

**Chairman of the Audit Committee's Report to Council
29 November 2023**

**CHAIRMAN OF THE AUDIT COMMITTEE'S REPORT TO COUNCIL - COUNCILLOR
JASON ROBERTS**

Overview

I am pleased to provide this update to the Council on the work of the Audit Committee during the first half of the 2023/2024 Municipal Year.

During 2023/24 so far the Audit Committee has held five meetings to undertaken its role in monitoring risk and governance performance at the Council.

This report summarises the work that has been undertaken by the Committee over the course of the first half of the 2023/2024 Municipal Year and builds on the Annual Report 2023 provided to Council at its June 2023 meeting.

Training and support has continued to be provided via the Audit Academy, which aims to ensure that the Committee maintains 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.

Work Undertaken

The Chartered Institute of Public Finance and Accountancy (CIPFA) Position Statement on Audit Committees

The CIPFA Position Statement sets out the purpose, model, core functions and membership of the Audit Committee and represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt.

CIPFA expects that the Council make the best efforts to adopt the principles, aiming for effective Audit Committee arrangements. Doing so enables The Council to meet its 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 work was undertaken at the 19 October 2023 meeting of the Committee and it was agreed that details of the compliance with the statement would be presented to full Council.

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:

CIPFA Position Statement	Blackpool Council Position
Maintenance of governance, risk and control arrangements:	
Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.	Complies 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 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.	Complies The Committee receives and approves the 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.
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.	Complies The Committee receives the Audit and Risk Quarterly Report and considers the assurance statements for internal audit work completed each quarter. A sample of audit reports are also presented to Committee so that the

	<p>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>
Financial and governance reporting	
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>Complies</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>
Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.	<p>Complies</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>
Establishing appropriate and effective arrangements for audit and assurance	
Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.	<p>Complies</p> <p>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.</p>
<p>In relation to the authority's internal audit functions:</p> <ul style="list-style-type: none"> Oversee its independence, objectivity, performance and 	<p>Complies</p> <p>The Audit Committee approve the Internal Audit Charter and the Quality Assurance and Improvement Programme on an</p>

<p>conformance to professional standards.</p> <ul style="list-style-type: none"> • Support effective arrangements for internal audit. • Promote the effective use of internal audit within the assurance framework. 	<p>annual basis.</p>
<p>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.</p>	<p>Complies 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.</p>
<p>Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.</p>	<p>Complies 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).</p> <p>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.</p>
<p>Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.</p>	<p>Complies This can be evidenced through the minutes of the Audit Committee which demonstrate the breadth of discussion and engagement by committee members and officers.</p>
<p>Audit Committee Membership</p>	
<p>A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.</p>	<p>Complies 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.</p>

<p>A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.</p>	<p>Complies This can be evidenced through the minutes of the Audit Committee which demonstrate the breadth of discussion and engagement by Committee members and officers.</p>
<p>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:</p> <ul style="list-style-type: none"> • Promoting apolitical open discussion. • Managing meetings to cover all business and encouraging a candid approach from all participants. • Maintaining the focus of the committee on matters of greatest priority. 	<p>Complies Whilst the Chair of the Audit Committee is a new chair for this Municipal Year they have considerable experience of serving on the Audit Committee. The Chair holds a pre-meeting before each Audit Committee to discuss the agenda and help shape discussions and challenge.</p>
<p>Willingness to operate in an apolitical manner.</p>	<p>Complies This can be evidenced by the minutes of the Audit Committee.</p>
<p>Unbiased attitudes – treating auditors, the executive and management fairly.</p>	<p>Complies Good working relationships are in place between the Audit Committee, officers and external audit.</p>
<p>The ability to challenge the executive and senior managers when required.</p>	<p>Complies This can be evidence in the minutes of the Audit Committee which highlight the level of discussion and challenge.</p>
<p>Knowledge, expertise and interest in the work of the committee.</p>	<p>Complies For this Municipal Year it is a new Committee with many newly elected members. Training is in place to support the Committee to develop their knowledge and skills to make effective contributions to the meetings. Continuity is in place through the new Chair of Audit Committee and the co-opted independent member.</p>
<p>Engagement and Outputs</p>	
<p>Meet regularly, at least four times a year,</p>	<p>Complies</p>

<p>and have a clear policy on those items to be considered in private and those to be considered in public.</p>	<p>The Committee meet 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.</p>
<p>Be able to meet privately and separately with the external auditor and with the head of internal audit.</p>	<p>Complies 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 before each Committee meeting to set the agenda.</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>Complies 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 Partnerships (Monitoring Officer) and Chief Executive also attend 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>Complies 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>Complies 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>Complies This was done for the first time in November 2022 is done annually going forward.</p>
<p>Impact</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>Complies 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>Overall Strengths</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"> • Overall the Committee recognised the work that it does reflected in the Position Statement with all core functions complied with. • The Committee feels that engagement with officers is good with a wide range of officers being invited to Committee to provide input and assurance. • 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 strives to continually improve through its Audit Academy. 	

<p>Areas for Development</p>	
<p>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:</p> <ul style="list-style-type: none"> • Ensure that the vacant independent member post is recruited to. • Consider the development of a plan setting out the expectations of the new external auditor in terms of working relationships. • Ensure that Audit Committee members receive Fraud Awareness Training. • Consider the benefits of wider engagement of the Executive at Audit Committee meetings when appropriate to do so. 	

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| <ul style="list-style-type: none">• Ensure that officers presenting at meetings provide a more detailed overview of their reports. |
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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. Over the course of this year the Committee has undertaken deep dives into the following strategic risk areas:

- Technology
- Operations
- Property
- Project/Programme Management
- Information

Internal Audit Reviews

During the 2023/2024 municipal year the Committee has continued to receive follow-up reports on the implementation of Internal Audit Recommendations that allow members to monitor progress and provide challenge where there has been delays. Updates have been provided by the officers responsible for implementing recommendations, which has allowed detailed questioning of the issues arising from reports.

The reports considered so far this year are;

- Children's Services Financial Systems
- Driving at Work
- Energy Management
- Event Management

At its June 2023 meeting the Committee also approved the Internal Audit Quality Assurance and Improvement Programme 2022/2023. This provided reassurance that Internal Audit continued to provide a robust service in an effective and efficient manner, in line with the requirements of the Public Sector Internal Audit Standards.

External Audit and Accounts 2020/2021

As outlined in the Committee's Annual Report 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. The Chartered Institute of Public Finance and Accountancy established a task force to investigate the issue and to formulate a workable

solution. A solution was developed in 2022 and this enabled the external auditor Deloitte to complete work the 2020/2021 accounts.

At its meeting on 27 July 2023 Deloitte presented the Statement of Accounts 2020/2021 to the Committee where they were approved.

The accounting issue had also delayed the completion of the audit of the 2021/2022 and 2022/2023 year end accounts. However since the resolution of the Accounts 2020/2021, Deloitte has now commenced work on the Accounts 2021/2022. It is planned that these will be approved by the end of the 2023/2024 municipal, and the Committee will therefore be closely monitoring the situation over the situation into 2023/24 with a view to ensuring that all the outstanding accounts are approved in a timely fashion.

In addition to the Accounts, representatives from Deloitte has continued to attend meetings of the Committee in person and virtually. This attendance has allow members to receive external audit advice at meetings and at its pre-Committee briefings and has continued to enhance the quality of discussions that have taken place.

Other reports provided by Deloitte have been;

- External Auditors Report to those charged with Governance (ISA 260) – Considered and noted at the 14 September 2023 meeting.
- External Audit Plan 2021/2022- Considered and noted at the 14 September 2023 meeting.

Further Work Undertaken

- Annual Audit Opinion 2022/2023 – Received and approved at the 15 June 2023 meeting.
- Annual Governance Statement 2022/2023 - Received and approved at the 15 June 2023 meeting.
- Covert Surveillance Policy – The Committee received and recommended for approval to Council the updated Policy at its 19 October 2023 meeting.

The Audit Academy

High quality training and development has continued to be a focus for the Committee, delivered through 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 have been undertaken remotely.

At its 15 June 2023 meeting the Committee approved the Audit Academy Training Programme 2023/2024. The training scheduled for 2023/2024 will cover areas 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.

Going Forward

The Committee will continue to receive and review key information including 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 continue to 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 the municipal year progresses the Committee will continue to work towards the following over the remainder of the Municipal Year:

- Maintaining and strengthening the relationship with Scrutiny.
- Support and help manage the high risk areas.
- 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.