

COUNCIL	AGENDA ITEM No. 9 (b)
16 OCTOBER 2024	PUBLIC REPORT

EXECUTIVE AND COMMITTEE RECOMMENDATIONS TO COUNCIL

AUDIT COMMITTEE TERMS OF REFERENCE

The Audit Committee, at its meeting of 22 July 2024, noted that its revised Terms of Reference, which it had recommended to Full Council at its meeting of 18 March 2024, had been submitted for approval without additional amendments agreed by the Committee at that meeting. The revised Terms of Reference were adopted by the Full Council at its meeting of 20 May 2024 without these additional amendments.

The Audit Committee requested that its Terms of Reference be referred to Full Council so the additional amendments could be agreed. The amended terms of reference, along with extracts of the minutes of both Audit Committee meetings, are appended to this report:

- Appendix A – Amended Audit Committee Terms of Reference
- Appendix B – Audit Committee Minutes 22 July 2024
- Appendix C – Audit Committee Minutes 18 March 2024

The Audit Committee recommends to Full Council the amendment of its Terms of Reference as attached at Appendix A and previously agreed at its meeting of 18 March 2024.

Audit Committee

1. Objectives of Audit Committee

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 governance and to oversee the financial reporting process.

2. Training

- 2.1 Prior to holding a seat on this committee, members are required to undertake relevant training which will continue on an annual basis

3 Terms of Reference

- 3.1 To consider the annual report and opinion of the Executive Director of Corporate Services and S151 Officer 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.
- 3.2 To approve the internal audit charter.
- 3.3 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 3.4 To consider summaries of specific internal audit reports as requested.
- 3.5 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources
- 3.6 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 3.7 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
- updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the Quality Assurance and Improvement Programme (QAIP)
 - reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- 3.8 To consider the head of internal audit's annual report, including:
- the statement of the level of conformance with the Public sector internal audit standard and Local Governance Application Note and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)

– the opinion on the overall adequacy and effectiveness of the council’s framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the Annual Governance Statement).

- 3.9 To consider reports dealing with the management and performance of the providers of internal audit services.
- 3.10 To consider reports where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the Council or there are concerns that agreed recommendations have not been implemented within a reasonable timescale.
- 3.11 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 3.12 To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- 3.13 To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- 3.14 To consider a report on the effectiveness of internal audit to support the Annual Governance Statement where required to do so by the accounts and audit regulations
- 3.15 To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.
- 3.16 To support the independence of external audit through consideration of the external auditor’s annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments Ltd (PSAA) or the authority’s auditor panel as appropriate.
- 3.17 To consider the external auditor’s annual letter, relevant reports, and the report to those charged with governance.
- 3.18 To consider specific reports as agreed with the external auditor.
- 3.19 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 3.20 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies
- 3.21 To consider the council’s arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 3.22 To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee
- 3.23 To liaise with the PSAA over the appointment of the council’s external auditor.
- 3.24 To commission work from internal and external audit.
- 3.25 To have oversight of the Regulation of Investigatory Powers policy and processes.
- 3.26 To recommend any changes regarding the Council’s Whistle-Blowing policy and arrangements to Full Council.
- 3.27 To consider reports in relation to the performance of the Council’s companies, alongside comments from the Shareholder Cabinet Committee.
- 3.28 To monitor progress in addressing risk-related issues reported to the committee.

- 3.29 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 3.30 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- 3.31 To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 3.32 To review the assessment of fraud risk and potential harm to the council from fraud and corruption.
- 3.334 To monitor the counter fraud strategy, actions and resources
- 3.345 To review the governance and assurance arrangements for significant partnerships or collaborations.
- 3.356 To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement

4. Regulatory Framework

- 4.1 To review any issue referred to it by the Chief Executive or a Director, or any Council body.
- 4.2 To monitor the effective development and operation of risk management in the Council
- 4.3 To monitor Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the Council's complaints process and review the assessment of fraud risk and potential harm to the council from fraud and corruption
- 4.4 To oversee the production of the authority's Annual Governance Statement prior to recommending its adoption and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion
- 4.5 To consider whether the annual evaluation for the Annual Governance Statement fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives
- 4.6. To review the Council's arrangements for corporate governance against the good governance framework, including the ethical framework and agree necessary actions to ensure compliance with best practice and consider the local code of governance

5. Accounts

- 5.1 To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- 5.2 To review and approve 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.

- 5.3 To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.
- 5.4 To consider reports on the effectiveness of financial management arrangements including compliance with CIPA's Financial Management Code.

6. Independent Members of Audit Committee

- 6.1 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.
- 6.2 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.
- 6.3 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. In the event of no Independent Member being present to chair the meeting, the Vice-Chair shall chair the meeting.
- 6.4 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.
- 6.5 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.
- 6.6 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, the effective development and operation of risk management and control of the authority.

**MINUTES OF THE AUDIT COMMITTEE MEETING
 HELD AT 6.00PM, ON MONDAY 22 JULY 2024
 IN THE BOURGES VIERSEN ROOMS, TOWN HALL, PETERBOROUGH**

To be read in conjunction with the agenda for the meeting here:

[Agenda for Audit Committee on Monday 22 July 2024, 2024, 6.00 pm | Peterborough City Council](#)

Committee Members Present: Antunes, Farooq, D Jones, Perkins, Qayyum, and Strangward

Co-opted Members Present: Stuart Green (Virtual), Mike Langhorn (Acting Chair)

Officers Present: Cecilie Booth, Executive Director of Corporate Services and S151 Officer
 Steve Crabtree, Chief Internal Auditor
 Jill Evans, Service Director and Deputy S151 Officer (Virtual)
 Matt Makin, Senior Democratic Services Officer
 Neil McArthur, Director of Legal and Governance and Monitoring Officer
 Emma Riding, Service Director and Deputy S151 Officer
 Gerry Roche, Risk Manager (Virtual)
 Ben Stevenson, Head of Information Governance / Data Protection Officer
 Julie Taylor, Group Auditor

Also Present: Dan Cooke, Senior Manager, Ernst and Young LLP
 Mark Hodgson, Partner, Ernst and Young LLP

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Daniel Schumann, Independent Chair of the Committee. In accordance with the Audit Committee's terms of reference, Mike Langhorn, Independent Member, was appointed as Chair for the meeting.

Apologies for absence were also received from Councillors Imtiaz Ali and Nick Thulbourn; Councillor Qaiser Farid attended as Councillor Ali's substitute and Councillor Dennis Jones attended as Councillor Thulbourn's substitute.

In Councillor Thulbourn's absence, Councillor Dennis Jones was appointed as Vice-Chair of the Committee for the meeting.

NOTE: The Chair reordered the agenda so that item 9 would be heard at the end of the meeting.

2. DECLARATIONS OF INTEREST

No declarations of interest were made.

3. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 18 MARCH 2024

The Committee **RESOLVED** that the minutes of the meeting held on 18 March 2024 be agreed as a correct record subject to the following amendment:

Page 2, minute 60, third resolution to read “3. Section 6.3 of the Terms of Reference be updated to reflect that the Vice Chair can Chair the Audit Committee in the event of any Independent Chair being **unavailable**.”

4. ACTIONS AND MATTER ARISING

The Committee noted that its Terms of Reference (ToR) needed to be referred back to Full Council at its next meeting of 16 October 2024 to amend section 6.3 of the ToR, as the proposal to enable the Vice-Chair to chair a meeting in the event no independent member is present had been unintentionally omitted from the draft document presented to Full Council. The Committee asked that it be advised of the outcome of this referral.

The Committee **RESOLVED** that the actions and matters arising from previous meetings and progress made to date be noted.

5. REVISED FINANCIAL REGULATIONS

The Committee received a report requesting that it reviewed the updated Financial Regulations, a key element of the Council’s Constitution, and referred them to the Constitution & Ethics Committee for recommendation to Full Council.

The Committee **RESOLVED** that:

1. The draft amended Financial Regulations be reviewed; and
2. The draft amended Financial Regulations be referred to the Constitution & Ethics Committee for recommendation to Full Council.

6. BUDGETARY CONTROL REPORT – FINAL OUTTURN 2023/2024

NOTE: Councillor Strangward arrived at the meeting during this item.

The Committee received a report providing the 2023/2024 outturn position for both the revenue budget and the capital programme, as well as performance information on the payment of creditors and the collection performance for debtors and local taxation. The report noted that the final position was subject to any changes that may be needed as part of the finalisation of the Statement of Accounts and subsequent external audit.

The Committee **RESOLVED** that the following be noted:

1. The final 2023/24 revenue outturn position as a £1.2m overspend on the Council’s revenue budget (subject to finalisation of the statutory statement of accounts).
2. The reserves position outlined in section 4.5.2 of the report.
3. The MTFS Q4 update outlined in Appendix B to the report.
4. The 2023/24 Capital Programme outturn position of £113m outlined in section 4.6 of the report, with the details of schemes outlined in Appendix C to the report.
5. Performance against the Prudential Indicators as outlined in Appendix D to the report.
6. Performance on payment of creditors, debt collection performance, local taxation and benefit overpayments as outlined in Appendix E to the report.

7. 2022/2023 STATEMENT OF ACCOUNTS

The Committee received a report which provided the opportunity to review the annual accounts for 2022/2023, as defined in its terms of reference. The report noted that the audit of the accounts had been considered as part of the Ernst & Young (EY) Value for Money Report, at item 8 of the agenda, and that the accounts would not be approved until the external audit was complete.

The Committee **RESOLVED** that:

1. The Annual Accounts for 2022/23 be received, and any final approval be delegated to the Executive Director for Corporate Resources and the Chair of Audit Committee
2. The linked Auditors Value for Money Report for the year ended 31 March 2023 from Ernst & Young (EY), which can be found at agenda item 8, be noted.

8. EY VALUE FOR MONEY REPORT FOR 2021/2022 AND 2022/2023 ACCOUNTS

NOTE: Stuart Green left the meeting during this item.

The Committee received a report presenting the Ernst & Young (EY) Value for Money (VfM) Report on the 2021/2022 and 2022/2023 accounts, which certified that the VfM audit of both sets of accounts had been completed. The report outlined the work undertaken by EY and highlighted any significant weaknesses identified along with recommendations for improvement.

The Committee **RESOLVED** that the final interim Auditors Value for Money Report for the years ending 31 March 2022 and 31 March 2023 from Ernst & Young (EY) be received.

9. DRAFT ANNUAL GOVERNANCE STATEMENT 2023 / 2024

The Committee received a report that presented the draft Annual Governance Statement (AGS) for 2023/2024 for review and recommendation for adoption and inclusion in the Statement of Accounts, in accordance with its terms of reference.

The Chair asked that it be noted that in future, the Committee expected that the Chief Internal Auditor be not as deeply involved in the production of the AGS, and that this responsibility should sit with first- and second-line officers.

The Committee **RESOLVED** that:

1. The arrangements for compiling, reporting on and signing the Draft Annual Governance Statement for 2023 / 2024 be noted
2. Subject to any amendments that may need to be made in the light of any feedback from the Committee, the Draft Annual Governance Statement be submitted to the Chief Executive and Leader of the Council for signature and inclusion in the statement of accounts.

10. ANNUAL INTERNAL AUDIT OPINION 2023/2024

The Committee received a report that provided the overall opinion on the soundness of the control environment in place to minimise risk to the Council. This was based on the findings of audits and activities undertaken by the Council's Internal Audit team during 2023/2024.

The Committee **RESOLVED** that the Chief Internal Auditor's annual report for the year ended 31 March 2024, included at Appendix A to the report, be endorsed.

11. ANNUAL REPORT: FRAUD AND INVESTIGATIONS 2023/2024

The Committee received a report that detailed the work carried out in 2023/2024 to minimise the risk of fraud, bribery and corruption occurring in the Council, in accordance with its terms of reference.

The Committee recommended that the Head of Internal Audit identify an alternative provider to undertake the five-yearly independent assessment of compliance with the PSIAS as the committee did not consider the Chief Internal Auditor of Cambridgeshire County Council to be sufficiently independent to undertake this review.

The Committee **RESOLVED** that the annual report on the investigation of fraud within the Investigations Team during 2023 / 2024, included at Appendix A to the report, be endorsed.

12. ANNUAL REPORT: INSURANCE 2023/2024

The Committee received a report that presented the work carried out in 2023/2024 to provide an effective insurance function which provided cover for all aspects of the Council, in accordance with its terms of reference.

The Committee **RESOLVED** that the attached annual report on the provision of Insurance during 2023 / 2024, included at Appendix A to the report, be endorsed.

13. INFORMATION GOVERNANCE ANNUAL REPORT

The Committee received a report that provided information on a number of key areas of Information Governance including the Council's compliance with statutory timeframes for information rights requests, the approach to managing data breaches, compliance and training.

The Committee **RESOLVED** that:

1. The performance of the council and the Information Governance Service be noted.
2. Any areas of compliance to be included in future Information Governance reports be considered.
3. The proposal to receive a six-monthly report on personal data breaches to demonstrate the Council's commitment to protecting personal data be approved.

14. RISK MANAGEMENT UPDATE

The Committee received a report detailing the agreed versions of the Council's Risk Management Framework and Annual Risk Report, in line with its terms of reference.

The Committee requested that, following approval of the updated Risk Management Policy and Framework, the Corporate Risk Manager provides the Committee with his ongoing work programme to further strengthen the Risk Framework and to address the opportunities for improvement identified by the committee in its review of new framework.

The Committee **RESOLVED** that the Risk Management Framework and Annual Risk Report included at Appendices A & B of the report be noted.

15. ANNUAL AUDIT COMMITTEE REPORT 2023/2024

The Committee received a report which presented its draft annual report for 2023/2024 and sought approval for it to be submitted to Full Council in October 2024, in line with both best practice and the Committee's terms of reference.

The Committee **RESOLVED** that:

1. The draft Annual Audit Committee Report, included at Appendix A to the report, be approved for submission to Full Council in October 2024.
2. That authority be delegated to the Chair of the Audit Committee, in consultation with the Audit Committee Group representatives, to agree any minor changes to the report before its submission to Full Council.

16. USE OF REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

The Committee **RESOLVED** to note that there was no RIPA update.

17. APPROVED WRITE-OFFS EXCEEDING £10,000

The Committee **RESOLVED** to note that there was no update on write-offs exceeding £10,000.

18. WORK PROGRAMME

The Committee **RESOLVED** that the rolling work programme for the 2024/2025 municipal year be noted and agreed.

19. 2023/24 EXTERNAL AUDIT PLAN

The Committee received a report which presented the opportunity to review the basis of Ernst & Young's (EY's) proposed audit approach and scope for its 2023/2024 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments Ltd, and auditing standards and other professional requirements. The report also allowed the Committee to ensure the audit was aligned with its own service expectations.

Following the introduction of the report, it was on the proposition of Councillor Jones, seconded by Councillor Qayyum, **RESOLVED** that the press and public be excluded from this part of the meeting on the grounds that the item contained exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed.

The discussion and debate for this item was held in exempt session.

The Committee **RESOLVED** that the Audit Plan from EY that shows their plans to audit the 2023/24 accounts be received.

CHAIR

End 8.24pm

**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 6.45PM, ON MONDAY 18 MARCH 2024
IN THE BOURGES/VIERSEN ROOM, TOWN HALL, PETERBOROUGH**

To be read in conjunction with the agenda for the meeting here:

[Agenda for Audit Committee on Monday 18th March, 2024, 6.45 pm | Peterborough City Council](#)

Committee Members Present:

Councillors Haseeb (Vice-Chair), Barkham, Judy Fox, Perkins, Jones, and

Co-opted Member Present:

Mike Langhorn, Daniel Schumann (Chair), Stuart Green (Virtual)

Officers Present:

Cecilie Booth (Executive Director of Corporate Services and S151 Officer); Steve Crabtree (Chief Internal Auditor); Jill Evans (Service Director of Corporate Finance and Deputy S151 Officer); Adesuwa Omoregie (Interim Director of Law and Governance and Deputy Monitoring Officer); and Claire Watt (Senior Executive Assistant).

Also Present:

Mark Hodgson and Dan Cooke (EY)

53. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Rangzeb and Cllr Rush.

54. DECLARATIONS OF INTEREST

Whilst not the subject of a substantive item on the agenda, but in case mention was made Steve Crabtree, declared a non-pecuniary interest, by virtue of the fact he was a Board member of Peterborough Limited.

55. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 29 JANUARY 2024

RESOLVED that the minutes of the meeting held on 29 January 2024 be agreed as a correct record.

56. ACTIONS AND MATTER ARISING

RESOLVED that the actions and matters arising from previous meetings and progress made to date, be noted.

57. 2022/23 STATEMENT OF ANNUAL ACCOUNTS

Upon providing comments, the Committee **RESOLVED** that the 2022/23 Annual Statement of Accounts be noted.

58. 2020/21 EY ANNUAL REPORT

RESOLVED that:

1. the 2020/21 EY Annual Report is noted as reviewed.
2. an interim officer report in consultation with EY be provided to the Chair in April updating on progress made towards having a fully audited set of 2023/24 accounts in line with government guidelines.

59. TREASURY MANAGEMENT QUARTER 3 UPDATE

RESOLVED that:

1. the Treasury Management Strategy Statement (TMSS) quarter position and performance against the Prudential Indicators be considered and noted.
2. the information about Economic and interest rate update be read.

60. AUDIT COMMITTEE – TERMS OF REFERENCE

RESOLVED that the Audit Committee recommends to Full Council the adoption of the amended Terms of Reference for the Audit Committee subject to the following further amendments:

1. Section 2 in relation to Training be updated to reflect the requirement to have a training needs assessment prior to joining the Audit Committee as well as ongoing annual training.
2. Section 5.2 of the Terms of Reference be updated to include review and approve the annual statement of accounts.
3. Section 6.3 of the Terms of Reference be updated to reflect that the Vice Chair can Chair the Audit Committee in the event of any Independent Chair being unavailable.

61. INTERNAL AUDIT: STRATEGY AND ANNUAL PLAN 2024-25

RESOLVED that:

1. the Internal Audit Charter for 2024 / 2025 included at Appendix A be considered and approved.
2. the Internal Audit Code of Ethics 2024 / 2025 included at Appendix B be considered and approved.
3. the Internal Audit Strategy and Plans for 2024 / 2025 included at Appendices C and D) be considered and approved.
4. the information about Internal Audit work over the previous 3 years included at Appendix E be noted.

62. USE OF REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

RESOLVED to note that there was no RIPA update.

63. APPROVED WRITE-OFFS EXCEEDING £10,000

RESOLVED to note that there was no update on write-offs exceeding £10,000.

64. WORK PROGRAMME

RESOLVED that the proposed work programme for the first meeting in municipal year 2024/2025 is noted and agreed.

CHAIR

End 7.57pm

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