

AUDIT AND GOVERNANCE COMMITTEE
Tuesday, 10th January 2017

PRESENT – *Councillor Sidat (in the Chair); Casey, Murray, Kay and Foster.*

ALSO PRESENT

Andy Kay	– Executive Member for Resources
Karen Murray	– Grant Thornton (District Auditor)
Chris Whittingham	– Grant Thornton (District Auditor)
Louise Mattinson	– Director for Financial Services and IT
Colin Ferguson	– Head of Audit, Assurance and Procurement
John Addison	– Democratic Services Manager

RESOLUTIONS

21 Minutes of the meetings held on 20th September 2016

The minutes of the meeting held on 20th September 2016 were agreed as a correct record.

22 Declarations of interest

There were no declarations of interest.

23 External Audit - Annual Audit Letter

The Council's External Auditors presented to the Committee, their Annual Audit letter that summarised the key findings arising from the work that the External Auditor had carried out at Blackburn with Darwen Council for the year ended 31 March 2016.

The key messages reported to Members included:

- No significant issues were identified from the audit of the 2015/16 draft financial statements;
- The accounts were well prepared and presented;
- A number of adjustments were agreed to ensure compliance with accounting practices and to improve the presentation of the financial statements

It was reported that External Audit had issued an unqualified opinion on the Council's 2015/16 financial statements on 30 September 2016. It was confirmed that the financial statements gave a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

RESOLVED:

That the Annual Audit letter be noted.

24 External Audit - Progress Report

The Council's External Auditors provided the Committee with a report on the current position of their work as of December 2016. The report set out in detail the remaining work that needed to be undertaken and a work timetable for the rest of the year.

The External Auditors report, also provided the Committee with a report on progress in delivering their responsibilities as the Council's external auditors and a summary of emerging national issues and developments that may be relevant to the Council which included a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

RESOLVED:

That the report on External Audit's progress report be noted.

25 Treasury Management Report – September to November 2016

The Director of Finance presented to the Committee a report on the Treasury Management Quarterly report covering the period September to November 2016.

Members were reminded that the Council formally adopted CIPFA's revised Code of Practice on Treasury Management in the Public Services when they approved the 2016/17 Treasury Management Strategy at Finance Council on the 29th February 2016.

The report summarised the interest rate environment for three months, borrowing and lending transactions undertaken and the Council's overall debt position. It also reported on the position against the Prudential Indicators established by the Council.

RESOLVED:

That the Committee note the Treasury Management position over the quarter from September to November 2016.

26 Audit & Assurance - Progress & Outcomes to November 2016

The Head of Audit, Assurance and Procurement submitted a report which updated the Committee on progress and outcomes against the Audit & Assurance Plan 2016/17 in terms of outcomes achieved to date for the financial year.

The report focused on a number of key areas in Audit & Assurance, in particular:

- Partnerships
- Highways
- Performance Indicators
- Old Town Hall Stonework
- Payroll VFM
- Housing Growth
- Capital Schemes Management

The Head of Audit, Assurance and Procurement requested Members to approve a change to the date of the September 2017 Committee meeting and to move the June meeting to July from 2018. It was reported that in 2018 the statutory deadline for the sign off of the Council's draft 2017/18 Annual Accounts would be 31 May 2018 and the audited accounts would need to be approved by the Audit & Governance Committee and published by 31 July 2018.

It was reported that to prepare for the change the Council was aiming to produce the draft 2016/17 accounts by the end of May 2017 which would enable the External Auditor to complete their work by the end of August 2017. Therefore it was proposed to bring forward the date of the September 2017 Committee meeting forward by one week to 12 September. This would help the External Auditor to focus resources in preparation for the shorter timescales in the following year. In order to comply with the shorter statutory publication deadlines from 2017/18 it was proposed to move the June meeting of the Committee to July from 2018 going forward, with the 2018 meeting provisionally scheduled for 24 July.

RESOLVED:

- 1) That the Committee note the outcomes achieved to 30th November 2016 against the Audit & Assurance Plan, which was approved by the Audit Committee in April 2016.
- 2) That the Committee approve the proposed change to the date of the September 2017 Committee meeting and the timing of the meeting to approve the annual accounts from 2018 going forward.
- 3) That the Committee noted the proposed revision to the Audit and Assurance plan.

27 Annual Governance Statement - Progress on 2015/16 Actions and Plan for 2016/17

The Head of Audit, Assurance and Procurement provided the Committee with a report that outlined the intended process for producing the Council's Annual Governance Statement (AGS) for 2015/2016 and progress on actions from 2016/2017.

It was reported that the Accounts & Audit Regulations require that the Council publish an AGS on an annual basis in accordance with proper practice. It was noted that the Audit & Governance Committee was required to review and provide independent assurance on the Council's governance framework.

Members were reminded that the AGS was a statutory document, published each year with the Year-end Accounting Statements. It sets out what the Council's governance arrangements are and identifies areas where issues that the Council considers to be of sufficient significance must be reported.

RESOLVED

That the Committee note the progress made on implementing the agreed AGS actions for 2015/16 and the approach/timetable for producing the AGS for 2016/17.

28 Risk Management – 2016/17 Quarter 2 Review

The Head of Audit, Assurance and Procurement provided the Committee with a report that detailed risk management activity that had taken place over the second quarter (1 July 2015 to 30 September 2016).

Members were reminded that the Council recognised that risk management was not simply a compliance issue, but rather a way of viewing its operations with a significant impact on long-term viability. It was noted that risk management helped to demonstrate openness, integrity and accountability in all of the Council's activities.

It was highlighted to Members that currently the top corporate risks were:

- Inability to deliver a balanced budget for 2016/2017
- High profile serious/critical safeguarding incident/case that is known to Council services.

The Committee considered the Risk Register and agreed to look in depth at two areas, risk 13 - Failure to prevent data loss and privacy incidents (Information Governance) and risk 17 - Cyber Risk - Risk of financial/Data loss, disruption or damage to the reputation of an organisation from compromise of its IT systems.

RESOLVED:

That the Audit Committee considered and approved;

1. Progress made on the Corporate Risk Register at the end of Quarter 2 2016/17;
2. Note the Risk Management activity during the period;
3. Members will look in depth at risks 13 and 17 on the Council's Risk Register.

29 Audit & Governance Committee – Effectiveness Self-Assessment 2016/17

The Head of Audit & Assurance reported upon the 2016/17 Audit Committee self-assessment exercise.

The report presented to Members the results of an assessment of compliance of the Audit & Governance Committee against recognised best practise, as well as a review of the effectiveness of the Committee by the Chair of the Committee and a summary of Committee members' self-assessments. The results of the assessments were set out in appendices 1, 2 and 3 to the Committee report.

RESOLVED:

That the Committee:

1. Approve the Audit & Governance Committee's position when compared to the CIPFA's good practice checklist (Appendix 1);
2. Approve the Evaluation of Effectiveness of the Audit & Governance Committee, produced by the Chair of the Committee in consultation with the Head of Audit & Assurance (Appendix 2); and,
3. Approve the summary results from the individual member self-assessments as a means of baselining the overall effectiveness of the Committee for future comparison (Appendix 3).

30 Arrangements for the Appointment of External Auditors

At this point in the meeting the Council's external Auditors chose to leave the meeting, to allow Members to consider this item,

The Head of Audit & Assurance then provided the Committee with the recommended option for appointing External Auditors from 2018/19. Members were reminded that the proposals for appointing the external

auditor to the Council for the 2018/19 accounts and beyond following the end of the transitional arrangements at the conclusion of the 2017/18 audits. It was noted that the auditors were currently working under a contract originally let by the Audit Commission and the contract was novated to Public Sector Audit Appointments (PSAA) following the closure of the Audit Commission.

It was reported that the Council would need to put new arrangements in place to make a first appointment by 31 December 2017 for the audit year 2018/19.

RESOLVED:

That the Committee note the preferred option for the provision of external audit services from 2018/19 and propose it for approval by Finance Council, namely:

- That the Council accepts the PSAA invitation to 'opt in' to the sector led option for the appointment of external auditors for five financial years commencing 1 April 2018.

Signed
Chair of the meeting at which the Minutes were signed
Date