



**REPORT FROM: DIRECTOR OF RESOURCES**

**TO: ACCOUNTS AND AUDIT COMMITTEE**

**DATE: 25<sup>TH</sup> JULY 2023**

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## **ACCOUNTS AND AUDIT ANNUAL REVIEW 2022/23**

### **PURPOSE OF REPORT**

To provide and update on the work of the Committee during 2022/23

### **RECOMMENDATIONS**

To note the report

### **REASONS FOR RECOMMENDATIONS**

To comply with CIPFA Best Practice

## **FOREWORD FROM THE CHAIR**

1. As Chair of the Accounts & Audit Committee, I am pleased to present this report which sets out the contribution the committee has made to Pendle Borough Council's audit and governance arrangements for 2022/23.
2. The Accounts & Audit Committee is a key component of Pendle Borough Council's governance framework and provides independent scrutiny, supporting good governance and strong financial management of public funds.
3. The Committee's main function is to provide assurances on the Council's arrangements for governance and risk management, internal control and financial management. This is achieved by considering reports from internal and external sources which are scheduled throughout year to meet statutory timescales and provide a balanced work programme.
4. The Committee is well supported by the officers who have been in attendance at each meeting, providing high standard reports and presentations and responding in a meaningful and positive manner to the various questions raised by Members.
5. The Committee will continue to support the organisation in making the best possible use of the public money it is entrusted with.
6. I would like to thank all the Members that have served on this Committee for their contributions and support throughout this unprecedented period.

Accounts & Audit Committee 2022/23 Annual Review

7. Three meetings of the Accounts & Audit Committee we held during the financial year 2022/23. The attendance of each is set out below;

Attendance	Tuesday, 26th July 2022	Tuesday, 22nd November 2022	Tuesday, 21st March 2023
Chair (Conservative)	Councillor David Cockburn-Price	Councillor David Cockburn-Price	Councillor David Cockburn-Price
Conservative	Councillor M Stone	Councillor M Stone	Councillor M Stone
Conservative	Apologies given	Councillor K Salter	Councillor K McGladdery
Liberal Democrat	Not Present	Councillor B Newman	Not Present
Labour	Apologies given	Apologies given	Councillor M Ammer
Independent	Mr David Rothwell	Apologies given	Mr David Rothwell
Independent	Apologies given	Mr D Whatley	Mr D Whatley

8. The agendas for each meeting are set out below and show that each meeting received regular reports from the Director of Resources at Pendle Borough Council, Internal Audit (provided external by MIAA), External Audit (PROVIDED BY Grant Thornton).

- Tuesday, 26th July 2022
  - Item 3 - External Audit - Auditor's Annual Report 2020/21 Reports
  - Item 4 - External Audit - Audit Plan 2021/22 Reports
  - Item 5 - External Audit Informing the Risk Assessment for the Audit Plan 2021/22 Reports
  - Item 6 - Internal Audit Annual Report and Head of Internal Audit Opinion 2021/22 - Final Reports
  - Item 7 - Internal Audit Progress Report 2021/22 and 2022/23 Reports
  - Item 8 - Corporate Governance and Strategic Risk Update Reports
  - Item 9 - Draft Annual Governance Statement 2021/22 Reports
  - Item 11 - Closure of Accounts 2021/22 - Accounting Policies Reports,
  - Item 12 - Treasury Management Review - 2022/23 Quarter 1 Monitoring Report Reports
- Tuesday, 22nd November 2022
  - Item 3 - External Audit Progress Report Reports
  - Item 5 - Internal Audit Progress Report Reports
  - Item 6 - Treasury Management Review - 2022/23 Quarter 2 Monitoring Report Reports
  - Item 7 - Corporate Governance and Strategic Risk Update Reports
- Tuesday, 21st March 2023
  - Item 3 - External Audit Update Reports
  - Item 4 - Internal Audit Charter Reports
  - Item 5 - Internal Audit Plan 2022/23 - Progress Report Reports
  - Item 6 - Draft Internal Audit Plan 2023/24 Reports
  - Item 7 - Corporate Governance and Risk Management Update Reports

- Item 8 - Treasury Management 2022/23 - Quarter 3 Monitoring Report Reports
- Item 9 - Treasury Management Strategy Statement Reports
- Item 9 - Appendix A Reports

9. The reports covered the key areas of scope for the Committee as set out in the Constitution including;

- Internal Audit Update
- Treasury Management
- Corporate Governance and Risk Management
- Accounting Policies and Procedures
- External Audit Update

### **Assurance Statement**

10. The Audit Committee Self Assessment Checklist is included in Appendix A. This demonstrates that the Council has an effective Accounts and Audit Committee which is covering the majority of areas included in the checklist. The key areas are shown below;

- *Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?*  
The Accounts & Audit committee do ask questions within the committee on wider issues and these to get responded to by the Committee tends to say within the core areas. As the Council has not moved back to an Executive model, its Overview & Scrutiny Committee can look in to specific issues but there remains scope for the A&A Committee to also look in detail at other areas to compliment the O&S function.
- *Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?*  
A short email survey has been circulated amongst member of the Committee. Most members are happy with their levels of knowledge. Cllr Anwar has asked to attend the CIPFA training session (which was offered to all Members of the Committee) and will also meet informally with the Director of Resources and Head of Finance to look at ways the report can offer a simpler way of setting out the issues to hand. Support to help understand Local Authority accounting was also raised. Cllr Ammer did not respond to the survey.
- *Has an effective audit committee structure and composition of the committee been selected? This should include separation from the executive.*  
This is a best practice recommendation. As the Council has a small number of Elected Members overall (33) and a 3 party system it can be difficult to cover all committees without cross over between Executive and A&A but this might be something that the Council, Committee and each Political Group would consider addressing in future.

11. Overall the Committee has been well attended and evoked a good level of discussion and scrutiny of the report with members offering constructive feedback for officers to work with and to develop future reports.

## **Review of the Effectiveness of Internal Controls**

12. The Accounts and Audit (England) Regulations 2015 include a requirement for the Council to conduct a review of the effectiveness of internal control and to report this to Committee. The Responsibility for internal control is defined as;
  - facilitates the effective exercise of its functions and the achievement of its aims and objectives;
  - ensures that the financial and operational management of the authority is effective; and
  - includes effective arrangements for the management of risk.
13. Appendix B sets out the core themes for internal control across the Council.
14. The review of effectiveness is informed by the work of the Corporate Leadership Team, who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by the findings and reports issued by the external auditors.
15. The Corporate Governance Steering Group is a key body within the Council and brings together the key areas of Corporate Governance and provide oversight of the key documents such as the Strategic Risk Register and Annual Governance Statement as well as informing the reports which go to the Accounts & Audit committee.
16. The Corporate Management Team complete annual Managers Assurance Statements and these feed into the Annual Governance Statement and Strategic Risk Register.
17. Pendle Borough Council's Internal Audit (IA) finding is provided by MIAA. They provide an annual independent and objective opinion to the Authority on its risk management, governance, and control environment. MIAA complies in full with the Public Sector Internal Audit Standards (PSIAS). A record of outstanding IA Recommendations is maintained and reported to Accounts & Audit Committee with any Limited Assurance reports taken directly to Committee.
18. External Partners (Liberata and Pendle Leisure Trust) are managed through the appropriate boards.
19. External Audit are required to satisfy themselves that the Council has made proper arrangements for ensuring economy, efficiency and effectiveness in the use of resources, and these are set out in its Audit findings report.
20. The latest Annual Governance Statement sets out the actions taken to resolve the issues raised last year and pick up and highlight any issues identified for the new year. No significant issues have been brought forward in the previous 12 months.

## **IMPLICATIONS**

**Policy:** There are no policy implications arising directly from the contents of this report.

**Financial:** There are no financial implications arising directly from the contents of this report.

**Legal:** There are no legal implications arising from the contents of this report.

**Risk Management:** There are no risk management implications arising directly from the contents of this report.

**Health and Safety:** There are no health and safety issues arising directly from the contents of this report.

**Sustainability:** There are no sustainability issues arising directly from the contents of this report.

**Community Safety:** There are no community safety issues arising from this report.

**Equality and Diversity:**

There are no equality and diversity issues arising from this report.

## **APPENDICES**

Appendix A - CIPFA Self Assessment Checklist

Appendix B - How Pendle Borough Council monitors and reviews the Effectiveness of Internal Controls

## **LIST OF BACKGROUND PAPERS**

## Appendix A - Audit Committee, CIPFA Self Assessment Checklist

Audit committee purpose and governance	Yes	Partly	No	Comments
1 Does the authority have a dedicated audit committee?	X			
2 Does the audit committee report directly to full council?	X			
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?		X		CIPFA Position Statement states that the committee should be independent of both the executive and the scrutiny functions.
4 Is the role and purpose of the audit committee understood and accepted across the authority?		X		
5 Does the audit committee provide support to the authority in meeting the requirements of good governance?	X			
6 Are the arrangements to hold the committee to account for its performance operating satisfactorily?	X			
<b>Functions of the committee</b>				
7 Do the committee's terms of reference <b>explicitly</b> address all the core areas identified in CIPFA's Position Statement? <ul style="list-style-type: none"> <li>• good governance</li> <li>• assurance framework, including partnerships and collaboration arrangements</li> <li>• internal audit</li> <li>• external audit</li> <li>• financial reporting</li> <li>• risk management</li> <li>• value for money or best value</li> <li>• counter fraud and corruption</li> <li>• supporting the ethical framework</li> </ul>		X		
8 Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	X			A&AC Annual Report
9 Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?			X	
10 Where coverage of core areas has been found to be limited, are plans in place to address this?		X		Further work required on ToR
11 Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	X			
<b>Membership and support</b>				
12 Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> <li>• separation from the executive</li> <li>• an appropriate mix of knowledge and skills among the</li> </ul>		X  X	X	

<b>Audit committee purpose and governance</b>	<b>Yes</b>	<b>Partly</b>	<b>No</b>	<b>Comments</b>
membership <ul style="list-style-type: none"> <li>a size of committee that is not unwieldy</li> <li>consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)</li> </ul>	X			AAC has 2 very good and experienced independent members
13 Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?		X		David Whatley – appt c2015 and was in response to an advert in Colne Times inviting EoI. David Rothwell – appt 2018 following a meeting / conversation with CEO (DL) where he expressed an interest in the opportunity.
14 Does the chair of the committee have appropriate knowledge and skills?	X			See below
15 Are arrangements in place to support the committee with briefings and training?	X			Informally training offered to Committee Members
16 Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	X			CIPFA Training offered to Members
17 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	X			
18 Is adequate secretariat and administrative support to the committee provided?	X			
<b>Effectiveness of the committee</b>				
19 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	X			
20 Are meetings effective with a good level of discussion and engagement from all the members?	X			
21 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?		X		
22 Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	X			
23 Has the committee evaluated whether and how it is adding value to the organisation?	X	X		A&AC Annual Report
24 Does the committee have an action plan to improve any areas of weakness?	X			Will be developed using the output from the A&AC Annual Report, Self-Assessment and Skills and Knowledge Assessment
25 Does the committee publish an annual report to account for its performance and explain its work?	X			See above

**Figure1: How Pendle Borough Council monitors and reviews the Effectiveness of Internal Controls**

Internal Audit	External Audit	Corporate Governance	Complaints & Counter Fraud	Risk Management
Annual Audit Opinion Internal Audit Plan Recommendations and Limited Assurance Reports PSIAS Compliance	Final Accounts Audit Opinion VMF Review Grant Subsidy	Corporate Governance Steering Group Information Governance Constitution Financial & Contract Procedure Rules	Corporate Complaints Procedure Ombudsman Counter Fraud and Whistleblowing Policy	Risk Strategy Strategic Risk Register Risk Management Working Group Emergency Planning
External Partners	External Review	Management	Statutory Officers	Committees
Liberata Pendle Leisure Trust Town & Parish Councils	LGA Support & Peer Review Nelson Town Deal and Levelling UP Fund Compliance Monitoring via DHLUC	Managers Annual Assurance Statements Corporate Plan Strategic Monitoring and Performance Clinics	Head of Paid Services Monitoring Officer Section 151 (Chief Finance Officer)	Executive Overview & Scrutiny Accounts and Audit Members Code of Conduct