

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Relevant Officer:</b>	Mark Towers – Director of Governance and Partnerships Tracy Greenhalgh – Head of Audit and Risk
<b>Meeting</b>	24 November 2022

## **CIPFA’S POSITION STATEMENT: COMPLIANCE REPORT**

### **1.0 Purpose of the report:**

- 1.1 The CIPFA Position Statement (2022) includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the Audit Committee.

The statement represents CIPFA’s view on the audit committee practice and principles that local government bodies in the UK should adopt.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective Audit Committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

A requirement of the Position Statement is that Council’s report annually on how the Audit Committee has complied with the Position Statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public. This report aims to address this requirement.

### **2.0 Recommendation(s):**

- 2.1 The Audit Committee is asked to approve the compliance statement against the CIPFA Position Statement (2022).

### **3.0 Reasons for recommendation(s):**

- 3.1 To meet the requirements of the CIPFA Position Statement (2022).

- 3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the No

Council?

3.3 Is the recommendation in accordance with the Council's approved budget? Yes

**4.0 Other alternative options to be considered:**

4.1 None.

**5.0 Council priority:**

5.1 The work of the Audit Committee contributes to the achievement of all of the Council's priorities.

**6.0 Background information**

6.1 The Position Statement sets out the purpose of an Audit Committee which is:

*"Audit Committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements.*

*The committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective. In a local authority the Full Council is the body charged with governance.*

*The Audit Committee may be delegated some governance responsibilities but will be accountable to Full Council. The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability"*

In order to deliver its purpose CIPFA set out a number of criteria which Audit Committees should deliver The assessment of Blackpool Council's Audit Committee performance against the core functions in the Position Statement is set out in the following table:

<b>CIPFA Position Statement</b>	<b>Blackpool Council Position</b>
<b>Maintenance of governance, risk and control arrangements:</b>	
Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.	<b>Complies</b> The Committee receives relevant governance policies such as the Governance Framework and Partnership Governance Framework and recommends these to Full Council for adoption.
Consider the effectiveness of the authority's risk management	<b>Complies</b> The Committee receives and approves the

<p>arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.</p>	<p>Council's Risk Management Framework. In addition, it considers the Strategic Risk Register on an annual basis and undertakes a deep dive of individual risk categories at each meeting.</p>
<p>Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.</p>	<p><b>Complies</b></p> <p>The Committee receives the Audit and Risk Quarterly Report and considers the assurance statements for internal audit work completed each quarter.</p> <p>A sample of audit reports are also presented to Committee so that the relevant Heads of Service can provide an update in terms of the completion of audit recommendations.</p> <p>The Head of Audit and Risk's Annual Opinion on the control environment is considered by the Committee.</p> <p>In addition, updates are provided in relation to proactive and reactive fraud and error activity. The Committee also approves the annual Fraud and Error Prevention Charter which sets out the Council's zero tolerance approach to fraud, bribery and corruption.</p>
<p><b>Financial and governance reporting</b></p>	
<p>Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.</p>	<p><b>Complies</b></p> <p>The Committee receives and approves the Annual Governance Statement each year. In addition it receives a mid-term progress update providing assurances that the actions identified in the Annual Governance Statement are being addressed.</p>
<p>Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.</p>	<p><b>Complies</b></p> <p>The Statement of Accounts and the associated external auditors report are considered by the Committee.</p> <p>Management's response to the ISA260 is also reported to the Committee for consideration.</p>

<b>Establishing appropriate and effective arrangements for audit and assurance</b>	
Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.	<b>Complies</b> The Annual Internal Audit Plan is presented to the Audit Committee for approval. Further assurance can be taken from other review bodies such as Ofsted and the CQC as required.
In relation to the authority's internal audit functions: <ul style="list-style-type: none"> <li>• Oversee its independence, objectivity, performance and conformance to professional standards.</li> <li>• Support effective arrangements for internal audit.</li> <li>• Promote the effective use of internal audit within the assurance framework.</li> </ul>	<b>Complies</b> The Audit Committee approve the Internal Audit Charter and the Quality Assurance and Improvement Programme on an annual basis.
Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.	<b>Complies</b> All reports of the external auditor and management response to these are considered by the Committee. External Audit attend every Audit Committee meeting to enable verbal updates or respond to questions from the Audit Committee.
Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.	<b>Complies</b> Full Council are consulted on whether the Council should participate in the national scheme for the procurement and appointment of external auditors (which Blackpool Council does).  There have been occasions where members of the Audit Committee have been involved with external audit and finance outside of committee meetings in order to address relationship and performance issues.
Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.	<b>Complies</b> This can be evidenced through the minutes of the Audit Committee which demonstrate the breath of discussion and engagement by committee members and officers.

<b>Audit Committee Membership</b>	
A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.	<b>Complies</b> An Audit Training Academy is in place which delivers modular training prior to each Audit Committee meeting. The training programme is developed each year, dependent on requests from Audit Committee members and is approved by the Committee for each Municipal Year.
A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.	<b>Complies</b> This can be evidenced through the minutes of the Audit Committee which demonstrate the breadth of discussion and engagement by committee members and officers.
A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are: <ul style="list-style-type: none"> <li>• Promoting apolitical open discussion.</li> <li>• Managing meetings to cover all business and encouraging a candid approach from all participants.</li> <li>• Maintaining the focus of the committee on matters of greatest priority.</li> </ul>	<b>Complies</b> This can be evidenced by the annual self-assessment of Audit Committee effectiveness where the Chair continually scores highly for their skills in the role. All Audit Committee members, key officers and external audit are invited to participate in this anonymous survey.
Willingness to operate in an apolitical manner.	<b>Complies</b> This can be evidenced by the minutes of the Audit Committee. On the rare occasions discussion could have diverted into political matters the Chair is skilled to bring the discussion back to focus.
Unbiased attitudes – treating auditors, the executive and management fairly.	<b>Complies</b> Good working relationships are in place between the Audit Committee, officers and external audit.
The ability to challenge the executive and senior managers when required.	<b>Complies</b> This can be evidence in the minutes of the Audit Committee which highlight the breadth of discussion and challenge.
Knowledge, expertise and interest in the work of the committee.	<b>Complies</b> The Audit Committee work as an effective

	<p>team in order to ensure that all committee members have a role in the meetings. Over the past few months steps have been taken to get committee members to be a lead on specific topics to help increase knowledge and also provide structure to questioning at Committee.</p>
<p><b>Engagement and Outputs</b></p>	
<p>Meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public.</p>	<p><b>Complies</b>  The Committee meet between 6 to 7 times each Municipal Year. Where possible items are discussed in public but where this would not be appropriate arrangements are in place for a private meeting. The Chair of Audit Committee will also remind officers attending Committee of this arrangement if a particularly sensitive topic is on the agenda with recent examples being managing the risk of terrorism and cyber security.</p>
<p>Be able to meet privately and separately with the external auditor and with the head of internal audit.</p>	<p><b>Complies</b>  External Audit are invited to all committee pre-meets so that they can have a discussion with the Audit Committee outside of the presence of officers.</p> <p>The Chair and Vice Chair of Audit Committee have regular meetings with the Head of Audit and Risk approximately four weeks before each committee meeting to set the agenda. At the end of these meetings the Chair always asks the Head of Audit and Risk if there are any matters which the committee need to be aware of.</p>
<p>Include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required.</p>	<p><b>Complies</b>  The Director of Resources (Statutory Finance Officer), external audit and Head of Audit and Risk attend all Audit Committee meetings. The Director of Governance and Partnership (Monitoring Officer) and Chief Executive also attend on a regular basis as required. All officers and external audit are able to contact the Chair of Audit Committee outside of formal meetings should this be required.</p>

<p>Have the right to call on any other officers or agencies of the authority as required.</p>	<p><b>Complies</b> Officers are regularly invited to Audit Committee to provide updates on the implementation of internal audit recommendations and the strategic risk register. The Committee can also request officers to attend for any other risk, control or governance issue and such actions are included on the audit tracker which helps inform the work programme for the Committee.</p>
<p>Support transparency, reporting regularly on its work to those charged with governance.</p>	<p><b>Complies</b> The Chair of Audit Committee presents an annual report to Full Council summarising the work that the committee has undertaken and aspirations for the future focus of the committee.</p>
<p>Report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.</p>	<p><b>Complies</b> This is the first assessment against the Position Statement which is reported to the Audit Committee and is therefore in the public domain.</p>
<p><b>Impact</b></p>	
<p>As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance. The committee should evaluate its impact and identify areas for improvement.</p>	<p><b>Complies</b> On an annual basis the Audit Committee undertakes a self-assessment of its effectiveness. This also includes seeking feedback from key stakeholders such as Chief Officers, internal and external audit. The findings of this exercise are reported to the Audit Committee and also inform the Audit Academy training programme for each Municipal Year.</p>

<p><b>Overall Strengths</b></p>	
<p>As part of the assessment the Committee felt that it exhibits a number of strengths which feed into all element of the Position Statement and these include:</p> <ul style="list-style-type: none"> <li>• Overall the Committee recognised the work that it does reflected in the Position Statement with all core functions complied with.</li> <li>• The Committee feels that engagement with officers is good with a wide range of officers being invited to Committee to provide input and assurance.</li> </ul>	

- The Committee feels that it receives useful and meaningful information which enables it to effectively interrogate and ask questions.
- The Committee feels that it has a strong sense of challenge, asks probing questions and asks follow-up questions to ensure that they are satisfied with the response.
- The Committee benefits from a good chair, the expertise of independent members and a team ethos which helps ensure that the committee conducts itself in an apolitical manner.
- The Committee strives to continually improve through its Audit Academy.

### **Key Achievements**

The Committee feels that one of the most important measures of its success is how the Committee has a positive impact on the work of the Council and the town's residents. The Committee noted a number of key achievements over the past three years including:

- Greater awareness of the work of the Audit Committee across elected members and Council Officers.
- Development of a proactive fraud prevention communication strategy to ensure residents know what to do if they suspect fraud and other related advice.
- Improved communication with residents on the work of the Audit Committee including via the media.
- Evolved the strategic risk management process to ensure that consideration of risks in a holistic way across Council services.
- Supported the development of an effective working relationship with the external auditor during a challenging time resulting in accounts being signed late.

### **Areas for Development**

The Committee recognised that it wanted to continue to develop and as part of the process identified a number of actions in order to continue to evolve and these include:

- Consider more frequent reporting by the Chair of Audit Committee to Full Council including the incorporation of key documents including compliance with the CIPFA Position Statement and the strategic risk register.
- There is a need to implement the plan for the Shareholder Committee to report to Audit Committee so that additional assurance in relation to the risks associated with the wholly owned companies can be embedded.
- There is a need to consider how risks associated with key partners who operate strategic assets on the Councils behalf can be considered by Audit Committee, potentially through a report from the Shareholder Committee.
- Consideration should be given as to whether the strategic risk register should be brought to committee on a more frequent basis.
- Consideration should be given to further refining the Council's risk appetite and the introduction of target risk scores as part of the strategic risk register.



- Consider the development of a plan setting out the expectations of the new external auditor in terms of working relationships.
- Seek to establish whether it would be appropriate for the Audit Committee to have further information relating to inspection reports undertaken by external agencies.
- Consideration should be given to inviting the Senior Auditors, the Senior Counter Fraud Advisor and Head of Democratic Governance to the Committee to co-present items with the Head of Audit and Risk / Director of Governance and Partnerships to assist with succession planning.
- Consider the benefits of wider engagement of the Executive at Audit Committee meetings when appropriate to do so.

6.2 Does the information submitted include any exempt information?

No

**7.0 List of Appendices:**

7.1 Appendix 6(a) – CIPFA Position Statement

**8.0 Financial considerations:**

8.1 The work of the Audit Committee is delivered within the restrictions of the core Council budget.

**9.0 Legal considerations:**

9.1 The completion of this Position Statement demonstrates how the Council’s Audit Committee meets legislative requirements.

**10.0 Risk management considerations:**

10.1 The primary role of the Audit Committee is to provide assurance that the Council is effectively managing its risks.

**11.0 Equalities considerations:**

11.1 These would be considered throughout the work of the Audit Committee as appropriate.

**12.0 Sustainability, climate change and environmental considerations:**

12.1 These would be considered throughout the work of the Audit Committee as appropriate.

**13.0 Internal/external consultation undertaken:**

13.1 The report was considered by Audit Committee members, the Head of Audit and Risk and the

Director of Governance and Partnerships as part of the Audit Academy on the 13<sup>th</sup> October 2022.

**14.0 Background papers:**

14.1 None.