

Blackburn with Darwen Borough Council



**Draft
Audit & Governance
Committee
Annual Report
2016/17**

1. Background to the Governance Framework

1.1. What drives governance policy?

- 1.1.1. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of control which facilitates the effective exercise of the Council's functions and which includes adequate arrangements for the management of risk.
- 1.1.2. Effective corporate governance is a fundamental feature of any successful public sector organisation. Corporate governance initially became a major issue after several high profile failures in the private sector. As a result there were several reviews (for example the Cadbury and Hempel Committees) directed at improving governance in the private sector.
- 1.1.3. The trend for strengthening governance arrangements spread to the public sector and resulted in the joint Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) document Delivering Good Governance in Local Government – a Framework. The Framework, revised in 2016, was originally structured around the six core principles found in the Good Governance Standard for Public Services drawn up by an independent commission established by CIPFA, the Office for Public Management (OPM), and the Joseph Rowntree Foundation.
- 1.1.4. In 2016 CIPFA/SOLACE published a revised Framework to ensure that local government continues to develop and shape its own approach to governance, taking account of the environment in which it now operates. The new Framework applies to annual governance statements prepared for the financial year 2016/17 onwards. It is based on the International Framework: Good Governance in the Public Sector published by CIFA and the International Federation of Accountants in 2014 and contains seven key principles.
- 1.1.5. The International framework defines governance as follows:
“Governance comprises the arrangements put in place to ensure the intended outcomes for stakeholders are defined and achieved.”
- 1.1.6. It also states that:
“To deliver good governance in the public sector both governing bodies and individuals working for public sector entities must try to achieve their entities objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and stakeholders.”
- 1.1.7. Blackburn with Darwen Borough Council operates through a governance framework that brings together an underlying set of legislative requirements, governance principles and corporate policies and management processes.
- 1.1.8. The Council recognises the seven core principles of good governance as:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - B. Ensuring openness and comprehensive stakeholder engagement;

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
 - D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
 - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
 - F. Managing risks and performance through robust internal control and strong public financial management; and
 - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 1.1.9. The Council's local Code of Corporate Governance was revised during 2016 to ensure that it complies with the latest requirements. The updated Code was approved by full Council in December 2016.
- 2. Blackburn with Darwen Borough Council Audit & Governance Committee**
- 2.1. Why do we need an Audit Committee?**
- 2.1.1. Whilst there is no statutory requirement to have an Audit Committee they are widely recognised as a core component of an effective governance framework and therefore reflect good practise. Regardless of a specific legislative or regulatory framework, Section 151 of the Local Government Act requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer to have responsibility for those affairs. To be truly effective, the Chief Financial Officer requires an effective Audit Committee to provide support and challenge, as well as an adequate and effective Internal Audit. Both these elements are now enshrined in the 'Public Sector Internal Audit Standards' and the supporting 'Local Government Application Note'. The Audit & Governance Committee has a key role in overseeing and assessing the internal control, risk management and corporate governance arrangements in place and advising the Council on the adequacy and effectiveness of these arrangements. This role is formalised in the Committee's terms of reference.
- 2.1.2. The Council's Audit & Governance Committee is properly constituted and is given sufficient authority and resources by the Council. The Committee has the right to obtain all the information it considers necessary and to consult directly with senior managers. In line with best practice from both the public and private sectors, the Audit & Governance Committee can report its observations and concerns directly to the Executive Board.
- 2.1.3. Good corporate governance requires independent and effective assurance about the adequacy of financial management and of management arrangements for achieving the organisation's objectives. These responsibilities require an independent and challenging approach. Through these mechanisms, Committee Members are able to use their skills and experiences to influence the Council's governance, internal control processes and risk management arrangements.
- 2.1.4. An effective Committee can bring many benefits to the Council including:

- increasing public confidence in the objectivity and fairness of financial and other reporting;
- providing additional assurance through a process of independent and objective scrutiny;
- raising awareness of the need for internal control and the implementation of audit recommendations; and,
- Reinforcing the importance and independence of internal audit.

2.2. What does it do?

- 2.2.1. Audit Committees are a key component of corporate governance. They provide a high-level focus on assurance and the organisation's arrangements for governance, managing risk, maintaining an effective control environment and reporting on financial and non-financial performance.
- 2.2.2. Good practice is contained within CIPFA's document 'Audit Committees – Practical Guidance for Local Authorities and the Police' (2013 Edition). The latest edition of the document updates the core functions of an Audit Committee in relation to governance, risk management, internal control and audit. The introduction of the Public Sector Internal Audit Standards, along with annual governance statements and associated guidance has also been considered in relation to their impact on an Audit Committee.
- 2.2.3. During the year the Audit & Governance Committee consisted of six cross party elected Members. The Committee's purpose, as proscribed in its terms of reference, are to:
- provide independent assurance of the adequacy of the risk management framework, overall governance and the associated control environment and the extent to which these meet the objectives of the Local Code of Corporate Governance;
 - provide independent review of the Council's governance, risk management and control frameworks;
 - oversee the financial reporting and annual governance processes; and
 - oversee internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- 2.2.4. The Audit & Governance Committee provides assurance, on behalf of the Council, about the extent to which the objectives of the Local Code of Corporate Governance, as set out in its Constitution, are being met. This purpose is reflected in the Committee's Terms of Reference which are included at Appendix 1 of this report. These were updated during 2015/16 to bring them in line with the core functions set out in the latest guidance for Audit Committees issued by CIPFA. The revised terms of reference were approved by full Council in July 2016.
- 2.2.5. The CIPFA guidance also includes a greater focus on the factors which support improvement. These include the knowledge and skills that Audit Committee members require and a focus on where the Audit Committee adds value. The Publication provides practical support to the Committee in evaluating the existing Committee arrangements and any planned improvements.
- 2.2.6. The new guidance includes a self-assessment checklist of good practice to assist both Members and Officers who are involved in the operation of the Committee. This was completed by Audit & Assurance on behalf of the Committee and presented for consideration at its meeting on 13 January

2015. The Committee noted the key requirements of the CIPFA guidance and approved the action plan for making the Audit & Governance Committee most effective. The actions identified have continued to be progressed during the year and the Committee received an update on progress in January 2017. Details are set out in Appendix 2.

- 2.2.7. The guidance also includes a checklist to evaluate the effectiveness of an Audit Committee. This was completed by Audit & Assurance on behalf of the Committee, in consultation with the Chair of the Committee, and reported to the Committee in January 2017. The results are included at Appendix 3 of this report for consideration.
- 2.2.8. The Audit & Governance Committee met four times during the 2016/17 Municipal Year. Timings of the meeting throughout the year are designed to coincide with the governance timetable, with meetings in June to receive annual opinion and assurance reports, approve the Council's Annual Governance Statement and to receive the draft Statement of Accounts, and in September to receive the draft Treasury Management Annual Report, approve the accounts and receive the external auditor's annual report. Attendance details are set out in Appendix 4. The Committee's work programme (see Appendix 4) is designed to enable its Members to make a positive contribution to the continual improvement of control and governance processes and arrangements across the Council, as well as performing the roles as identified by the Constitution.
- 2.2.9. The details of the Committee's work programme for 2016/17 set out in Appendix 4 of this report demonstrate how the Committee has fulfilled its terms of reference during the year and its commitment to helping improve the Council's risk, control and governance environments' in the year ahead.
- 2.2.10. In addition to these meetings members of the Committee have also attended training workshops that were delivered by Audit & Assurance during the year. These covered the role of internal audit, the internal audit process and a risk management refresher session.

2.3. How do officers support the Committee?

- 2.3.1. The Audit & Governance Committee is supported by:
- The Chief Executive, as Head of the Paid Service with overall responsibility for the Council's management and executive arrangements;
 - The Director of HR, Legal & Corporate Services, as the Monitoring Officer, who is required by law to ensure that the Council acts within its legal powers at all times; and,
 - The Director of Finance and IT, as Section 151 Officer, who is responsible under the law for ensuring the proper administration of the Council's financial affairs.
- 2.3.2. The Director of HR, Legal & Corporate Services leads on constitutional, legal, and human resource issues. The Director of Finance and IT takes the lead on financial, audit, risk management and internal control matters. The Head of Audit & Assurance also has a key role to play in supporting the Committee because of the importance of the Internal Audit Service to governance. These Officers are responsible for making the Committee aware of any relevant changes in regulations, guidance, and codes of practice.

2.4. Effectiveness of the Audit & Governance Committee

- 2.4.1. The purpose of the Committee, as defined in its terms of reference, is set out in 2.2.3 above. Its terms of reference set out a range of activities that would provide appropriate assurance to the Council in terms of how it manages risk, and ensures adequate and effective control and governance arrangements exist and operate effectively to secure the efficiency and effective use of its resources.
- 2.4.2. Training opportunities have been made available during the year to members who wish to update their skills and knowledge to ensure that they are able to fulfil their role as members of the Committee.
- 2.4.3. The Committee has been active during the year in carrying out its duties in monitoring internal and external reports and challenges appropriate officers to ensure that it is satisfied with the effectiveness of controls and the governance and risk management arrangements in place, in accordance with its role and functions set out in its terms of reference in Appendix 1, providing the Council with assurance that effective internal control arrangements were in place during the year. This is evidenced by the details provided in Appendix 4 regarding the various reports received and considered by the Committee at its meetings during the year to support its work programme and how each of these enable the Committee to fulfil its terms of reference.
- 2.4.4. The External Auditor's 2016 Report on Value for Money for Blackburn with Darwen Borough Council confirmed that they were satisfied that the Council has put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended March 2016. The report concluded that the Council has proper arrangements to plan finances effectively and provide reliable financial reporting to support the delivery of its strategic priorities. Overall, the Council has responded appropriately to the challenging financial environment during the year and has set out in the Medium Term Financial Strategy a clear view of what needs to be done in 2016/17 and beyond.

AUDIT & GOVERNANCE COMMITTEE TERMS OF REFERENCE**Statement of Purpose:**

Our Audit and Governance Committee is a key component of Blackburn with Darwen Borough Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Audit and Governance Committee is to:

- provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment and the extent to which these meet the objectives of the Local Code of Corporate Governance;
- provide independent review of the Council's governance, risk management and control frameworks;
- oversee the financial reporting and annual governance processes; and
- oversee internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Risk and Control:

The Audit and Governance Committee will:

1. Assess how fully the Council complies with the statutory responsibilities placed on it by the Accounts and Audit Regulations 2015 or by amendments to the Regulations or by similar formal demands;
2. Review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances;
3. Review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control;
4. Consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements;
5. Consider the framework of assurance (including the Management Accountabilities Framework) and ensure that it adequately addresses the risks and priorities of the Council;
6. Monitor the effective development and operation of risk management in the Council, including information governance arrangements;
7. Monitor progress in addressing risk-related issues reported to the Committee;
8. Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions;
9. Review the assessment of fraud risks and potential harm to the Council from fraud and corruption;
10. Ensure that the Council maintains a robust counter fraud culture via the implementation of a counter-fraud strategy backed up by effective controls and procedures, which define the respective roles of management and Internal Audit and monitor the strategy, actions and counter fraud resources; and
11. Receive, from other Committees and other inspection agencies, details of actions and decisions taken which affect, or contribute to, the Council's framework of governance, risk management and control.

Internal Audit

The Audit and Governance Committee will:

1. Approve the internal audit charter;
2. Approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources;
3. Approve significant interim changes to the risk-based internal audit plan and resource requirements;
4. Make appropriate enquiries of both management and the Head of Audit & Assurance to determine if there are any inappropriate scope or resource limitations;
5. Consider reports from the Head of Audit & Assurance on internal audit's performance during the year. These will include:
 - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
 - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
6. Consider the Head of Audit & Assurance's annual report, including:
 - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
 - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion and the implications of any significant matters identified – these will assist the Committee in reviewing the Annual Governance Statement.
 - c) An annual risk management report
7. Consider summaries of specific internal audit reports as requested.
8. Receive reports outlining the action taken where the Head of Audit & Assurance has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
9. Contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
10. Consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations; and
11. Support the development of effective communication with the Head of Audit & Assurance.

External Audit

The Audit and Governance Committee will:

1. Consider the external auditor's annual letter, relevant reports, and the report to those charged with governance prior to publication of the annual accounts;
2. Consider specific reports as agreed with the external auditor;
3. Comment on the scope and depth of external audit work and to ensure it is effective and gives value for money;
4. Commission work from internal and external audit, or other consultants, where applicable; and
5. Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial Reporting

The Audit and Governance Committee will:

1. Review the draft annual statement of accounts prior to approval. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council; and
2. Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Treasury Management

The Audit and Governance Committee will:

1. Ensure effective scrutiny of the treasury management strategy and policies;
2. Agree proposed changes to the treasury management strategy prior to approval;
3. Receive assurance on treasury management activity;
4. Consider reports on treasury management activity during the year; and
5. Consider the treasury management annual report;

Accountability Arrangements

The Audit and Governance Committee will:

1. Report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
2. Report to full council on an annual basis outlining the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

Authority

The Committee is authorised by the Council to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, including those of partner organisations, and all employees are directed to co-operate with any request made by the Committee.

Frequency of Meetings

The Committee will normally meet four times each year to fulfil its requirements.

Membership

The Committee will consist of 6 members appointed by Full Council. In addition the Executive Member for Resources will also attend each Committee meeting.

The Leader of the Council and all Executive Members are precluded from being voting members of the Committee.

A quorum shall be 3 Members.

New Committee members will be required to undertake appropriate induction training to enable them to adequately perform their duties as and when necessary.⁶

Attendance

Committee members are expected to make every effort to attend all meetings, where this is not possible a substitute should be nominated.

To achieve these objectives the Committee will depend principally on the attendance of the Chief Executive or Deputy Chief Executive, Director of Finance & IT, the Director of HR, Legal & Corporate Services and the Head of Audit & Assurance or their nominated representatives. The Council's external auditors, external advisors and Directors may be requested to attend as and when appropriate.

Reporting

Minutes of Audit and Governance Committee will be formally noted by Full Council.

Further reports will be made in those cases where the Committee considers matters must be formally brought to the attention of Full Council.

CIPFA Practical Guidance on Audit Committees – Action Plan

| <u>No.</u> | <u>Action</u> | <u>Implementation Date</u> | <u>By Whom</u> | <u>Current Position (March 2017)</u> |
|------------|--|----------------------------|-------------------------------|---|
| 1 | The reporting arrangements contained within the Audit Committee’s Terms of Reference should be updated to provide for a direct reporting line to full council. | March 2016 | Audit Section/Audit Committee | Revised terms of reference were agreed by the Committee which provide for a direct reporting line to full Council. The terms of reference were included in the revised Constitution approved in by full Council in July 2016. Completed |
| 2 | The terms of reference for the Audit Committee should explicitly address all of the core areas identified in CIPFA’s Position Statement. | March 2016 | Audit Section/Audit Committee | The revised terms of reference approved by full Council address all the core areas identified in CIPFA’s Position Statement. Completed |
| 3 | The agenda for Audit Committee meetings should include for consideration, assurance reports issued to the Council by external inspection agencies. | March 2016 | Audit Section/Audit Committee | The revised terms of reference provide for the Audit & Governance Committee to receive other reports as required. Completed |
| 4 | The Audit Committee must undertake an annual review of its performance and report the findings to full council. This review should include an assessment of the committee’s strengths and weaknesses and an assessment of its effectiveness with an action plan for improvements were identified. Full council should review and comment upon this report. | June 2015 | Audit Section/Audit Committee | The Committee carries out an annual self-assessment of its effectiveness and performance, which is considered at its meeting in January and included in its annual report. The revised terms of reference provide for a direct reporting line to full Council. Completed |
| 5 | The Audit Committee should ensure that an annual evaluation is undertaken to assess whether it is fulfilling its terms of reference and | June 2015 | Audit Section/Audit Committee | An Audit & Governance Committee annual report is presented to the June meeting This includes an assessment of the Committee |

| <u>No.</u> | <u>Action</u> | <u>Implementation Date</u> | <u>By Whom</u> | <u>Current Position (March 2017)</u> |
|------------|---|----------------------------|--|--|
| | that adequate consideration has been given to all core areas identified in CIPFA's Position Statement. | | | performance against its terms of reference. The report was then submitted to the Council's Executive Board. Implemented |
| 6 | The Audit Committee should consider including within its terms of reference the wider areas identified in CIPFA's Position Statement. | March 2016 | Audit Section/Audit Committee | The revised terms of reference include some of the wider areas identified in CIPFA's Position Statement i.e. treasury management. Whilst not included in its terms of reference the Committee also receives and annual report on significant partnership arrangements. Completed |
| 7 | The composition of the Audit Committee must be reviewed in line with HM Treasury and CIPFA guidance on the inclusion of executive members on the committee. | March 2016 | Democratic Services | The revised terms of reference restrict the Leader or any Executive Members being a member of the Committee. Implemented |
| 8 | Members of the Audit Committee should review the knowledge and skills framework contained within the CIPFA guidance as part of a self-assessment process designed to identify any training needs. | March 2015 | Audit Section/Audit Committee/ Democratic Services | The member self-assessments have been analysed to identify areas for Committee development. The exercise will be repeated for any new members appointed to the Committee following the May elections. Implemented |
| 9 | The expected knowledge and skills of Audit Committee members should be outlined in a model job description and person specification. | June 2015 | Audit Section/Audit Committee/ Democratic Services | The political groups appoint members to this and other Committees and there is little opportunity to influence this. This area would need to be considered as part of a wider review of member training and development covering all key roles, including Executive Members and Chairs of Committees. It would require wider consultation and agreement. |

| <u>No.</u> | <u>Action</u> | <u>Implementation Date</u> | <u>By Whom</u> | <u>Current Position (March 2017)</u> |
|------------|--|----------------------------|--|---|
| 10 | A programme of support for Audit Committee members to include specific induction training for their role on the Committee and a formal training programme should be considered. | June 2015 | Audit Section/Audit Committee/ Democratic Services | A training programme for members of the Audit & Governance Committee commenced during 2016/17. Training needs will continue to be assessed and identified as part of the self-assessment process. Complete |
| 11 | The audit committee should engage with a wider range of officers such as the chief executive, monitoring officer and service directors. | March 2016 | Audit Committee Members | During 2016/17 the Committee has invited relevant officers to attend Committee to discuss pertinent agenda items and will continue to do so where appropriate. Implemented |
| 12 | An annual work programme for the Audit Committee should be developed and scheduled into a timetable of meetings setting out details of the assurances it requires. The annual programme should be updated throughout the year to include details of reports which are instructed for submission to the Committee along with the due date and responsible officer. | March 2016 | Audit Section/Audit Committee | The revised terms of reference includes an annual work programme/timetable for the committee. Complete |
| 13 | Committee members should complete the assessment tool at appendix E of the CIPFA guidance in order to evaluate the effectiveness of the Audit Committee and should develop an action plan to improve any areas of weakness identified. | March 2016 | Audit Committee | The CIPFA self-assessment tool has been completed by Audit & Assurance on behalf of the Committee. The results have been considered at the January 2017 Committee meeting and will be reviewed on an ongoing basis. Complete |

CIPFA'S AUDIT COMMITTEES PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES (2013 EDITION)**Evaluating the Effectiveness of the Audit Committee****Assessment key**

| | |
|---|--|
| 5 | Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable. |
| 4 | Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area. |
| 3 | The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps. |
| 2 | There is some evidence that the committee has supported improvements, but the impact of this support is limited. |
| 1 | No evidence can be found that the audit committee has supported improvements in this |

Blackburn with Darwen Borough Council Audit Committee Effectiveness Assessment 2016/17

| Areas where the audit committee can add value by supporting improvement | Examples of how the audit committee can add value and provide evidence of effectiveness | Self-evaluation, examples, areas of strength and weakness | Overall assessment: 5 – 1 See key above |
|---|--|---|--|
| Promoting the principles of good governance and their application to decision making. | <p>Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it.</p> <p>Working with key members to improve their understanding of the AGS and their contribution to it.</p> <p>Supporting reviews/audits of governance arrangements.</p> <p>Participating in self-assessments of governance arrangements.</p> <p>Working with partner audit committees to review</p> | <p>The Committee reviews the draft AGS prior to approval. Also reviews the Risk Management Annual Report and annual opinions from Internal Audit (IA) and External Audit which support the AGS.</p> <p>Committee approves the IA annual audit plan, which classifies audit reviews by assurance area to ensure adequate coverage of risk, governance and control frameworks. Committee receives key findings and opinions from individual reviews supporting the overall opinion.</p> <p>Partnership arrangements are not covered by the current terms of reference. However the Committee does</p> | 4 |

| Areas where the audit committee can add value by supporting improvement | Examples of how the audit committee can add value and provide evidence of effectiveness | Self-evaluation, examples, areas of strength and weakness | Overall assessment: 5 – 1 See key above |
|---|---|---|--|
| | governance arrangements in partnerships. | receive a report on the Council's Significant Partnerships Register. The Chair the Committee is a member of the Primary | |
| | | Assurance Group, which reviews the AGS and related assurance reports. Actions: Committee training to be arranged on the new CIPFA/SOLACE Good Governance Framework 2016, Annual Governance Statement and the Council Code of Corporate Governance. | |
| Contributing to the development of an effective control environment. | Monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls with appropriate senior managers. | Regular Internal Audit Progress Report presented to Committee includes percentage of recommendations implemented and commentary re outstanding 'must' level recommendations. The Committee reviews the summary of MAF red priority areas of concern. The Committee requests Directors or senior managers to attend meetings, as and when appropriate, to provide explanations and updates on significant audit concerns. The Committee is also authorised by the Council to investigate any activity within its terms of reference and to seek any information it requires from any employee, including those of partner organisations, and all employees are directed to co-operate with any request made by the Committee. | 4 |
| Supporting the establishment of arrangements for the governance of risk and for effective arrangements to | Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. Monitoring improvements. | The Committee receives the annual risk management report which includes key events and achievements for the previous year and key developments for the next 12 months. | 4 |

| Areas where the audit committee can add value by supporting improvement | Examples of how the audit committee can add value and provide evidence of effectiveness | Self-evaluation, examples, areas of strength and weakness | Overall assessment: 5 – 1 See key above |
|--|---|---|--|
| manage risks. | Holding risk owners to account for major/strategic risks. | The corporate risk register summary identifies risk owners at Director/senior officer level and tracks changes to risk scores. Regular reports are presented to Committee on the corporate risk register and risk management support activity. Audit & Governance Committee members attended a January 2016 risk management refresher workshop presented by Zurich Municipal and a further session delivered by Audit & Assurance in April 2017. | |
| Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively. | Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit. | Regular reporting of planned and actual coverage by Internal and External Audit. Committee challenge opportunities for reliance on IA work by External Auditors and receives Internal and External Audit and Risk Management progress reports. The IA report includes audits in progress and in-year review of resources and achievement of plan. IA reviewed and provided assurance on risk management arrangements in 2016/17. In addition, from April 2017 the Committee will review and challenge a selection of corporate risk at each meeting. | 4 |
| Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence. | Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements and supporting improvements. | The Head of Audit & Assurance has right of access to and regular briefings for the Chair of Audit & Governance Committee. The Committee receives and approves the IA Charter and annual strategic statement, including reporting and monitoring arrangements, supporting the IA annual plan. Annual External Auditors Audit Findings Report includes commentary re IA as part of assessment of financial control arrangements. The Committee reviewed the Internal Audit Quality Assurance Improvement Plan. The annual Head of Audit Opinion Report includes an assessment of IA | 5 |

| Areas where the audit committee can add value by supporting improvement | Examples of how the audit committee can add value and provide evidence of effectiveness | Self-evaluation, examples, areas of strength and weakness | Overall assessment: 5 – 1 See key above |
|--|---|---|--|
| | | performance and quality assurance. Committee approved Peer review approach for external assessment of IA compliance with Public Service Internal Audit Standards and received the overall opinion and a summary of the findings and themes from the Peer review action plan at its April meeting. | |
| Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements. | Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements. | <p>Work on this area is included in Internal and External Audit plans on a risk assessment basis. IA reviews are classified under one of the three headings in the plan and the annual report. Plans include reviews of key capital and revenue projects. Additional ad hoc work is carried out during the year on request by Directors.</p> <p>Internal audit progress report includes a summary of MAF red priority areas of concern.</p> <p>Performance management is not specifically identified in the Committee Terms of Reference. There are other processes in place within the Council's governance structure which provide scrutiny and challenge for this area, as part of the Corporate Plan Scorecard monitoring arrangements, to hold Chief Officers and managers to account on a regular basis, such as Management Board and the PAM reporting process as well as Members through PDS, SPT and Executive Board reporting.</p> <p>Internal audit consider performance arrangements as part of any relevant audit and would report on them as part of our progress reporting arrangements.</p> <p>The IA plan also includes specific KPI audits.</p> | 4 |

| Areas where the audit committee can add value by supporting improvement | Examples of how the audit committee can add value and provide evidence of effectiveness | Self-evaluation, examples, areas of strength and weakness | Overall assessment: 5 – 1 See key above |
|---|---|---|--|
| Supporting the development of robust arrangements for ensuring value for money. | Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS. | Standing Financial Instruction 3, Procurement and the Payment of Creditors, and Corporate Contract & Procurement Procedure Rules are in place as part of the control framework to ensure that value for money is considered in procurement activity. Regular Creditors audits consider on compliance with these requirements. The Committee receives the External Audit Combined External Audit Value for Money and Audit Findings Report. | 4 |
| Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks. | Reviewing arrangements against the standards set out in CIPFA's <i>Managing the Risk of Fraud</i> (Red Book 2). Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and members. | A Counter Fraud Policy and Strategy is in place (which was reviewed and updated in 2015/16 in accordance with latest CIPFA guidance) supported by Counter Fraud Policy Framework which includes Fraud Response Plan, Whistleblowing Policy, Anti Money Laundering Policy and Members and Employees' Codes of Conduct. Internal Audit progress report includes oversight of counter fraud activity and results. The Audit & Governance Committee consider and approve the annual fraud risk assessment as part of the External Auditor's enquiries of those charged with governance and have approved the Counter Fraud Plan as part of Internal Audit annual plan 2017/18. Actions: <ul style="list-style-type: none"> • An Annual Fraud Report to be prepared and presented to the Audit & Governance Committee for consideration and approval. • Provide the Committee members with training on the Counter Fraud arrangements and key fraud risks. | 4 |

| Areas where the audit committee can add value by supporting improvement | Examples of how the audit committee can add value and provide evidence of effectiveness | Self-evaluation, examples, areas of strength and weakness | Overall assessment: 5 – 1 See key above |
|--|--|--|--|
| <p>Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.</p> | <p>Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.</p> | <p>Audit & Governance Committee meetings are held in public with minimal Part 2 items. Agendas and reports are published on Council internet website.</p> <p>Council Committee agendas, reports and minutes are also available on the internet via the Council website along with Executive Members' and Officer decisions. Consideration of Partnership arrangements is not currently included in the Committee's terms of reference. However a corporate Partnership Governance Framework is in place, which includes a Governance Checklist and the Committee receives a report on the Council's Significant Partnerships Register.</p> | <p>4</p> |

2016/17 Member Attendance and Committee Work Programme

During the year four meetings were held. The following Member attendance was recorded.

| Councillor/Date | 14 June 2016 | 20 September 2016 | 10 January 2017 | 11 April 2017 |
|-------------------------|--------------|-------------------|-----------------|---------------|
| Salim Sidat MBE (Chair) | ✓ | ✓ | ✓ | ✓ |
| Andy Kay | ✓ | A | ✓ | ✓ |
| Ron Whittle | ✓ | ✓ | ✓ | A |
| Vicky McGurk | ✓ | A | A | A |
| David Foster | ✓ | A | ✓ | ✓ |
| Jim Casey | N/A | ✓ | ✓ | ✓ |
| Keith Murray | N/A | N/A | ✓ | ✓ |
| Colin Rigby | A | A | N/A | N/A |

A=apologies

N/A = During the year Councillor Rigby vacated his seat on the Committee due to other Council responsibilities and was replaced by Councillor Murray.

| Blackburn with Darwen Borough Council | | | | | |
|--|----------------------|------|-----------|---------|-------|
| Audit & Governance Committee Work Programme 2016/17 | | | | | |
| PROGRAMME ACTIVITY: | TERMS OF REF. NUMBER | JUNE | SEPTEMBER | JANUARY | APRIL |
| Governance, Risk and Control | | | | | |
| Annual Statement (AGS) | 1,2,3 | ✓ | | | |
| AGS Progress Report | 1,2 | | | ✓ | |
| Risk Management Annual Report | 3,5,6,7 | ✓ | | | |
| Internal Audit Opinion Report | 3,5 | ✓ | | | |
| External Audit VFM Report | 4 | | ✓ | | |
| MAF Update | 5 | ✓ | | ✓ | |
| Risk Management Update | 5,6,7 | | ✓ | ✓ | ✓ |
| Corporate Health, Safety & Wellbeing Annual Report | 3,5,6,7 | ✓ | | | |

| PROGRAMME ACTIVITY: | TERMS OF REF. NUMBER | JUNE | SEPTEMBER | JANUARY | APRIL |
|--|-----------------------------|-------------|------------------|----------------|--------------|
| IA Progress & Outcomes Report | 8,10 | √ | √ | √ | √ |
| Arrangements for the Appointment of the External Auditor | 1 | | √ | √ | |
| Management Assurance Report | 9 | √ | | | |
| Reports from Other Committees or agencies | 11 | As Required | As Required | As Required | As Required |
| Internal Audit | | | | | |
| Annual Plan | 1,2,4 | | | | √ |
| IA Progress & Outcomes Report | 3,4,5,7,8 | √ | √ | √ | √ |
| Annual Internal Audit Opinion Report | 6,9,10,11 | √ | | | |
| External Audit | | | | | |
| Annual Audit Letter | 1,5 | | | √ | |
| Management Assurance Report | 1 | √ | | | |
| Annual Plan | 2,5 | | | | √ |
| Progress Report | 2 | √ | √ | √ | √ |
| Findings Report | 2,5 | | √ | | |
| Grant Certification Report | 2 | | | | √ |
| Value For Money Conclusion | 3,5 | | √ | √ | |
| Fees Letter | 4,5 | | | √ | |
| Arrangements for the Appointment of the External Auditor | | | √ | √ | |
| Financial Reporting | | | | | |
| Statement of Accounts | 1 | | √ | | |
| Management Assurance Report | 1 | √ | | | |
| External Audit Findings Report | 2 | | √ | | |
| Treasury Management | | | | | |
| Strategy Report | 1,2 | | √ | | |
| Progress Report | 1,4 | √ | √ | √ | √ |
| Annual Outturn Report | 1,3,5 | | √ | | |

| PROGRAMME ACTIVITY: | TERMS OF REF. NUMBER | JUNE | SEPTEMBER | JANUARY | APRIL |
|------------------------------------|-----------------------------|-------------|------------------|----------------|--------------|
| Accountability Arrangements | | | | | |
| Committee Annual Report | 1,2 | √ | | | |
| Committee Self-Assessment | 2 | | | √ | |