR

This is the 15<sup>th</sup> 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 considering 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.

The committee this year has worked hard to create a rolling action log to ensure that areas of concern and interest are followed up and information is circulated back to members of the committee. In addition, the committee has been keeping a track of the items presented and how these relate to the committee's terms of reference and this matrix can be seen at **Appendix C**.

This report sets out the work undertaken by the Audit Committee for 2022 / 2023 and specifically highlights those areas where its scrutiny and review process has made a difference to performance. Furthermore I am pleased that the work of the committee has been recognised by the Independent Improvement and Assurance Panel and they have noted the improvements made to the role of the committee in holding officers to account.

In the forthcoming year I hope that the committee can focus on the risks the Council might encounter in the forthcoming years and how the Council proposes to deal with those. Training is an important element for all Audit Committee members, whether they are experienced or not and it is important that this remains a focus, enabling the committee members to scrutinise the functions of the Council's audit processes best effectively. There are opportunities for the committee to review its terms of reference and I hope this work is completed in the coming months to ensure the committee's work is up to date and ensures the right challenges and scrutiny is put in place to further enhance the work of the Audit Committee.

## MEMBERSHIP AND MEETINGS

During 2022 / 2023, the Audit Committee met on the following dates:

- 20 June 2022
- 25 July 2022
- 31 August 2022 - Extraordinary
- 17 October 2022
- 28 November 2022
- 30 January 2023
- 20 March 2023

There is a cross representation of all parties in accordance with the make-up of the Council. The members for 2022 / 2023 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 services delivered across the Council. Its focus is driven by the risks / controls in those functions and the activities undertaken to mitigate them.

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

### 20 June 2022

- [Update Ernst & Young – Audit Results Report](#)

The Audit Committee received a verbal update from the Council's external auditors with regards to the external audit for the year ended 31 March 2021.

- [Annual Audit Letter for the Year Ended 31 March 2022](#)

This report covered the requirement of the National Audit Office (NAO) Code of Audit Practice for EY to issue an Annual Audit Letter to Those Charged with Governance (the Audit Committee) following the conclusion of the audit and issue of the audit certificate. This closed the 2019/20 audit.

- [Budget Monitoring Report Final Outturn 2021/22](#)

The report provided the Audit Committee with the outturn position for both the revenue budget and capital programme for 2021/22. This also contains performance information on the payment of creditors and collection performance for debtors, local taxation and benefit overpayments.

### 25 July 2022

- [Annual Report – Insurance](#)

The report presented 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.

- [Annual Report – Investigations](#)

The report presented the work carried out during the past year to minimise the risk of fraud, bribery and corruption occurring in the Council.

- [Annual Internal Audit Report – 2021/22](#)

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 2021 / 2022.

- [National Fraud Initiative](#)

The report set out how the Council tackles fraud and error as part of the wider review undertaken by national government

- [Risk Management Framework](#)

The report set out the Council's risk management framework and asked members to make comments on the policy. More regular reporting was to be presented to the committee going forward.

- [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.

- [Draft 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 – Audit Results Report for year Ended 31 March 2021](#)

The Audit Committee received a verbal update from the external auditors EY regarding their progress with the Council's audit reporting. There were still some issues that needed addressing before the accounts were able to be signed off.

- [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.

### 31 August 2022

- [Audit of Statement of Accounts to those charged with Governance](#)

The committee received an updated report on the signing off of the accounts and the delays in signing while issue were resolved at a national level.

### 17 October 2022

- [Procurement Activity 2022](#)

The report set out how procurement supports the Council's corporate priorities through enabling officers to purchase goods, services and works in a way which is not just legally compliant, but which also secures value for money and considers opportunities to secure social value. This was an overview of the legislative environment and governance of the procurement function.

- [Corporate Risk Register](#)

The report set out details of the current risks being managed across the Council as set out within the risk registers. It enables Audit Committee to monitor the effective development and operation of risk management together with considering compliance with the agreed framework.

- [Council Reserves Policy](#)

The report enabled members of the committee to review and comment on the Councils Reserve Policy

- [Independent Improvement and Assurance Panel Report](#)

The committee received a report on the progress of the Council against the recommendations of the Improvement Panel.

- [Budget Setting Process](#)

The report outlined the Council's approach to setting the budget and invited any comments or suggestions from the committee.

## **28 November 2022**

- [Use of Regulation of Investigatory Powers Act 2000 \(RIPA\)](#)

The report provided the committee with an understanding of the RIPA legislation and the Council's policy. The committee were also informed that some updates to the policy were to be made and presented to the committee at a future date.

- [Annual Report of Corporate Complaints 2021/22](#)

The report outlines the Council's management of complaints and the action taken to address concerns of customers. This was an opportunity to review the effectiveness of handling complaints and identify areas for future scrutiny.

- [Internal Audit: Mid Year Progress Report 2022/23](#)

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 2022 / 2023.

- [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.

- [Decisions of the Shareholder Committee](#)

The committee received a report to note the decisions made by the Shareholder Cabinet Committee.

- **FRC's report and update from External Auditors(exempt report)**

The committee received an update from the external auditors following a review by the Financial Reporting Council (FRC) into some of the audits that had been carried out by the external auditors.

## **30 January 2023**

- [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.

- **Anti-Fraud and Corruption**

The committee received a report setting out how the Council tackled fraud and anti-corruption. The report also contained an updated anti-fraud statement for which officers across the authority were receiving training on.

- **Update – Procurement Activity**

Following a report earlier in the year the committee received a report updating the work procurement had carried out to improve systems and processes in order to enhance the value of contracts and services for the authority.

- **Reserves Strategy and Policy**

The committee received an updated report in relation to the Councils reserve strategy to help identify a suitable level of reserves. This was to form part of the budget setting process and would be presented to Full Council at the budget meeting.

- **Second Independent Improvement and Assurance Panel Report**

The committee received the second report on the progress of the Council against the recommendations of the Improvement Panel. This also included an update from the Chair of the Audit Committee.

- **Debt Write-Offs exceeding £10,000**

The committee agreed to defer the item to the following meeting to ensure the exempt annex was shared with the committee members.

### **30 March 2023**

- **Internal Audit: Internal Audit Plan 2023/24**

The committee received a report outlining the Internal Audit Team's plan for the next municipal year. The committee reviewed the plan and made some suggestions for the team's work in the next year.

- **Procurement Update (following January meeting)**

The procurement team update members on progress around procurement since the service was brought in house at the end of January. Regular reports would be provided to the committee going forward.

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

The committee received a report outlining some changes to the RIPA policy to ensure it was current and up to date.

- **Irrecoverable debts in excess of £10,000**

The committee agreed to note the debt write-offs over £10,000. It was noted that more regular reporting would be presented to the committee going forward.



## FUTURE DEVELOPMENTS AND PLANS FOR 2023 / 2024

Overall, the Audit Committee want to continue to develop and build on our current achievements.

For 2023 / 2024 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, 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.