

## **CHAIRMAN OF THE AUDIT COMMITTEE'S REPORT TO COUNCIL - COUNCILLOR PAUL GALLEY**

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### **Overview**

I am pleased to provide this report to the Council on the work of the Audit Committee over the last Municipal Year.

As we have slowly returned to a state of normality, the Audit Committee has happily been able to meet in person once again. Whilst continuing with hybrid meetings as necessary, towards the end of the Municipal Year members, officers and external partners were again able to meet at the Town Hall in a return to 'in person' meetings. This has ensured that Senior Officers and external partners have continued to be adequately challenged and held accountable by the Committee. This report summarises the work that has been undertaken by the Committee over the course of the 2021/2022 Municipal Year.

Training and support has been provided via the Audit Academy, which aimed to ensure that the Committee maintained its high quality of member questioning and levels of engagement, whilst also developing a greater breadth of knowledge of the wide range of issues falling within the remit of the Audit Committee. An effective training programme will of course be provided into the new Municipal Year as we continue to develop and improve, whilst aiming to raise the public profile of the Committee and further encourage engagement from members of our wider community. The Committee also wished farewell to one of its Independent Members, Gill Brown, who brought a fresh perspective and much-valued level of enthusiasm and expertise to the position.

### **Work Undertaken**

#### **Strategic Risk Register**

The Committee has continued to focus upon the Strategic Risk Register and has received regular attendance from risk owners in order to provide challenge on the work undertaken to mitigate risk. Towards the end of the Municipal Year, the Committee gave consideration to a newly-formatted Risk Register, which resulted in clearer cohesion between risks and greater ease in identifying key areas for further exploration. Over the course of the year the Committee undertook deep dives into the following strategic risk areas:

- Unsustainable Local Economy and Increased Deprivation
- Sustainability of the Council

- Service Failure
- Inadequate Change Management
- People

## **Annual Governance Statement**

The Committee received the Annual Governance Statement 2020/2021 at its meeting in September 2021, which provided adequate assurance that public money was safeguarded, properly accounted for and used economically, efficiently and effectively, whilst also providing a reflective review of the past twelve months. The Annual Governance Statement would ordinarily have been considered by the Audit Committee earlier in the year in conjunction with the presentation of the Statement of Accounts, but its presentation had been delayed in line with the amended deadline for the approval of the Council's accounts. A mid-year review of the Annual Governance Statement was considered at the January 2022 Committee meeting. At this meeting, progress against the actions to date was considered and answers sought from relevant officers where further clarification was required.

## **Risk Services**

Members of the Committee have reviewed reporting on Risk Services on a quarterly basis and have requested Chief Officer attendance, as appropriate, to provide assurance of adequate progress, or explanations where progress may have been delayed. The Committee has provided specific challenge on a number of matters including anti-fraud arrangements and Council-wide business continuity planning as well as maintaining an overview of insurance claims made against the Council. With regards to overseeing specific internal audit reports, the Committee has continued to request attendance from operational level officers in order to respond to internal audit follow-ups on a number of areas, including Vehicle Operators' Licence Compliance, CCTV, Strategic Leisure Assets, Flood Management, Advertising, the Blackpool Museum Project and IT admin rights. The information provided by the attending officers has facilitated comprehensive questioning during meetings as well as allowing the Committee to maintain an overview of the controls in place in relation to a wide range of service areas across the Council.

Throughout the year, the Committee also considered the Council's Risk Management Framework, the Business Continuity Framework and the Fraud Prevention Charter, as well as seeking assurance with regards to the financial sustainability of the Council's wholly owned companies. Members provided strong challenge to address any issues identified and sought explanations from relevant officers of the measures in place to mitigate current and future risks. Consideration was also given to an external assessment of the Council's Internal Audit function, to ensure conformance to the Public Sector Internal Audit Standards, with assurance received that the Council has effective internal audit processes in place. In addition, the Committee reviewed the findings of an inspection undertaken by the Information Commissioner's Office of the Council's compliance with data protection and freedom of

information legislation, which provided a high level of assurance across the areas of governance and accountability, information security and freedom of information.

### **External Auditors**

The Committee has continued to develop its productive working relationship with the Council's external auditors, Deloitte. Approval of the Annual Year End Accounts for 2020/2021 was delayed due to the emergence of a national issue around the historical accounting of local authority infrastructure assets, with questions being raised over the accuracy of previous methods used. The Chartered Institute of Public Finance and Accountancy established a task force to investigate the issue and to formulate a workable solution. As a result the audit was paused until such a solution had been agreed. It is anticipated that the issue and resulting delay might potentially impact on the completion of the audit of the 2021/2022 year end accounts, with the Audit Committee closely monitoring the situation over the coming year.

The attendance of representatives from Deloitte at each meeting of the Audit Committee has provided members with the opportunity to seek assurance from the external auditors on the governance of the Council. In addition, the continuation of Deloitte's attendance at the Committee's pre-briefing meetings has proven to be a valuable asset, resulting in enhanced discussion of the key issues at the main meeting and the addition of a fresh perspective when considering areas of questioning.

### **Further Work Undertaken**

- Audit Committee Self-Evaluation – the self-evaluation is undertaken annually and the Committee considered the feedback in order to develop the Audit Academy Training Programme and improve the quality of challenge made.
- Internal Audit Plan 2022/2023 - the Committee received and approved the plan.
- Internal Audit Charter 2022/2023 – the Committee received and approved the charter.
- Strategic Risk Register 2022/2023 – the Committee received and approved the register.

### **The Audit Academy**

High quality training and development has continued to be a focus for the Committee, strengthened yet further by the creation of the Audit Academy. Informative training sessions have been held regularly, where full participation from Committee members has been encouraged. In order to make the sessions as accessible as possible, these were undertaken remotely, which resulted in increased attendance levels and the facility for any absent members to access the sessions at a later date via the library of training session recordings. The training covered areas highlighted within the CIPFA Guidance for Audit Committee Members as well as any additional areas which members identified as requiring improvement in their skills or knowledge. As requested by the Committee, the following training sessions have been held over the past year:

- Audit Committee Terms of Reference
- Statement of Accounts
- Governance of Wholly Owned Companies
- Procurement and Contract Management
- Medium Term Financial Sustainability
- Role of External Audit
- Strategic Risk Management

## **Future Work Programme**

The Committee will continue to receive and review key information including the Annual Governance Statement and the Risk Services Quarterly Reports and, when appropriate, invite Chief Officers and operational officers to attend to provide explanations where inadequate assurance has been provided or where key controls have not been implemented. The Strategic Risk Register will be reviewed and the information within it improved as necessary. Chief Officers will continue to be required to update the Committee with regards to the controls that are being implemented in order to manage the Council's risks especially when audit follow-up action is requested.

As Chair I have identified the following priorities for the Committee to work towards achieving over the coming Municipal Year:

- Continue to strengthen the relationship with Scrutiny.
- Support and help manage the high risk areas notably income generation and the Council's wholly owned companies.
- Ensure that the Audit Committee remains an active player in identifying emerging risks and general horizon scanning.
- Support the Council to tackle fraud by raising awareness of successful prosecutions.
- Communicate high interest items in Audit Committee meetings to the public.

Members, I am pleased to present this report to Council and will be happy to answer any questions.