

**PETERBOROUGH CITY COUNCIL AUDIT COMMITTEE
ANNUAL REPORT
2023 / 2024**



Assurance

Governance

Accountability

Risk Management

Independence

AUDIT COMMITTEE: ANNUAL REPORT 2023 / 2024

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INTRODUCTION

FOREWORD

It gives me great pleasure to provide the Audit Committee's Annual Report for the municipal year 2023/2024. The Council is requested to note the work carried out by the Audit Committee in improving the governance arrangements across the Council.

I am a new Chair of The Audit Committee and have not been in post for the whole year, however it has very quickly become clear how important the committee is and the huge amount of work that goes into ensuring it is an effective 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.

The areas which have been encouraging throughout the year include:

- The Audit Committee has adopted revised Terms of Reference which reflect CIPFA best practice.
- Internal Audit have provided routine reports which have set out their audit plans for the year followed by progress. Where there have been areas of concern or poor assurance activities Audit have provided updates for Members.
- All services have provided detailed, but concise reports in all areas allowing appropriate challenge by Members.
- There has been good collaboration between Members and Officers in shaping the delivery of the Committee.

The areas of concern include:

- Closure of accounts has been an issue due to ongoing resourcing issues / dialogue with our External Auditors. This is not unique to Peterborough.
- Risk Management is evolving within PCC but is not embedded. The approach has changed in year and Audit Committee will have oversight of the new framework.
- Prior year reports have spelt out resources within Internal Audit have been stretched due to recruitment failures. We will monitor the levels of resources available to deliver the audit plans and any other requests made.

Conclusion

Overall, during my time as Chair, I have been 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.

**Independent Chair of the Audit Committee
Daniel Schumann**

INTRODUCTION FROM CHAIR

This is the 16th 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 looked at and concentrated on over the past 12 months in line with the constitution. I believe it is vital that this work continues and is strengthened, especially given the unique and severe shifting challenges the Council face over the coming years.

It is clear from our meetings and the other work of the Council 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:

- Effective challenge and scrutiny of the accounts, controls and governance adopted across the Council so that the wider PCC community can be confident that the monies are being protected and used wisely
- Open and transparent in all of its transactions
- Raising financial and governance standards

The Terms of Reference for the Audit Committee can be found at **Annex B** of this report.

The committee operates a rolling programme of work and trackable 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.

This report sets out the work undertaken by the Audit Committee for 2023/ 2024 and highlights those areas where the Committee's scrutiny and review process has made a positive difference to performance. Furthermore, I am pleased that the work of the committee continues to improve transparency and serves the important function of holding officers to account.

As we move into another year, I hope that the committee can further focus on the risks the Council might encounter in future 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 best effectively scrutinise the functions of the Council's audit processes. I am pleased that the committee has carried out a thorough review of its terms of reference, but this must stay under review to ensure that the committee's work remains up to date and it makes the right challenges, and scrutiny is in place to further enhance the work of the Audit Committee.

MEMBERSHIP AND MEETINGS

During 2023 / 2024, the Audit Committee met on the following dates:

- 24 July 2023
- 11 September 2023
- 27 November 2023
- 29 January 2024
- 18 March 2024

There is a cross representation of all parties in accordance with the make-up of the Council. The members for 2023 / 2024 are attached at **Annex 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

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WORK AT MEETINGS

24 July 2023

- [Audit Results Report](#)

The report covered the requirement of the National Audit Office (NAO) Code of Audit Practice for the Council's external auditors to issue its Annual Audit Report to the Audit Committee following the conclusion of the audit and the issue of the audit certificate.

- [Verbal Update – External Audit Plan](#)

The Committee received a verbal update from the Council's external auditors about the external audit plan for the year ended 31 March 2022.

- [Annual Report: Insurance 2022/2023](#)

The report presented the work carried out during the previous year to provide an effective insurance function which provided cover for all aspects of the Council.

- [Fraud and Investigations 2022/2023](#)

The report outlined the work undertaken in the previous year to minimise the risk of fraud, bribery and corruption occurring in the Council.

- [Annual Internal Audit Opinion 2022/2023](#)

The report presented the Council's Chief Internal Auditor's annual report for the year ended 31 March 2023, which presented an overall opinion on the soundness of the control environment in place to minimise risk to the Council. The report was based on the findings of audits and activities undertaken by the Council's Internal Audit team during 2022/23.

- [Draft Annual Governance Statement 2022/2023](#)

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.

- [Review of the 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.

- [Budget Monitoring Report Final Outturn 2022/2023](#)

The report provided the Audit Committee with the outturn position for both the revenue budget and capital programme for 2022/23. This also contains performance information on the payment of creditors and collection performance for debtors, local taxation and benefit overpayments.

11 September 2023

- [Peterborough City Council Draft Risk Management Framework and Draft Strategic Risk Register](#)

This report was submitted to the Committee following a recommendation in October 2022 to provide an understanding as to the development of the Council's Draft Risk Management Framework and Draft Strategic Risk Register.

- [Update – Commercial and Procurement Service](#)

This report set out the progress on procurement activity since October 2022, including additional information requested by the Committee at its meeting of 24 July 2023. The report allowed the Committee to monitor the effective development of risk management and corporate governance in the Council.

27 November 2023

- [Internal Audit Mid-Year Progress](#)

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 is based on the findings of the completed internal audits from the Annual Audit Plan 2023 / 2024 as of 30 September 2023.

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

This report covered an update on interest rate forecasts, a review of compliance with Treasury and Prudential Limits for 2023/2024, the Council's capital expenditure (as set out in the Capital Strategy) and prudential indicators, a review of the Council's borrowing strategy for 2023/2024, and a review of the Council's investment portfolio for 2023/2024.

- [Annual Report Corporate Complaints](#)

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.

- [Audit Committee Terms of Reference](#)

This report asked the Audit Committee to consider changes to its terms of reference in line with recent Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. Comments were provided for the Interim Director of Legal and Governance and Monitoring Officer to consider and bring back to a future meeting for adoption a revised terms of reference for the Committee.

29 January 2024

- **[Audit Committee Terms of Reference](#)**

This report was submitted to the Audit Committee for it to consider proposed changes to its Terms of Reference, in line with the CIPFA guidance, and if they should be referred to the Full Council for approval.

- **[Peterborough City Council Audit Update – Year Ending 31 March 2021](#)**

This report covered the requirement of the National Audit Office (NAO) Code of Audit Practice for the Council's external auditor to issue an Annual Audit Report to Those Charged with Governance (the Audit Committee) following conclusion of the audit and issue of the audit certificate.

- **[Risk Management](#)**

This report provided the Audit Committee with an updated position statement on the risk register and the mitigating factors and actions reported through the Corporate Leadership Team (CLT) to ensure buy in / oversight at the top table.

- **[Internal Audit Plan 2024-2025 – Approach to Audit Planning](#)**

The purpose of this report was to provide the Audit Committee with details of Internal Audit's annual planning approach and emerging issues and risks that Internal Audit need to provide assurance over. It provides an opportunity for the Committee to consider these themes and provide input into the development of the Audit Plan.

- **[2024/2025 Draft Treasury Management Strategy](#)**

This report provided the Treasury Management Strategy 2024/25 to the Audit Committee for approval of the policies and Prudential Indicators in line with the consultation timelines for the Medium Term Financial Strategy (MTFS).

- **[Annual Governance Statement Review](#)**

This report requested that the Audit Committee considered progress against previously identified corporate governance weaknesses. In line with best practice, the actions are reported through the Corporate Leadership Team (CLT) to ensure buy in / oversight at the top table.

- **[Teachers' Pension Audit](#)**

The purpose of this report was to note the report and the findings of the auditors who reviewed the teachers pensions contributions collected and submitted by Peterborough City Council.

18 March 2024

- **[2022/23 Statement of Annual Accounts](#)**

This report was submitted to the Audit Committee to allow it to review the annual statement of accounts, specifically, to consider whether appropriate accounting policies had been followed and whether there were concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

- **[2020/21 EY Annual Report](#)**

The purpose of this annual report is to bring together all the auditors work over the year. It aims to draw the council's attention recommendations arising from the audit and following up of recommendations previously issued.

- **[Treasury Management Quarter 3 Update](#)**

This report provided the Audit Committee with the Council's quarter 3 2023/2024 position of the prudential indicators and forecast outturn, economic and interest rate forecast.

- **[Audit Committee Terms of Reference](#)**

The Audit Committee was asked to recommend to Full Council that it adopts the amended terms of the reference for the Committee, subject to further amendments identified since the resolution at the Committee's meeting of 29 January 2024.

- **[Internal Audit: Strategy and Annual Plan 2024-25](#)**

The purpose of this report was to ensure that the Audit Committee reviewed and agreed the audit activity for the next audit year.

FUTURE DEVELOPMENTS AND PLANS FOR 2024 / 2025

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

For 2024 / 2025 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.

ANNEXES

Annex A – Audit Committee Membership 2023/2024

Annex B – Audit Committee Terms of Reference (adopted by Full Council 20 May 2024)

Annex C – Audit Committee Draft Work Programme 2024/2025