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Audit & Governance Committee

Tuesday, 25th June, 2019
Conference Room 1
Blackburn Town Hall
6.00 pm

AGENDA

Cttee
Copy of Appendix 3 T Mgt Report to Audit Governance Cttee
Copy of Appendix 4 T Mgt Report to Audit Governance Cttee
Copy of Glossary Appendix 5 Mgt Report to Audit Governance Cttee

7.   **Treasury Management Annual Report 2018/19**

The Director of Finance & Customer Services will provide the Committee with an annual report on Treasury Management activity for the financial year 2018/19.

Treasury Mgmt Outturn 2018-19
Copy of Appendix 1 2018-19 Weekly Balances and Prudential Indicators Monitoring
Copy of Appendix 2 2018-19 Weekly Balances and Prudential Indicators Monitoring

8.   **Audit & Assurance Progress & Outcomes to May 2019**

The Head of Audit & Assurance will report on progress and outcomes achieved in the period.

Progress and Outcomes to May 2019

9.   **Annual Risk Management Report 2018/19**

The Director of Finance & Customer Services will provide the Committee with the Annual Risk Management Report for 2018/19.

Risk Management Annual Report 18-19
Appendices to Risk Managment Annual Report 2018.19.doc

10.   **Annual Counter Fraud Report 2018/19**

The Head of Audit & Assurance will provide the Committee with the Annual Counter Fraud Report for 2018/19.

Counter Fraud Annual Report
Appendix A Counter Fraud Annual Report 2018.19 Final.doc

11.   **Internal Audit Annual Opinion Report 2018/19**

The Head of Audit & Assurance will provide the Committee with the Annual Internal Audit Report for 2018/19.

12.   **Annual Governance Statement for 2018/19**

The Director of Finance & Customer Services will provide
the Committee with the draft Annual Governance Statement
for 2018/19.

13.   **Audit & Governance Committee Annual Report 2018/19**

The Chair of the Committee will present the draft Audit &
Governance Committee Annual Report for 2018/19.

AUDIT & GOVERNANCE COMMITTEE
Tuesday, 16 April 2019

PRESENT – *Councillors; Sidat (Chair), Connor, McGurk, Rigby and Whittle.*

OFFICERS – *Colin Ferguson (Audit & Assurance), Simon Ross (Finance), John Farrar and Simon Hardman (External Audit)*

ALSO IN ATTENDANCE – *Councillor Kay*

RESOLUTIONS

36 **Welcome and Apologies**

The Chair welcomed everyone to the meeting. Apologies were received from Councillor Jim Casey.

37 **Minutes of the last meeting**

The minutes of the meeting held on Tuesday 15th January 2019 were agreed as a correct record.

38 **Declarations of Interest**

No Declarations of Interest were received.

39 **External Audit - Audit Plan 2018/19**

The Council's External Auditors provided an overview of the planned scope and timing of the statutory audit.

The external auditor highlighted the risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error had been identified as;

- Management override of controls
- Valuation of pension fund net liability
- Valuation of land and buildings

The findings for these areas would be communicated as well as any other significant matters arising from the Audit Findings Report.

It was reported that a significant risk identified was Management override of controls. The Authority faced external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they reported performance.

The pension fund net liability presented a significant estimate in the financial statements. The pension fund net liability was considered a significant estimate due to the size of the numbers involved, with the pension scheme liability estimated at £249.2 million as at 31st March 2018 and the sensitivity of the estimate to changes in key assumptions.

Therefore it had been identified the valuation of the Authority's pension fund new liability as a significant risk.

In addition to Grant Thornton's responsibilities it was raised that the Narrative Report and Annual Governance Statement will be checked for consistency with the financial statements, work will be carried out on consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions and to certify the completion of the audit.

RESOLVED – That the report to noted

40   External Audit - Audit Committee Progress Report and Update

Grant Thornton updated the Committee on the Audit Progress Report and Sector Update.

It was noted that the process of the interim audit commenced in January 2019. The interim fieldwork included:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

In terms of value for money the work would be reported in the Audit Findings Report and a Value for Money Conclusion given by the deadline in July 2019.

In other areas the Council's annual Housing Benefit subsidy claim would be checked to ensure it is in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 had not yet started, and completion on approving the overall project plan for completing this work were ongoing with officers.

RESOLVED – That the update be noted.

41   Treasury Management Report - December 2018 to February 2019

Further to CIPFA's Code of Practice on Treasury Management being adopted by the Council, a report was submitted seeking recommendation that the position for the period of 16th December 2018 to 28th February 2019 be noted.

Background information included in the report highlighted the recommendation of the scrutiny of the Treasury Management function of the Council.

The report summarised the interest rate environment for the period of 16th December 2018 to 28th February 2019, and the borrowing and lending transactions undertaken, together with the Council's overall debt position and also reported on the position against Treasury and Prudential Indicators established by the Council was also highlighted.

RESOLVED – That the Report be noted.

42   **Audit & Assurance - Progress & Outcomes to February 2019**

A report was submitted informing Members of the achievements and progress made by Audit & Assurance in the period from 1st December 2018 to 28th February 2019.

The report focused on a number of key areas in the Audit & Assurance Plan, in particular counter fraud activity and progress on the matched from the National Fraud Initiative, completed reviews including Police and Crime Commissioner (PCP) Grant and Internal Audit Performance.

RESOLVED – That the outcomes achieved from 1st December 2018 to 28th February 2019 against the Annual Audit & Assurance Plan be noted.

43   **Audit & Assurance Plan 2019/20 and Internal Audit Charter**

Members were provided with a report of the planned Audit and Assurance work for the forthcoming year. Key issues were highlighted as outlined in the report.

It was confirmed that the only changes to the Internal Audit Charter were job titles and responsibilities.

RESOLVED – That the Committee:

- Approve the 2019/20 Audit & Assurance Plan;
- Approve the Internal Audit Charter;
- Note that reports dealing with both progress against the Plan and outcomes achieved will be submitted to each meeting; and
- Note that Plan changes will be reported during the year

44   **Risk Management - 2018/2019 Quarter 3 Review**

Members received a report providing the details of the risk management activity that had taken place in the period from 1st October 2018 to 31st December 2018.

The report highlighted key issues and risks and a summary of risks were contained in the appendix attached to the agenda.

The Committee heard that as part of the Council's Risk Management process, risks were reviewed and monitored on a regular basis to ensure that corporate risks were appropriately and properly identified and assessed going forward.

In addition, the Committee was informed that the Road Risk Management Group continued to meet regularly to consider the risk management arrangements in place for Council fleet drivers and vehicles and that continual liaison with Zurich Municipal regarding risk support was a part of the current long term insurance agreement, with the next meeting scheduled to take place after Easter, to discuss Health & Safety and Property issues. It was noted that resolution of these issues would be reported back at the next meeting of Audit & Governance Committee.

RESOLVED – That the Committee:

- Note the risk management activity that has occurred during the period
- Discuss, review and challenge the progress made on the Corporate Risk Register as at the end of Quarter 3 2018/19

Signed: …………………………………………………

Date: ……………………………………………….

Chair of the meeting
at which the minutes were confirmed

DECLARATIONS OF INTEREST IN

ITEMS ON THIS AGENDA

Members attending a Council, Committee, Board or other meeting with a personal interest in a matter on the Agenda must disclose the existence and nature of the interest and, if it is a Disclosable Pecuniary Interest or an Other Interest under paragraph 16.1 of the Code of Conduct, should leave the meeting during discussion and voting on the item.

Members declaring an interest(s) should complete this form and hand it to the Democratic Services Officer at the commencement of the meeting and declare such an interest at the appropriate point on the agenda.

MEETING: **AUDIT & GOVERNANCE COMMITTEE**

DATE: **25TH JUNE 2019**

AGENDA ITEM NO.**:**

DESCRIPTION (BRIEF):

NATURE OF INTEREST:

DISCLOSABLE PECUNIARY/OTHER (delete as appropriate)

SIGNED :

PRINT NAME:

(Paragraphs 8 to 17 of the Code of Conduct for Members of the Council refer)

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Our Vision:
"Providing a healthy workplace for all, where all our employees can flourish and are able to make healthier lifestyle choices."

Blackburn with Darwen Council Annual Health, Safety & Wellbeing Management Report –2018/19

This report focuses on:

Health & Safety:

- 2018-19 accidents, incidents & near miss statistics
- RIDDOR reports
- Health & safety performance highlights and challenges
- Proposed activity for 2019-20

Wellbeing:

- Sickness absence performance
- Promoting workforce health
- 100% Attendance
- Summary of service delivery
- Occupational Health
- Flu Vaccination Campaign
- Challenges

Health, Safety & Wellbeing

Team

Blackburn with Darwen

Borough Council

June 2019

Highlights 2018/19

- The Health and Safety Policy has been revised and is now succinct and more easily relatable to all parties.
- The team have started to raise the profile of health and safety with the overall aim of it becoming an integral part of the council operations rather than a stand-alone function. H&S team attend Management Board and LJNCC and send monthly updates to Directors. This ensures a 'top down approach' and that they are informed of health and safety performance and any issues are highlighted with them directly.
- A Health and Safety Action Group has been established at Davyfield Road Depot as one of the highest risk areas within the Council. The group is for all departments based at the Depot to discuss and address health and safety issues and share good practice.
- The improved health surveillance programme for HAVS and Hearing has continued and there has been a reduction in the number of employees needing to attend further assessments.
- A programme of workshops on personal safety, lone working and violence & aggression was rolled out and made available to all staff council wide. Separate workshops were held for managers to inform them of their responsibility and advise on the Violence & Aggression Statement.
- Collaborative work with Wellbeing colleagues has continued to facilitate activity and change around the Wellbeing Strategy. Some of the highlights include 'wellbeing week' and a successful staff rounders' tournament. A number of workshops for staff on Mental Health and Resilience have also been delivered.
- Increased training and development activity with the Council and the LEA, with a range of training courses delivered on a variety of Health, Safety and Wellbeing topics over the year.
- Focussed work and additional support provided to high risk departments and where significant incidents occurred.
- All of the audits completed within 2018-19 were of high compliance, areas included 10 Duke Street, Street Lighting, Highways, Arboriculture, Revenues & Benefits and Witton City Learning Centre.
- The team also support over 40 schools in the borough with their health and safety arrangements. This includes health and safety audits, single topic audits, training delivery and reviewing accidents and incidents. We have maintained and gained more business from schools over the last 12 months through the Health & Safety Service Level Agreement.

Health & Safety Performance

**Accidents, Incidents & Near Miss Reports**

There have been 676 reported accidents, incidents and near misses this year. Every single reported incident is reviewed by the team and we liaise and advise with department as necessary. There has been an increase of 15% of reported incidents on the previous year, there are a number of factors that have contributed to the increase in reports, including:

- The full Highways team transferred back into the council
- The Home First team in Adult Services also began reporting through the online reporting system, which they weren't doing previously
- The number of reports relating to violence and aggression have increased on the back of the proactive work we have undertaken and there has also been an increase in the actual number of incidents within Customer Services.

'Slip, trip & fall 'is the highest incident category, however over half of all incident of this type are related to member of public/service users. 'Near Miss' is the second highest category, however reports have fallen slightly on the previous year, which is mainly due to fewer near miss reports from Environment.

Collectively, 'verbal abuse', 'physical assault' and 'inappropriate behaviour' continue to be the highest incident reason and incidents of this type feature across all departments.

Incidents By Type 2018-19
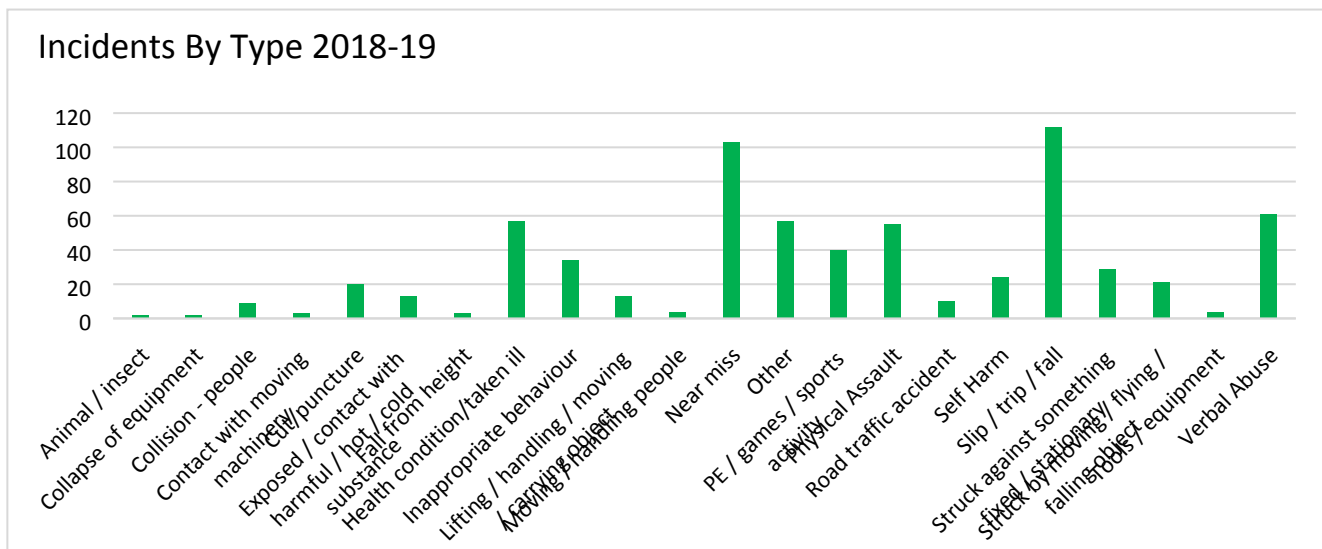
Cases reported under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations 2013 (RIDDOR) to the Health and Safety Executive (HSE)

There were 13 reports this year made the HSE which are detailed below. Last year there were 8 cases reported.

Over 7 Day Injuries	EDT – Physical Assault	Refuse – Slip, Trip or Fall	Refuse – Manual Handling *x 2 incidents*	Adult Social Care – Moving & Handling	Children's Services - Physical Assault
Specified Injury	Business Support – Slip, Trip or Fall	Refuse – Manual Handling	Refuse – Fall from Height	Children's centre – Slip, Trip or Fall	
Member of Public Taken Directly to Hospital	Children's Centre – Scald	Leisure – Finger Trapping			
Occupational Disease	Buildings Team – Hand Arm Vibration Syndrome				

Significant Incidents and Challenges

The HSE carried out an unannounced visit in July 2018 on a Highways site, where a worker and a Sub-contractor was carrying out repair work. The visit resulted in an Improvement Notice being issued to the council as the employee was not wearing the appropriate PPE or using the equipment in a safe way. A full investigation was carried out and an action plan put in place, which was addressed by the service promptly. The Health and Safety Action Group was set up following the HSE visit to discuss lessons learnt, share good practice and address any health and safety issues. The team now also support in joint monitoring visits with Highways on one of the larger schemes to ensure compliance.

There have been a number of significant incidents and near misses reported over the year, many of which relate to physical and verbal assault. Some of the most significant incidents include; two assaults within the Emergency Duty Team and Mental Health Services where staff were physically assaulted by service users. Both incidents occurred at the same Lancashire Care Foundation Trust (LCFT) site. LCFT have been formally written to with our concerns outlined. Staff have been provided with additional training and support in those areas is ongoing.

A member of public was hit by a reversing Refuse Collection Vehicle (RCV), luckily there were no injuries sustained. This incident was fully investigated and appropriate action put in place, including focused toolbox talks and additional training for staff. This and other incidents and near misses has prompted the need to readdress back street collections within refuse with a view eliminating reversing and introducing more collection points.

Additional challenges include:

- Whilst sickness absence has improved, both MSK disorders and mental ill health cost the council almost £1 million this year and both are the highest absence reason and feature in 9 out of 10 departments.
- The team have been continuously asked for support around DSE and workstations – as we move towards more agile working and further accommodation moves there needs to be focus on workstation self-assessments and support and reminders to ensure we are complaint under DSE Regulations and to also improve employee MSK health.
- The number of near miss reports has fallen this year despite the increase in incidents being reported, especially in some of the higher risk areas, e.g. Refuse. It is widely known that the more near misses reported, the less likelihood there is of a more significant incident occurring.
- Resources in the team have reduced and due to the nature of the reactive work we have had to respond to, some of the more proactive work we would like to focus on has become more difficult.

Focus for the next 12 months

Over the coming year the team want to continue to build on the positive work and ensuring health and safety is built in to the way we operate. The key areas of focus and actions are:

1. *Implement the new Health and Safety Policy and ensure it is appropriately disseminated to all staff.*

2. *Create a positive health and safety culture with Directors and Senior Managers taking the lead.*

3. *Revision of the Health & Safety Committee ensuring that appropriate officers attend who can make decisions.*

4. *Continue to analyse and utilise MI to shape the proactive work carried out by the team. Encourage reporting, in particular near misses, with a targeted approach to highest risk departments and those with low reporting figures.*

5. *Departments where violent or aggressive incidents are prevalent will be a focus of the Health & Safety Committee.*

6. *Mandatory e-learning health and safety training programme to be rolled out to all staff.*

7. *Review training for operational and frontline managers to ensure health and safety responsibilities are clear.*

8. *Programme of health and safety audits, monitoring visits and inspections to continue in the highest risk areas with action plans issued to ensure compliance.*

9. *Advise the Agile Working Group with a focus on DSE/workstation self-assessments to ensure compliance and improve Musculoskeletal disorders.*

10. *Continuing supporting schools through the Health & Safety SLA and support the LEA meet its Health and Safety obligations in Education.*

Working days lost due to sickness absence has reduced to 8.81 days per FTE. This is a positive reduction trend that has been reported for the past 3 years. On average, public sector employees had 8.4 days of absence over the last year.

Heads of HR for Lancashire have reported their F.T.E results as below;

Burnley	5.69	West Lancs	9.87
Wyre	6.54	Ribble Valley	10.15
Hyndburn	7.36	Rossendale	10.62
Preston	8.79	LCC	11.96
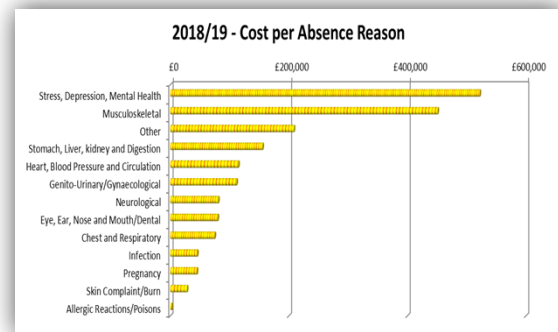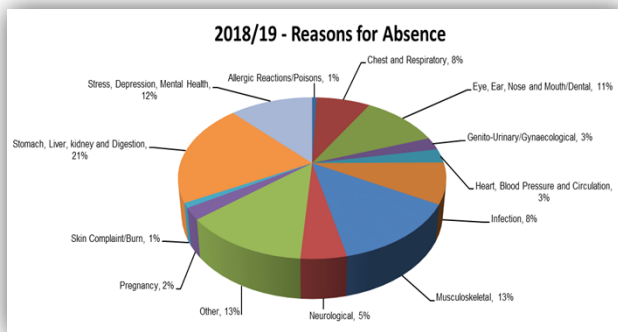
The main reported reason for absence was stomach related 21%, 13% for MSK, 13% absence reason not reported and 12% with mental ill health. These figures are generally the same as previous years. Mental ill health is still an area of concern along with MSK related absences.
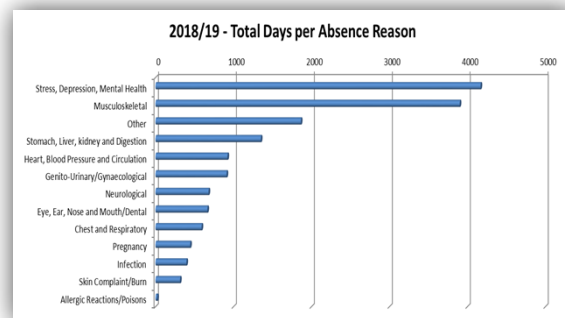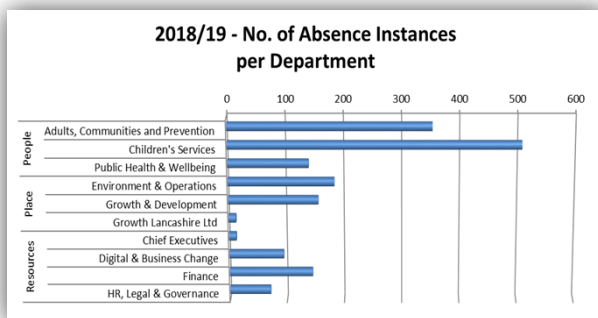
Overall estimated salary cost to BwD reduced by £181,982, taking the cost of reported absence to £1,921,698. With the estimated costs per FTE reducing to £118 from £123 in 2017/18.

The cost of absence and days lost per absence is where the reason changes somewhat with the costs of Mental Ill Health around £500,000, and days lost being 4837. This does not take into account the other costs that can be factored in to this absence reason such as intervention, on-going support, staffing costs and presentism. This figure could also be greatly under reported as we know that 1 in 4 people are struggling with mental ill health at any one time, there is still a stigma around speaking up and other absences maybe being used to mask mental ill health. Chest and respiratory reason for absence has reduced for the 2nd year.

Reduction in costs and days lost in departments compared to previous years varied due to changes in structures. Some has seen reductions however have less FTE.

2018/19 - Cost per Department

2018/19 - Total Days per Department
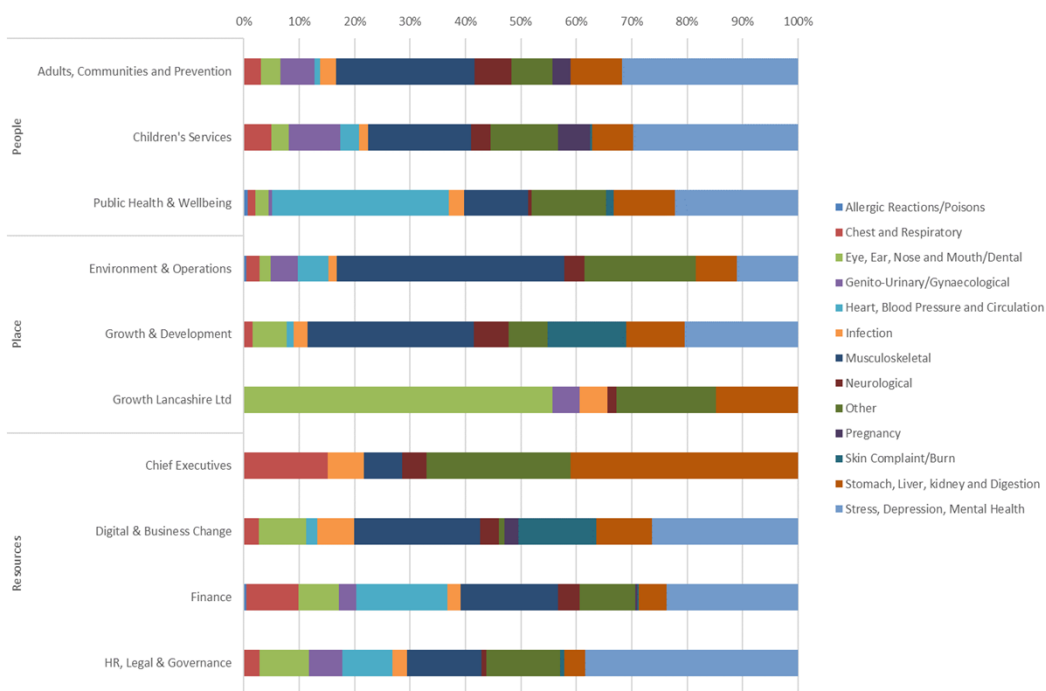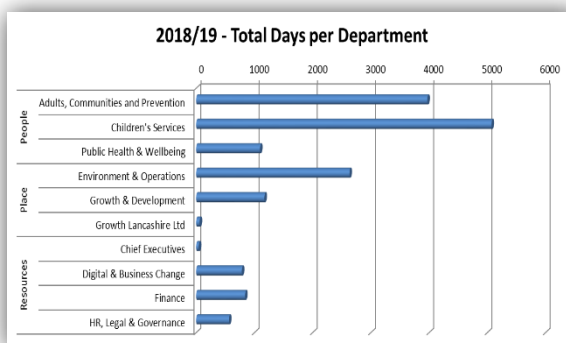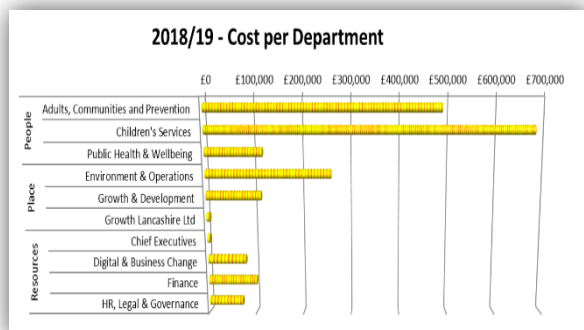
The graph across highlights reported reasons for absence per department;

Mental Ill Health features in 8 of 10 departments,

MSK featuring in 9 out of 10, not just in those roles that have physical/manual factors involved.

Length of absence

Short Term absence
354, less days lost (2716)
1.47 per FTE

GP Certified
271, less days lost (3089)
1.47 per FTE

Long term
218, less days lost (10443)
5.66 per FTE

12 employees have left BwD following improving attendance management. 7 employees left following a settlement agreement, 2 were dismissed with ill health retirement and 3 were dismissed due to capability.

100% Attendance

1014 employees achieved 100% attendance in 2018/19 which is 55% of BwD workforce compared to 51% in 2017/18.

Place has the highest amount for employees with 100% attendance at 68.4%, with Children Services achieving 255 employees with 100% attendance.
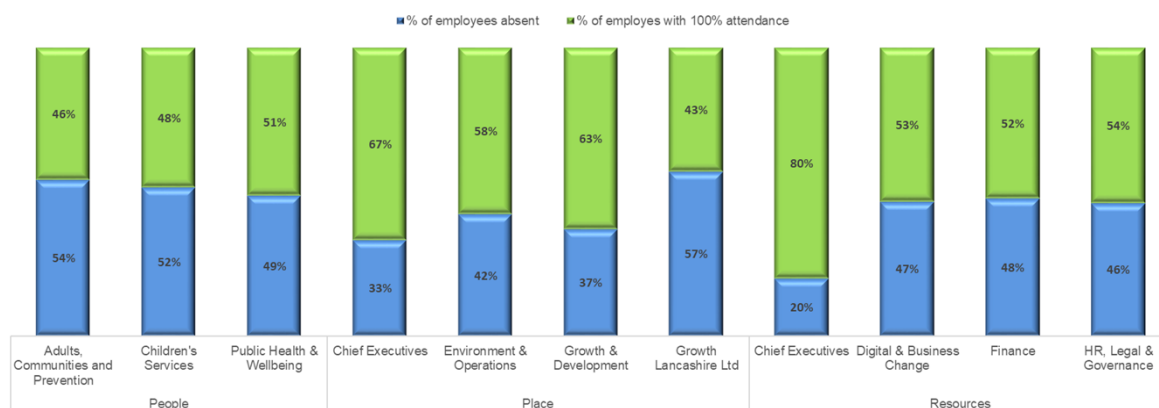
Promoting workforce wellbeing

The Employee Health & Wellbeing Strategy was launched to confirm that employee health and wellbeing is a priority for the Council. It was developed to **Improve** employee awareness of the benefits of consistent healthy choices, **Enable** our workforce to 'do their bit' and take responsibility for their health and wellbeing to create a positive impact on health and attitudes across the borough to reduce the call upon limited resources, **Create** a workplace with no stigma associated with mental illness - Support employees with health conditions to access support and remain at work, **Develop** capable and great leaders able to support our strategy & **Improve** attendance.

Following the Time to Change pledge signing on 10th May 2018, BwD workforce have continued to be educated about mental health. Employees have been encouraged to talk about their mental health, supporting staff to stay well and in work and supporting people to return to work. Employees mental health and wellbeing is as important as their physical health and wellbeing. Latest research shows that as many as 1 in 6 employees experience common mental health issues including anxiety and depression, with work being cited as the biggest cause of stress. Evidence suggests that women are more likely to have a common mental health problem and almost twice as likely to be diagnosed with anxiety.

Summary of service delivery

New Improving Attendance Policy and Guidance was introduced 1st April 2018, changes were made to the old policy, removed the triggers as it was felt these were to ridged. The new policy has helped to engage with employees to achieve and maintain appropriate and acceptable standards of attendance at BwD. It is a supportive and consistent approach in managing employee absence along with balancing the needs of our employees with BWD requirement to provide service to the community. Early intervention has been key with this policy, it has helped to engage employees sooner, supporting an earlier return to work, progressing through the policy to ensure an appropriate strategy for both employee and BwD.

Work continued throughout the year with providing advice and support to line managers to ensure that the Improving Attendance Policy was being followed. This included early intervention to both support the employee, manager and BwD on reducing sickness absence. Senior managers and line managers have been encouraged to support and promote good mental health.

Monthly departmental sickness reporting formats have evolved over the last 12 months, to ensure that managers have better understanding on sickness absence in their areas, trends that have been identified and also highlight keys concerns regarding both employees whose absence is a cause for concern and where managers are not utilising the advice of HR or the Improving Attendance Policy.

In February 2019 Adults, Communities and Prevention & HR colleagues introduced sickness challenges where each month a team's sickness absences are reviewed in the session with a panel. It is envisaged that a broader approach to wellbeing, behavioural, cultural issues in sickness absence and developing a joint culture and approach will reduce sickness absence. The review includes lives sickness cases, areas of concerns, any anomalies or patterns of absence and if managers require support in managing these absences. These sessions have been used as a coaching opportunity. These sessions have helped to develop an action plan and strategy will be monitored at DMT.

Occupational Health 2017/18

BwD entered into the AGMA collaboration in April 2017. HML were appointed, however due to a Blackburn Clinic not being set up as initially agreed, we also use Health Business (Whalley) to meet our OH needs.

On average 15 employees a month were referred in 2018/19 to both HML & HB from initial assessment to Ill Health Retirement, with a ratio of 60% telephone assessment and 40% face to face.

Following formal approval, it has been agreed that BwD would offer OH internally by recruiting a qualified OHA to provide in-house support and meet current demand. This would also allow HR to market and sell this service to external customers who we provide HR support to.

BwD EAP will still be offered and accessed through the AGMA collaboration.

Flu Vaccination programme 2018

The 2018 free flu vaccination campaign for all employees commenced on 21 September 2018.

Council employees were offered the free flu jab in partnership with NHS Blackburn with Darwen CCG. Internal clinics where held at 3 different locations to give all employees the opportunity to take part and help to reduce the risk of catching flu.

Free flu jabs were made available to all staff, however the main priority was, as always, to encourage those who work in local communities with residents who are most at risk of catching flu. Managers were to support and encourage staff in their decision to have a flu jab. Booking appointments were made easy via the Council online course booking system.

Location	Number of bookings	Totals	
Blackburn Town Hall	131	BwD Employees	213
Darwen Children's Centre	29	School Vouchers	208
Davyfield Rd	35	Total Vouchers	235
BwD - Vouchers	27	Did Not Attend	35

Overall feedback was;

- *Easy to book an appointment*
- *Accessible locations*
- *Appointment didn't take long at all*

	Nurse led clinics	Vouchers	Total bookings	Schools
2016	276	59	335	172
2017	0	324	324	155
2018	195 (35 DNA)	27	222	208

Wellbeing Initiatives 2018/19

Following the success of the Mindfulness sessions earlier in the year, 2 further cohorts of training took place. This provided 32 employees with help to reduce stress and anxiety and conflict, and increase resilience and emotional intelligence, while improving communication in the workplace.

Over 100 employees have undertook the Mental Health First Aid training. Of those trained 30 employees have signed up to BwD Mental Health Champions campaign. In Duke Street, the MH Champions have created a health and Wellbeing notice board with resources and signposting so colleagues are aware of who the champions are and what support is on offer.

The MH champions have been supported with Lancashire MIND workshops, peer support groups and ongoing mentoring. The

champions are passionate about helping people to understand that mental health belongs to everybody by getting everyone to talk about mental health. They give time and resources to undertake meaningful activities that help people to change the way they think and act about mental health. Willing to engage colleagues constructively and positively when taking action to tackle mental health stigma encouraging others to do so too. Keen to spread the word about Time to Change and what the campaign has to offer to organisations. Are empowering colleagues to share their experiences of mental health problems in the workplace and encourage them to become Champions too.

Time to Talk day took place on 7th February 2019, where everyone was encouraged to have a conversation about mental health. Colleagues and external organisations came together to offer wellbeing activity sessions to aid in the conversation. To aid in the conversation for both Manager & Employee 2 useful guides were developed, these were published on the intranet

BwD have recruited 40 health and wellbeing champions across the departments/locations who successfully completed the Royal Society of Public Health Level 2 certificate, these champions are passionate, motivational and inspiring help support our Health and Wellbeing colleagues and campaigns.

The 2018 Health & Wellbeing Week took place WC 8 October 2018. Each day of the week focused on one of the 5 ways to wellbeing with activities taking place as below at different locations and times. The Take Up The attendance figures show that over 400 employees took part in the wide range of activities on offer, nearly double the number of participants in 2017. Money was raised for charities throughout the week included £78 for Motor Neurones Disease Association and £141.63 for Guide Dogs.

We have engaged with local business who have provided free of charge wellbeing activities. These have ranged from weekly Tai Chi sessions, Mindfulness workshops, Neuro-linguistic programming and Yoga. Other business have been in contact to offer their service, however due to costs of these services we have been unable to offer these to our employees.

T**he BwD Staff Rounder's Tournament was a big hit!** - The tournament ended in a tie, and the joint winners were 'Healthy Hitters' from the Healthy Lifestyles Team and 'The Good, The Bat & The Ugly' from Leisure. The tournament raised close to £100 for the Mayor's Charity. The organisers have had some great feedback and are hoping to host this as an annual event.

Challenges faced

Due to commitments/workloads in communications team we haven't been able to create a new intranet section for employees and managers to access for health and wellbeing support. At the moment, information is located in different areas of the intranet and not easily accessible.

It was envisaged that a heart of wellbeing area would be created which would encompass resources that are available for further support and information when required.

What's next for wellbeing 2019/20

All schools have been invited to attend a Prioritising Workforce Wellbeing in Schools Conference taking place on Friday 14th June. The conference is focuses on how to manage and support wellbeing to school management teams along with how a proactive approach can drive down absence, how to develop a mentally healthy school and build resilience in school.

New employee rewards to launch in July 2019. Which will include, Financial Wellbeing – Helping employees to manage their money better. Affordable salary deduction loans, debt consolidation and financial education via Neyber and savings and loans via the Jubilee Credit Union.
Health plans – Medical cash plans, illness and accident cover, get help with everyday healthcare costs or financial support during times of sickness and injury.

Continue to work collaboratively with Public Health & Wellbeing and external Organisations to Identified ways to improve the workplace and offer a calendar of events for employee's examples of these will include:

- Stop smoking & Gulp Campaign (Give up loving Pop!)
- Resilience & Mindfulness
- Wellness Action planning & Men in Sheds

Continue to commit to changing attitudes towards mental health in the North West: collaborate with other Organisations to build inclusive workplace cultures. Reducing stigma, dispelling myths and improving employee wellbeing for good.

Objectives	Goals
• Raise awareness of colleagues' mental health and wellbeing • Challenge the stigma and break cultural silences • Create a community and resources that provide support • Align to business-wide approach to mental health	• To inspire even more employers to prioritise the issue and take action to create mentally healthy workplaces • To encourage people with experience of a mental health problem to share their stories

Continue talking about mental health, promoting positive mental health in the workplace by encouraging Informal chats around the workplace should be a normal part of workplace life, with managers regularly working around their team. This can help them check on how staff are doing and whether there are any issues that may be affecting the mental health of team members.

From 10th July 2019 a enhanced offering of Mental Health support will be launched. Able Futures will provide a wide range of first-class mental health support services delivered by qualified health care professionals. They will listen to individuals to understand any difficulties they are experiencing and create an individual plan of support. The service is confidential, fast and flexible and is available over the phone, through email and face-to-face meetings. There is no cost for this service and no waiting list. Once the employee has signed-up, they will receive a call within one working day. Employees will benefit from support with their mental health and well-being. Confidentiality is guaranteed.

Some women go through the Menopause with little impact on their daily life. But others experience symptoms that can last for several years and have a negative impact on their performance and attendance at work. By Increasing the awareness of the menopause as an overall subject area in BwD it would increase understanding and ensure the most appropriate support is available for those experiencing symptoms. Women over the age of 50 are the fastest growing segment a workforce, and most will go through the menopause transition during their working lives. It may be a natural process, but unfortunately, menopause remains a taboo subject in many workplaces. Some women will sail through the menopause but for others it can be debilitating and have a serious impact on their wellbeing and their ability to do their job. CIPD reports that six in ten women experience negative impact on their work. With the right support, there's no need for women to press pause on their career during this natural transition. But many women will continue to suffer in silence unless we break the taboo and start talking openly about the menopause at work. What are we going to do:

- Review existing polices & frameworks
- Help break through the silence
- Identify Reasonable adjustments
- Enable managers to support their employees
- Gain senior leadership buy in

Involve Trade unions and other employee representatives to play a vital part in promoting positive mental health in the workplace. They are often trained and/or experienced in mental health and can help an employer get messages across to staff. Representatives usually possess an awareness of the organisation and may be more willing to highlight areas of concern to management than staff. They might also know how similar issues have been successfully dealt with in other organisations. They can provide an additional source of support for staff experiencing mental ill health, including if the employee is not yet ready to talk to their manager. It can also be helpful to suggest an employee experiencing mental ill health can be accompanied by a rep or a work companion at any meetings with their manager. This can reassure the employee and make them more willing to talk openly.

Develop awareness and understanding for managers whose employees are struggling with problematic gambling and related harms. This is in conjunction with Public Health and Wellbeing, who are currently in discussions with Organisations that can provide 1:1 counselling for BwD workforce.

Musculoskeletal Disorders

Mental Health Disorder

Ensuring BwD physical and mental health services complement each other is essential in improving absenteeism, employee's health and wellbeing and service we provide to our customers. With depression four times as likely in people who experience persistent pain, it is crucial that we review how MSK and mental health support in the workplace, treating both conditions in a coordinated way to enable a healthy and productive workforce. Most adults will experience a musculoskeletal (MSK) condition at some point in their life, whether it's an injury, a bad back or a chronic condition such as arthritis. Probably the most common **mental health** symptom that affects **MSK health** is stress.

Continue to promote, recruit, support and develop Health and Wellbeing & Mental Health champions to encourage and continue the movement with the way in which we support our employees. 2 of the champions have developed 8-week wellbeing programmes for staff. Happy Mondays - Mindfulness & Meditation & Workout Wednesdays – Strengthen, Stretch and Relax Both programmes start the week commencing Monday 3rd June.

Flu Campaign 2019 This year's flu campaign will try to expel the myths around vaccination and engage more uptake. This may include how can flu be prevented, what the vaccination actually does and side effects. Different options are being explored, from onsite clinics to vouchers. Workforce communication is envisaged to start early August.

We understand that each school is unique, with employees that have very different needs, depending on their ages and stages in life we are offering a Proactive wellbeing support & wellbeing package to schools. The package includes:

- Training and support for line managers- which is important, because their relationships with their teams are what can make a real difference.
- Advice and guidance that targets the thinking, behaviors and lifestyle factors that can make a real difference to emotional wellbeing, thus reducing the effects of stress and building resilience.
- Resilience, Health and Wellbeing training and instruction is an essential aspect of any organisations business strategy; to maintain a healthy workforce and to comply with organisations legal obligations.
- Bespake/adhoc support training for example
  - 121 training and development
  - Group training
  - Training and workshops
  - Absence measurement and management
  - Building better wellbeing

Absence Management

Introduce sickness challenges to all departments to review the team's sickness absences. It is envisaged that a broader approach to wellbeing, behavioural, cultural issues in sickness absence and developing a joint culture and approach will reduce sickness absence.

Induction

Development of an induction programme is important for all new, promoted or redeployed employees, as starting a new role can be a stressful and unsettling experience. A negative first few days in the job, in which people are given insufficient guidance about expectations and processes, can undermine people's confidence and could trigger problems or exacerbate existing symptoms.

An effective induction for all employees contains the following elements:
- One-to-one meeting(s) between the new starter and their line manager
- Orientation (physical) – describing where the facilities are
- Orientation (organisational) – showing how the employee fits into the team and how their role fits with the organisation's strategy and goals
- An awareness of other functions within the organisation and how the employee fits within that
- Meeting with key senior employees (either face to face or through the use of new technology)
- Health and safety information – this is a legal requirement
- Explanation of terms and conditions
- Details of the organisation's history, its products and services, its culture and values
- A clear outline of the job/role requirements and expectations
- Details of any health and well-being initiatives provided by the BwD
- Information about ways of working, for example flexitime, homeworking.

Wellbeing Proposals for agreement

Mental Health

Develop a managers' guide to mental health at work and with agreement from management board, implementing mandatory mental health training for manager's. The role of a manager is to support their team members to be healthy and motivated so that they can perform at their best. However, without training, managers may not spot the signs that a team member is experiencing mental ill health. We know that if mental ill health is not treated, the pressures of it can cause other 'secondary symptoms'. For example, the strain of coping with depression may cause someone to become dependent on alcohol or drugs. Employees supported by their employer are more likely to be able to stay in work or return to work after a period of absence, reducing long-term absences. It's easier to see when someone is physically unwell than emotionally unwell, and for many people it can feel easier to talk with someone about physical health than about emotional wellbeing. Some of the first signs that indicate someone may be suffering from too much pressure or stress can be changes in behaviour or performance. Being aware of this personally and as a manager can be critical to taking a supportive, preventative approach.

This training would aid managers to become confident in dealing with mental ill health, it would include

- Becoming more emotionally intelligent and improve their self-awareness and social-awareness
- Spot the signs of mental ill health
- Understand the common types of mental ill health and the differences between them
- Understand the types of support and possible adjustments that may help a team member experiencing mental ill health
- Refer or signpost employees to local services or external support.

Access to Mental Health training. For all employees to receive training in mental health awareness. Early intervention can minimise the effects of stress and poor mental health, so it is critical line managers are able to recognise signs that their staff are struggling. Despite this, it's been found that over half of managers are not receiving the training they need to support staff mental health. With heavy workloads and management styles found to be the top two causes of stress-related absence, some managers may also be afraid to have these conversations. HR can help managers to understand their legal obligations with regard to health and safety, while also equipping them with the softer skills required to have conversations in the right way.

No one is more equipped to know what is 'normal' for them than the individual. Providing resilience training, and helping staff help themselves, is a powerful tool in improving wellbeing. Having mental health first aiders on a peer-to peer-level also means staff have somewhere to turn besides their manager.

Training would cover:
- The BwDs commitment to promoting positive mental health
- The law concerning equality and discrimination, and how it can be relevant to attitudes towards mental health in the workplace
- Standards of behaviour expected of all staff, and how unacceptable conduct will be dealt with
- What staff can do to improve and maintain positive mental health. For example, fun or productive out-of-work activities
- Spotting the signs that they or someone they know may be experiencing mental ill health
- Who they should go to if they need advice or support. For example, their manager and/or mental health champion. If there are trade unions in the workplace, they may also be able to offer further support and advice
- Any concerns or questions employees may have.

BWD HEALTH & SAFETY ANNUAL REPORT 2018-19

There have been many highlights and positive improvements over the last 12 months, however there is still more that can be done to ensure we continuously improve our health and safety performance and the wellbeing of our employees.

2018 – 19 AT A GLANCE…

676 reported accidents, incidents and near misses.

150 incidents related to **verbal abuse**, **inappropriate behaviour** and **physical assault**.

13 reports made to the **HSE** under RIDDOR.

HSE intervention and an **Improvement Notice** served.

Workshops on personal safety, lone working and violence & aggression were delivered to staff council wide.

The cost of absence related to **MSK Disorders** was over **£400K**.

Continued programme of Health & Safety audits.

HOW WE CAN CONTINUE TO IMPROVE…

☑ Implement the new Health and Safety Policy and ensure it is appropriately disseminated to all staff.

☑ Create a positive health and safety culture with Directors and Senior Managers taking the lead.

☑ Revision of the Health & Safety Committee ensuring that appropriate officers attend who can make decisions.

☑ Continue to analyse and utilise MI to shape the proactive work carried out by the team. Encourage reporting, in particular near misses. With a targeted approach to highest risk departments and those with low reporting figures.

☑ Departments where V&A incidents are prevalent will be a focus of the Health & Safety Committee.

☑ Mandatory e-learning health and safety training programme to be rolled out to all staff.

☑ Review training for operational and frontline managers to ensure health and safety responsibilities are clear.

☑ Programme of health and safety audits, monitoring visits and inspections to continue in the highest risk areas with action plans issued to ensure compliance.

☑ Advise the Agile Working Group with a focus on DSE/workstation self-assessments to ensure compliance and improve Musculoskeletal disorders.

☑ Continuing supporting schools through the Health & Safety SLA and support the LEA meet its Health and Safety obligations in Education.

BWD WELLBEING ANNUAL REPORT 2018-19

There have been many highlights and positive improvements over the last 12 months, however there is still more that can be done to ensure we continuously improve the health, safety and wellbeing of our employees.

2018 – 19 AT A GLANCE…

8.81 *working days lost per FTE.*

Stomach related illness was the most reported reason for absence at 21%.

Overall cost of sickness absence is £1.9million

The cost of absence related to **mental ill health** *was over* **£500k** *and over* **£400K** *for* **Musculoskeletal** *disorders.*

Total number of days lost due to **sickness absence** *was* **16,249**.

55% *of the workforce achieved 100% attendance*

How we can continue to improve…

Continue to support the departments in managing employee's absences and reducing the days lost per FTE and cost impact to BwD.

Seek Executive Board sign off for all managers to receive mandatory training in mental health awareness. Early intervention can minimise the effects of stress and poor mental health.

Develop awareness and understanding of subject areas that employees are struggling with. Provide advice and guidance for both managers and employees. Starting with Menopause & gambling and related harms.

Continue to promote, recruit, support and develop Health and Wellbeing & Mental Health champions to encourage and continue the

Communicate to communicate health and ort *wellbeing resources to aid employees in making healthier lifestyle choices.*

Seek Executive Board sign off to develop of induction programme is important for all new, promoted or redeployed employees, as starting a new role can be a stressful and unsettling experience.

Departmental sickness challenges to be introduced, which is a broader approach to wellbeing, behavioural, cultural issues in sickness absence and developing a joint culture and approach will reduce sickness

BRIEFING PAPER

REPORT to :	Audit and Governance Committee
LEAD OFFICER:	Director of Finance And Customer Services
DATE:	25th June 2019

WARD/S AFFECTED:

TREASURY MANAGEMENT REPORT – 2019/20

Based on monitoring information for the period 1st March – 31st May 2019

1. PURPOSE
To allow scrutiny of the Treasury Management function.

2. RECOMMENDATIONS
It is recommended that Audit and Governance Committee notes the Treasury Management position for the period.

3. BACKGROUND

3.1 The Treasury Management Strategy for 2019/20, approved at Executive Board in March 2019, complies with the CIPFA Code and with Ministry for Housing Communities and Local Government (MHCLG) Guidance on Investments.

The CIPFA Code, the Investment Guidance issued by MHCLG, and the Internal Audit & Assurance reviews of Treasury Management activities, all recommend a strong role for elected members in scrutinising the Treasury Management function of the Council.

3.2 This report summarises the interest rate environment for the period and the borrowing and lending transactions undertaken, together with the Council's overall debt position. It also reports on the position against Treasury and Prudential Indicators established by the Council.

3.3 A glossary of Treasury Management Terms is appended to this paper.   .

4. KEY ISSUES

4.1 Bank of England Bank Rate

The Bank of England's Bank Rate held steady at 0.75%, having increased in August 2018.

4.2 Investments Made and Interest Earned

The graph in Appendix 1 shows the weekly movement in the totals available for investment, both actuals to date and projections for the rest of the year (adjusted for anticipated borrowing). These balances fell towards the end of March and have since ranged around £20M. It is intended that these will reduce further in future in the range of £10 M and £20 M.

Investments made in the period were mainly in "liquid" (instant access) deposits, either bank "call accounts" or Money Market Funds (MMFs). Returns on such MMF holdings are holding steady at around 0.70%. Bank account rates vary, paying between0.20% and 0.65%.

For limited periods, funds were also placed with the Government's Debt Management Office (at 0.5%). The other fixed term investments made were:

Start Date	End Date	Counterparty	Amount £	Rate
25-Mar-19	26-Apr-19	Thurrock Council	£3,000,000	0.86%
27-Mar-19	26-Apr-19	Thurrock Council	£2,000,000	0.86%
22-Mar-19	21-Jun-19	National Counties Bldg Soc	£1,000,000	0.92%

At 31st May, the Council had approximately £21.2 M invested, compared to £49.6 M at the start of the period. Appendix 2 shows the breakdown of the closing investment balance

The Council's investment return over the period was approximately 0.68%.

For comparison, benchmark LIBID (London Interbank Bid) rates were
   (a) 1 month lending - stable at around 0.6%
   (b) 3 month lending - falling a little over the period, averaging 0.7% and ending at 0.67%

4.3 Borrowing Rates

The cost of long term borrowing through the PWLB (Public Works Loan Board) is linked to central government's own borrowing costs. These rates fluctuated across the period, falling across March, rising in April and then falling even further in May – they are now at a historically low level.

The cost of short term borrowing, based on loans from other councils, moved up in the approach to the end of the year, before starting to fall a little into the new financial year. By the end of the period, loans from 3 months out to one year were priced between 0.8% to 1.00%

Though the medium term trend in interest rates has been, and is expected to continue slowly upwards, it is unclear how rates will move in the coming months.

4.4 Short Term Borrowing in the 3 month period

The Council's CFR (Capital Financing Requirement) is the key measure of the Council's borrowing **need** in the long term. It is

   (a) the accumulated need to borrow **to finance capital spend** (not funded from grants, etc.)
                    less
   (b) the accumulated Minimum Revenue Provision (MRP) charges already made - councils must make a prudent MRP charge in their accounts each year, to finance their debt -
                    less
   (c) any capital receipts applied to finance outstanding debt.

and therefore tends to increase if capital spend financed from borrowing exceeds MRP.

The Council's **actual** long term debt is significantly below the CFR – the gap has widened as long term debt has been repaid. We have been using "internal borrowing" from available revenue cash balances to partly cover this gap. The remaining gap has been covered by taking enough short term borrowing to ensure that the Council has sufficient funds to pay its liabilities and commitments, and to anticipate future borrowing needs. This has resulted in net interest savings.

Up to the end of May, there was a decrease in short term borrowing of £30M, as loans of £54M were repaid and £24M of new loans were taken (listed below).

New loans taken in the period				
Start Date	**End Date**	**Counterparty**	**Amount £**	**Rate**
28/03/2019	30/09/2019	Tendring District Council	4,000,000	0.95%
15/03/2019	31/01/2020	London Borough of Newham	5,000,000	1.02%
25/03/2019	13/06/2019	London Borough of Haringey	5,000,000	1.00%
25/03/2019	08/04/2019	Derbyshire Pension Fund	3,000,000	1.00%
05/04/2019	31/10/2019	Gwent Police	2,000,000	0.98%
29/04/2019	31/10/2019	Vale of Glamorgan Council	2,000,000	0.85%
15/04/2019	17/06/2019	Brentwood B C	1,000,000	0.70%
28/05/2019	27/09/2019	Fylde Borough Council	2,000,000	0.78%
			24,000,000	

Future deals already agreed by the end of the period				
Start Date	**End Date**	**Counterparty**	**Amount £**	**Rate**
27/08/2019	27/02/2020	Kent County Council	5,000,000	0.87%

4.5 Current debt outstanding -

	28th Feb 2019		31st May 2019	
	£000	£000	£000	£000
TEMPORARY DEBT				
Less than 3 months	0		6,000	
Greater than 3 months (full duration)	63,000		27,000	
		63,000		33,000
LONGER TERM DEBT				
Bonds	18,000		18,000	
PWLB	138,002		135,885	
Stock & Other Minor Loans	278		263	
		156,280		154,148
Lancashire County Council transferred debt		14,892		14,738
Recognition of Debt re PFI Arrangements		65,273		64,844
TOTAL DEBT		**299,445**		**266,730**
Less: Temporary Lending - fixed term		(32,500)		(1,000)
- instant access		(17,116)		(20,154)
NET DEBT		**249,829**		**245,576**

The key elements of long term borrowing set out above are:

(a) £18M classed as bonds, borrowed from the money markets, largely in the form of "LOBO" (Lender Option, Borrower Option) debt. The individual loans remaining range from 4.35% to 4.75%, at an average of around 4.4%

(b) £135.9M borrowed from the PWLB at fixed rates, at an overall average rate of around 4%. Loans repayable on maturity range from 3.06% to 7.875%, and EIP (Equal Instalment of Principal) loans from 1.73% to 3.77%.

(c) Debt managed by Lancashire County Council after Local Government Reorganisation, which is repaid in quarterly instalments across the year, charged provisionally at 2%.

(d) Debt recognised on the balance sheet as a result of accounting adjustments in respect of bringing into use school buildings financed through Public Finance Initiative (PFI) arrangements. The Council's effective control over, and use of these assets is thereby shown "on balance sheet", with corresponding adjustments to the debt. This does not add to the costs faced by the Council Tax payer as these payments made to the PFI contractor are largely offset by PFI grant funding from the Government.

4.7 Treasury Management Strategy for 2019/20

Following new guidance from MHCLG and CIPFA, applicable for 2019/20, the Council increased its focus on the Capital Strategy and Investment Strategy (including Non-Treasury Investments) at Finance Council, and has considered its Treasury Management Strategy at Executive Board in March. A draft Treasury Management Strategy was circulated to Audit and Governance Committee in January.

4.8 Performance against Prudential and Treasury Indicators

Appendix 3 shows the current position against the Prudential and Treasury Indicators set by the Council for the current year.

Movements in the key indicator – Total Borrowing against the Authorised Borrowing Limit – are shown as the first graph in Appendix 4. Total borrowing at 31st May 2019 was £266.8.5M, below both our Operational Boundary (£326.1M) and Authorised Borrowing Limit (£336.1M) for 2019/20.

As previously reported, early in December we took £35M in PWLB borrowing, when PWLB rates were low, diversifying the borrowing portfolio. As we were aware, these loans took us above our Operational Boundary – which is set for management guidance - and we remained within the (higher) Authorised Borrowing Limit. The Authorised Limit is the key Prudential Indicator - loans from the PWLB cannot be taken if this Limit is (or would be caused to be) breached.

This total debt includes the impact on the balance sheet of the recognition of assets that have been financed through PFI. The accounting adjustments are designed to show our effective long term control over the assets concerned, and the "indebtedness" arising from financing the cost of them. They do not add to the "bottom line" cost met by the Council Tax payer.

The Council still holds a large part of its debt portfolio in loans of less than a year's duration - short term loans still represent a cheap way to funding marginal changes in its debt.

Interest Risk Exposures

Our **Variable Interest Rate Exposure** (see second graph at Appendix 4) ended the period at £24.9M, against the **limit** set for this year of £102.8M.

This indicator exists to ensure that the Council does not become over-exposed to changes in interest rates impacting adversely on its revenue budget. The limit is set to allow for short as well as long term borrowing, and takes:
   (a) all variable elements of borrowing (including short term borrowing – up to 364 days – and any LOBO debt at risk of being called in the year), which is then offset by
   (b) any lending (up to 364 days).

Our **Fixed Interest Rate Exposure** was around £141.2M, against the **limit** of £233.9M. This indicator effectively mirrors the previous indicator, tracking the Council's position in terms of how much of the debt will **not** vary as interest rates move. The historically low interest rates prevailing over recent decades led the Council to hold a large part of its debt in this way.

This limit was set to allow for the possibility of much higher levels of new long term, fixed rate borrowing. There are still significant levels of short term debt.

5. POLICY IMPLICATIONS	None

6. FINANCIAL IMPLICATIONS
The financial implications arising from Treasury Management activities are reflected in the Council's overall Budget Strategy, and in ongoing budget monitoring throughout the year.

7. LEGAL IMPLICATIONS
The report is in accordance with the CIPFA code and therefore is in accordance with the Financial Procedure Rules under the Council's Constitution.

8. RESOURCE IMPLICATIONS	None

9. CONSULTATIONS	None

10. STATEMENT OF COMPLIANCE
The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

VERSION:	0.01

CONTACT OFFICER:	Ron Turvey- Deputy Finance Manager extn 5303 Louise Mattinson Director of Finance & Customer Services extn 5600
DATE:	10th June 2019
BACKGROUND PAPERS:	CIPFA Guidance - CLG Investment Guidance - Council Treasury Management Strategy approved Finance Council 26th February 2018

Weekly Investment balances

2019/20 (Feb 19 to Mar 20)

Investments at 31st May 2019

Building Societies - Fixed Term, £1,000,000 , 5%

Money Market Funds, £12,952,879 , 61%

Call Accounts, £7,201,138 , 34%
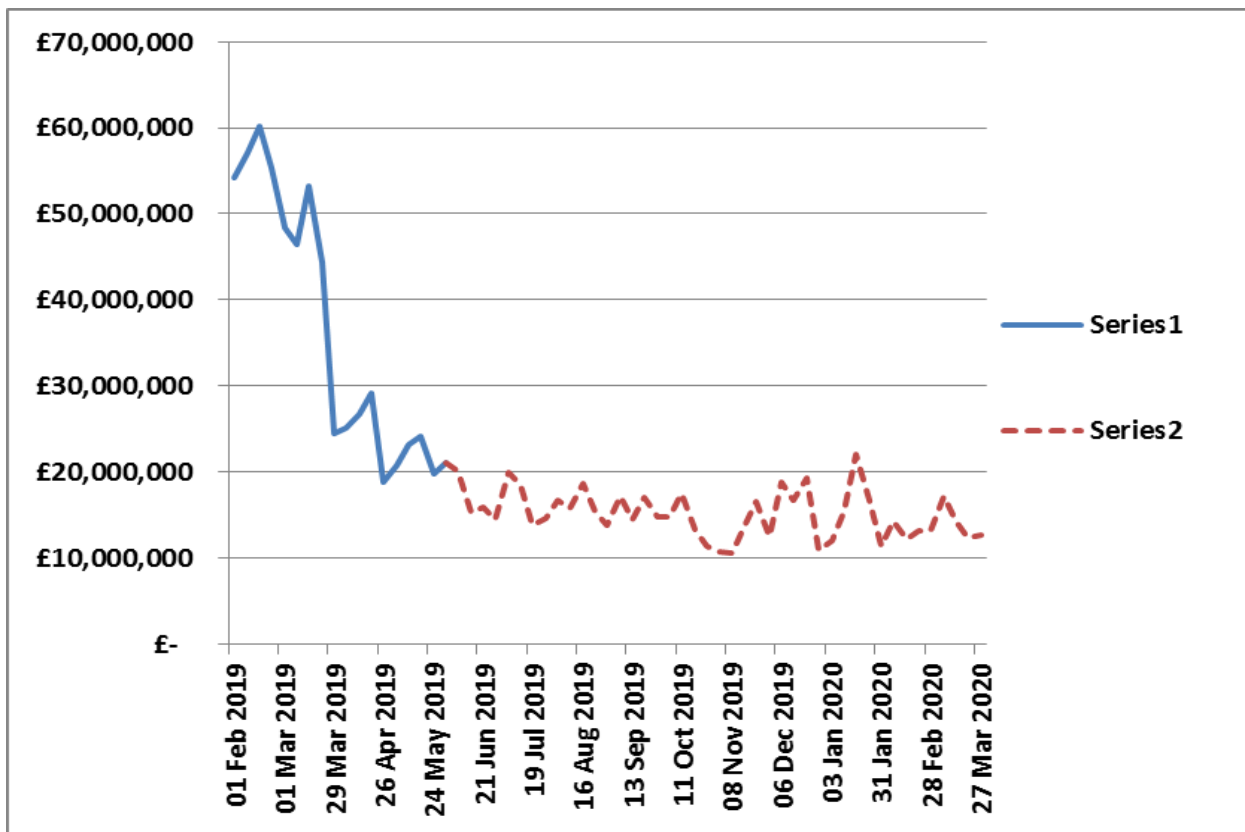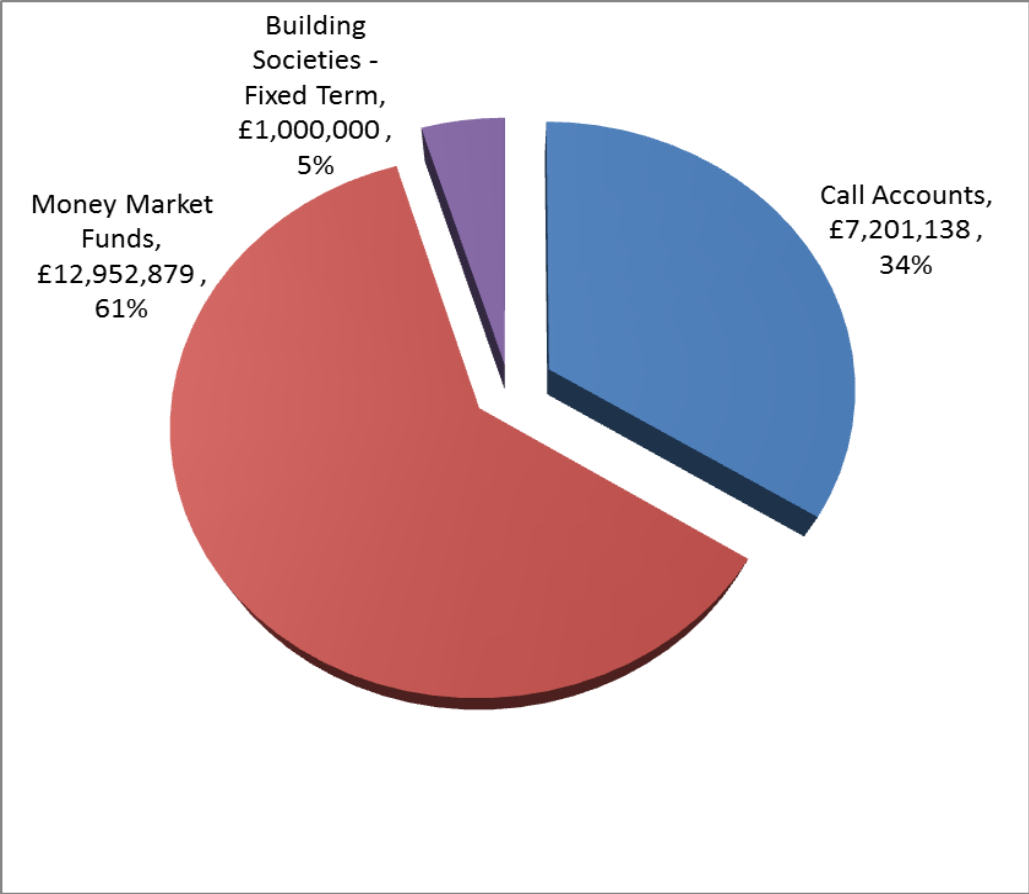
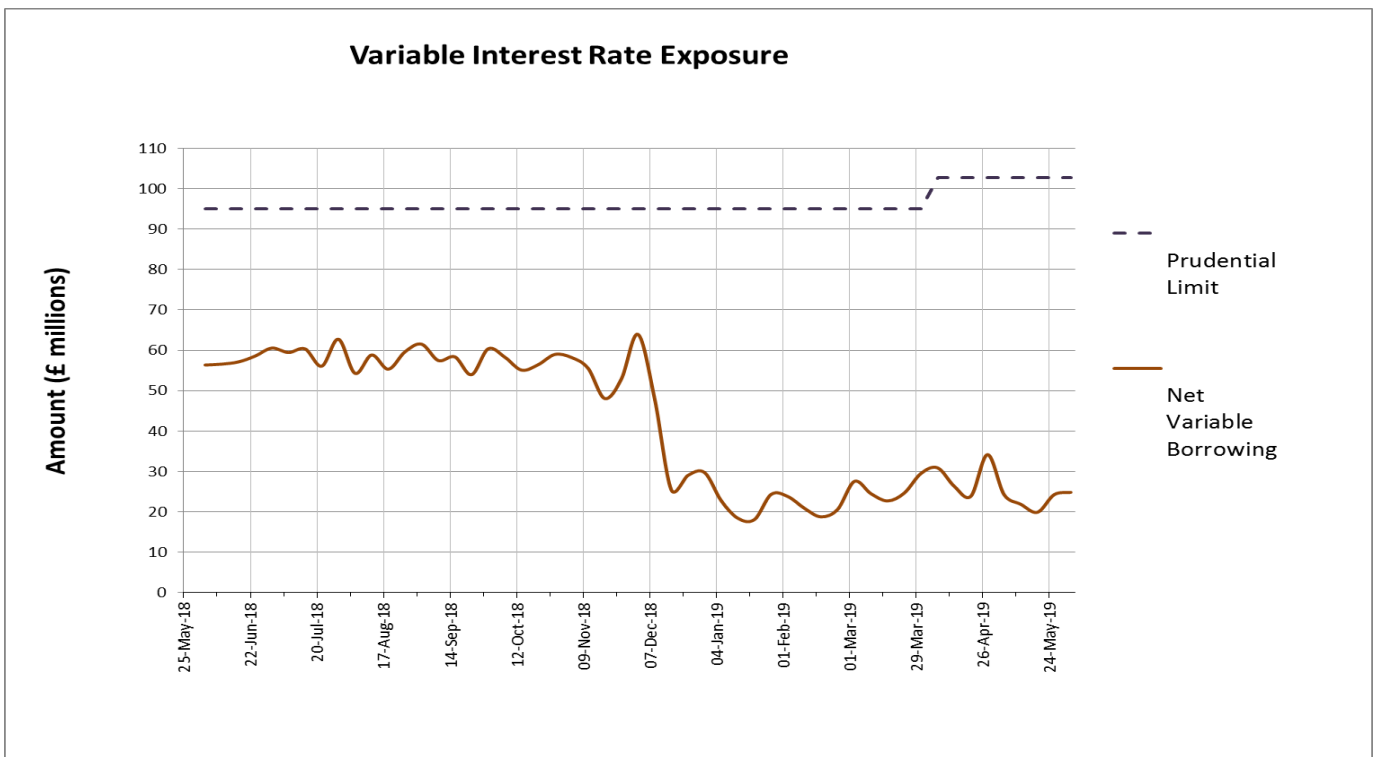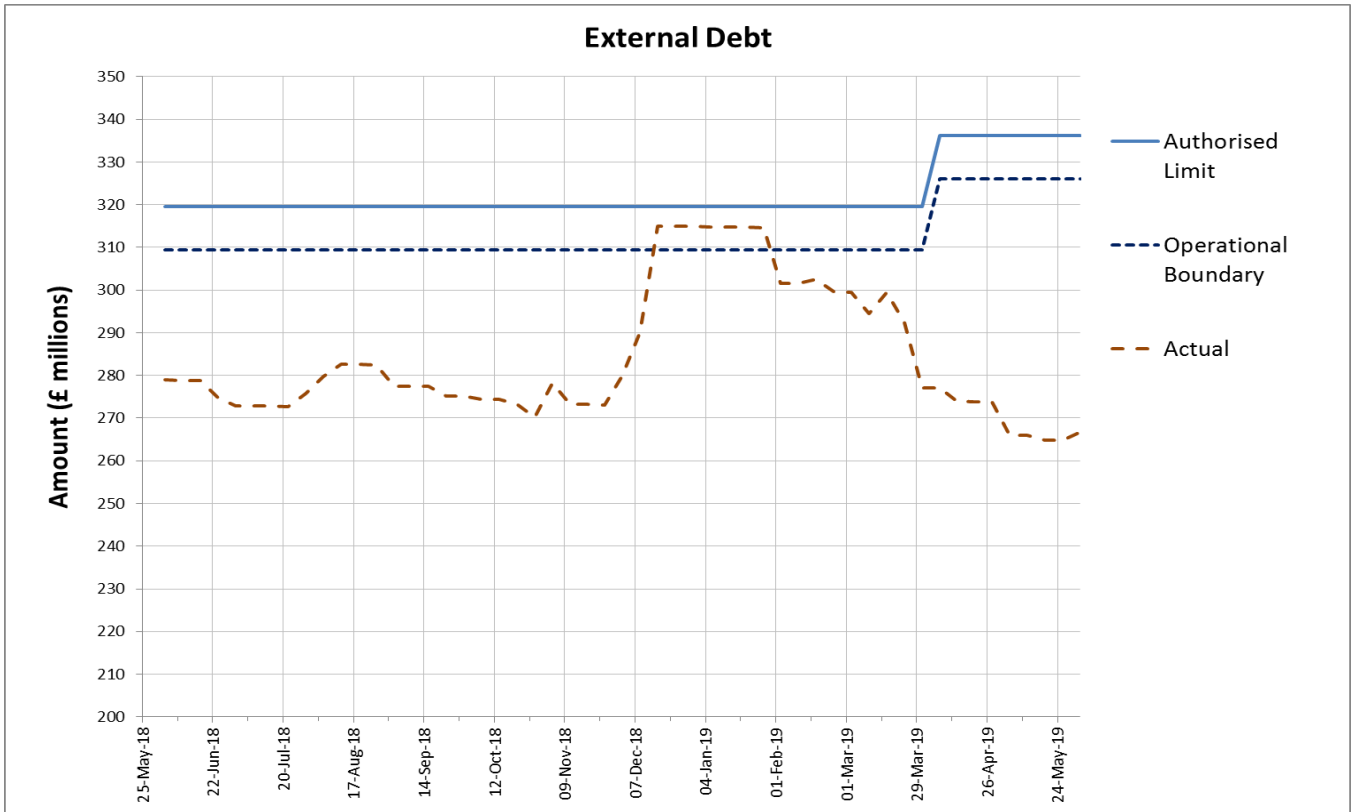| Indicator 2019/20	As approved Feb/Mar 19	Current Monitoring	Commentary
1 Local Authority has adopted CIPFA Treasury Management Code of Practice	*no longer included as an Indicator from 19/20*		
2 Estimated Capital Expenditure	£35 M		
3 Estimated total Capital Financing Requirement at end of year	£310.6 Million (incl projections re LCC debt £15.3M and accumulated PFI / Lease debt £69.5M)	these indicators are set when the Capital Programme is approved, to inform the decision making around that process, and are not, as a matter of course, updated during the financial year	
4 Estimated incremental impact of capital investment decisions on Council Tax	*no longer included as an Indicator from 19/20*		
5 Estimated ratio of financing costs to net revenue stream	14.25% (Main Programme Capital Spend)		

PRUDENTIAL INDICATORS

6 Outturn External Debt prudential Indicators	LCC Debt 15.3M PFI elements (no lease) 69.5M Remaining elements 240.8M **Operational Boundary 326.1M** **Authorised Borrowing Limit 336.1M**	<table><tr><td>**Borrowing to date**</td><td>**£M**</td></tr><tr><td>LCC Debt</td><td>14.7</td></tr><tr><td>PFI Elements</td><td>65.0</td></tr><tr><td>BwD</td><td>187.1</td></tr><tr><td>**Total**</td><td>**266.8**</td></tr></table>	LCC debt and BSF PFI debt witll both fall across the year, as debt payments are made

TREASURY

7 Variable Interest Rate Exposure	£102.8 M		Exposure to date £24.8 M	Limit not breached during the year
8 Fixed Interest Rate Exposure	£233.9 M		Exposure to date £141.2 M	Limit not breached during the year

9 Prudential limits for maturity structure of borrowing

Lower Limit	Upper Limit	Period (Years)
0	50%	<1
0	20%	1-2
0	30%	2-5
0	30%	5-10
25%	95%	>10

Actual maturity structure to date

Period (Years)	£M	%
<1	37.2	20%
1-2	4.2	2%
2-5	10.8	6%
5-10	37..3	20%
>10	97.6	52%
Total	**149.8**	**100%**

| 10 | Total investments for longer than 364 days | £7 Million | **NO LONG TERM INVESTMENTS MADE** |

External Debt

Variable Interest Rate Exposure

GLOSSARY OF TERMS

Investment Rates

The interest rates for durations of less than a year are represented by LIBID (London Interbank Bid Rate), a reference rate measuring levels at which major banks are prepared to borrow from one another. This is a potential benchmark for the return on the Council's investments, though the rates actually available are constrained by the Council's investment criteria and largely short term investment horizon, designed to ensure cash is available when required.

Borrowing Rates

To indicate the potential costs of borrowing to fund the Council's capital programme, the reference point is Public Works Loans Board (PWLB) borrowing rates. The benchmark used is for "Certainty Rate" borrowing of "Maturity" Loans (loans of fixed lump sums, at fixed rates, over periods from 1 to 50 years).

The PWLB is the statutory body which lends to public bodies from Government resources – the Government has declared that it will be abolished at some point in the future, but that the facility for lending at good value will be continued - no date has been proposed for the change.

PWLB Loans - Fixed rate loans are repayable by one of three methods:
(a) **Maturity**: half-yearly payments of interest only, with a single repayment of principal at the end of the term.
(b) **Annuity**: fixed half-yearly payments to include principal and interest or
(c) **EIP (Equal Instalments of Principal)**: equal half-yearly instalments of principal together with interest on the balance outstanding at the time.

Certainty Rates - a discount - currently 0.20% - is available on new PWLB borrowing to local authorities completing an information request on borrowing intentions to Central Government

Current PWLB rates have no impact so long as no new longer term borrowing is taken, as all the Council's existing long term debt is at fixed rates.

LOBO - LOBO stands for Lender Option, Borrower Option. It means that the lender can increase the interest rate, which gives the borrower the option to repay the loan in full without penalty fees. Public bodies used to be only able to borrow money through government Public Works Loan Board (PWLB) loans, however borrowing from banks in the form of LOBOs was permitted from the early 2000s. LOBOs were made available with low rates (cheaper than then available PWLB rates) so they appeared to be an attractive alternative.

LOBOs have provoked criticism because of high initial profits to the lender from day one, and high subsequent interest rates. It is difficult to exit LOBO loans early unless the lender is in agreement, so they are less flexible, and there is a risk that if/when they are "called", the borrower may find itself having to refinance debt at high rates.

This Council always limited the scale of LOBO borrowing taken, so that it formed part of an overall balanced debt portfolio, while bringing the advantage of initial lower rates.

PFI - The private finance initiative is a way of creating "public–private partnerships" (PPPs) by funding public infrastructure projects with private capital.

BSF - Building Schools for the Future (BSF) was the name given to Central Government's investment programme in secondary school buildings in England in the 2000s. In Blackburn with Darwen, the schools funded through this scheme are Witton Park High School, Blackburn Central High School and Pleckgate High School.

Prudential Indicators

Prudential Indicators are established mainly to allow members to be informed of the impact of capital investment decisions and to establish that the proposals are affordable, prudent and sustainable. In addressing the debt taken on by the Council, the indicators also deal with treasury issues, in particular the absolute level of debt being taken on (through the Authorised and Operational Borrowing Limits).

It should be noted that a "breach" of a prudential indicator is not necessarily a problem for the Council. Some indicators are more crucial that others, particularly in terms of their impact. If we spend more on the capital programme in total, that is not necessarily a problem if it has no adverse revenue consequences, for instance. Similarly, if we breach the indicator relating to variable interest rate exposure, this can just point to the balance of different types of debt taken up (between at fixed or variable interest rates) being significantly different from that anticipated when the indictor was set.

On the other hand, the Council's ability to borrow from the PWLB is constrained by needing to remain within the Authorised Borrowing Limit the Council has set for itself. If it became necessary to re-shape the Council's overall capital spending and borrowing strategy to the extent that the original Authorised Borrowing Limits were at risk of being breached, it would be necessary to obtain authority from full Council to change the borrowing limits.

Money market fund – type of fund investing in a diversified portfolio of short term, high
quality debt instruments - provides benefit of pooled investment - assets are actively managed with very specific guidelines to offer safety of principal, liquidity and competitive returns - such funds "ring-fenced", kept fully separate from the remainder of funds managed by the investment house running the fund.

Council only uses highly rated funds - **policy** is to limit to those with long-term credit ratings no lower than A-, but current **practice** is to only use AAA rated with daily access (like instant access bank accounts)

REPORT to :	Audit & Governance Committee
LEAD OFFICER:	Director of Finance and Customer Services
DATE:	25th June 2019

BLACKBURN with **DARWEN** BOROUGH COUNCIL

WARD/S AFFECTED: All

Treasury Management Annual Report 2018/19

1. PURPOSE

1.1   To formally report the Treasury outturn for 2018/19, as also reflected in the 2018/19 Outturn Corporate Monitoring Report (13th June Executive Board).

2. RECOMMENDATIONS

2.1   Audit and Governance Committee is recommended to note the Outturn position for 2018/19.

3. BACKGROUND

3.1   In February 2018 the Council agreed a Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy for 2018/19.

3.2   The CIPFA Treasury Management Code required the Council to approve a Treasury Management Strategy (including various Treasury Management indicators) before the start of each financial year, and to consider the outturn after each year end. This report is to update Audit and Governance Committee on the overall outturn position for 2018/19.

4. KEY ISSUES AND RISKS

4.1 Treasury Priorities

The Council has operated within CIPFA and statutory guidance and requirements in respect of Treasury Management practice. The approved Treasury Management Policy Statement, together with the more detailed Treasury Management Practices and each year's Annual Strategy have all emphasised the importance of security and liquidity over yield.

5. 2018/19 OUTTURN

5.1 Original Strategy for 2018/19

5.1.1   The Strategy for 2018/19 was approved by Council on 26th February 2018. The main aspects of the strategy are outlined below :

- With short-term interest rates expected to continue to be lower than long-term rates it was acknowledged, for another year, that it may continue to be more cost effective not to borrow and instead reduce the level of investments.

- Long-term borrowing would be taken if it became apparent that there was a risk of significantly increased interest rates.

- Any balances over and above those required to maintain basic liquidity could be invested either in the medium term (out to a year) or the longer term (over a year), though it was recognised that long term investment was unlikely. Priority was given to security of funds and liquidity (accessibility) over yield (or return).

- The limits to investment by reference to amount, duration and credit rating were largely unchanged from those applying in previous years

5.2 Economic Review 2018/19

5.2.1   After rising to 0.6% in the third calendar quarter, from 0.4% in the second, fourth quarter economic growth slowed to 0.2% as weaker expansion in production, construction and services dragged on overall activity. Annual growth continues to remain below trend, and business investment levels remained weak as a result of uncertainty over Brexit.

5.2.2   Oil price fluctuations impacted on inflation levels, but by the end of the year, the UK CPI (Consumer Price Inflation) index was at 1.9% (year on year), which was broadly in line with Bank of England expectations. Unemployment remained low, while wage rises began to outstrip price inflation.

5.2.3   The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 0.75% in August 2018. There were no significant changes to monetary policy across the year, as a steady level of Quantitative Easing was maintained

5.2.4   Gilt yields – reflecting the cost of UK government borrowing – were again volatile, with significant dips in the cost of borrowing in mid-December 18, early January and again in late March 2019.

5.2.5   The pattern of interest rates over the year is summarised in the chart below. Local government long term borrowing costs are set by the Public Works Loans Board (PWLB) - these directly mirror gilt yields.   Nominal investment rates, measured through the London Inter-Bank Bid Rate (LIBID), are also shown.

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Interest Rate Movements in 2018/19 –
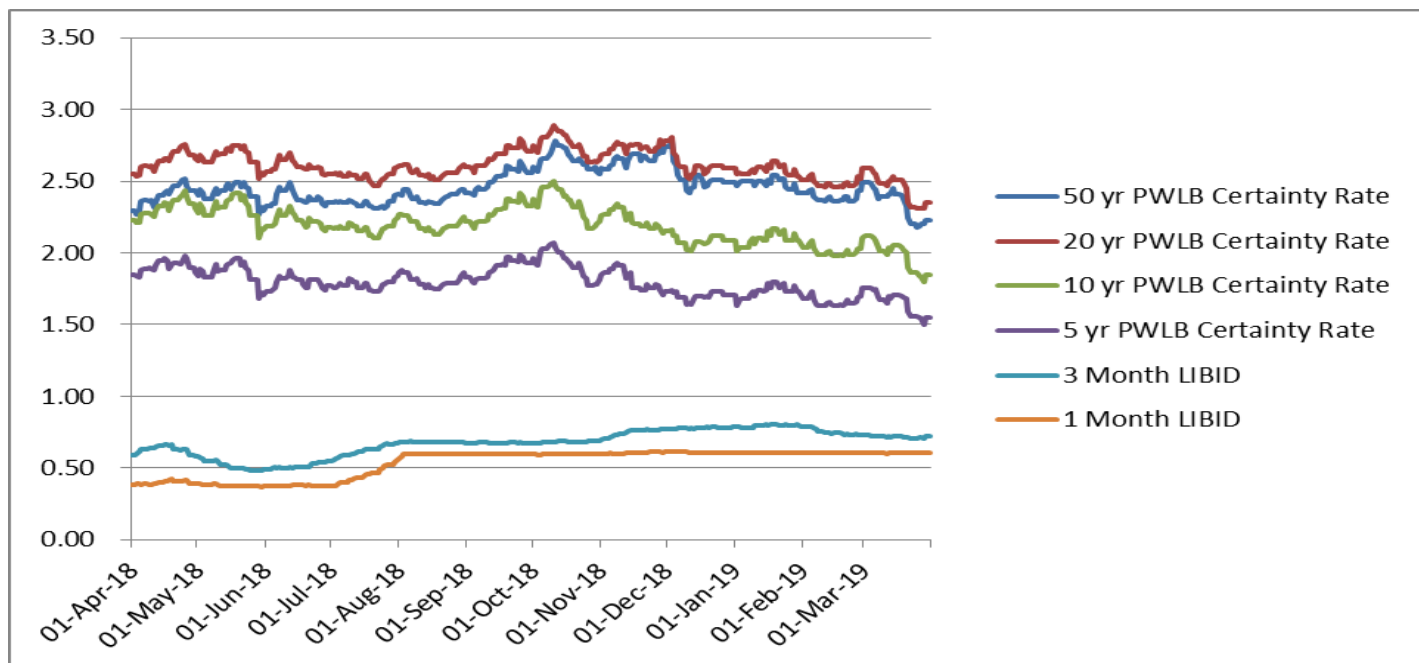
5.3 Treasury Management Performance 2018/19

5.3.1   By 31st March 2019, the Council had net borrowing of almost £173 M, arising from its revenue and capital income and expenditure, down £4 M from the previous year.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in the table below.

Balance Sheet Summary	31 March 2018 £M	2018/19 Movement £M	31 March 2019 £M
General Fund CFR	299.9	-2.3	297.6
Less CFR re Debt -			
managed by Lancashire County Council (LCC)	-16.0	0.4	-15.6
re Private Finance Initiative (PFI) arrangements	-69.9	0.2	-69.7
Loans/Borrowing CFR	**214.0**	**-1.7**	**212.3**
Less Usable Reserves	-41.0	0.9	-40.1
Less Working Capital	3.6	-3.0	0.6
Net Borrowing	**176.6**	**-3.8**	**172.8**

The overall decrease in **net borrowing** occurred primarily because of the unwinding of part of the pre-payment of the Local Government Pension deficit lump sum in April 2017 (which has led to net budget savings).

5.3.2 Under the Council's Minimum Revenue Provision (MRP) Policy,

(a) the MRP charge to the accounts in respect of both PFI debt and debt managed by LCC has been less than the actual debt repaid, and
(b) the MRP charge to the accounts in respect of the Council's own capital spend financed from borrowing has been reduced.

This has resulted in the Council's CFR being higher than it otherwise would have been, and increases borrowing (interest) costs in the short run – though by less than the MRP savings achieved.

5.3.3 The following table summarises debt and investments at the start and end of the year:

	31 Mar 2018 Principal (£ M)	Rate / Return	Avg Life (Yrs)	31 Mar 2019 Principal (£ M)	Rate / Return	Avg Life (Yrs)
Fixed rate funding:						
Public Works Loans Board	104.5	4.20%	22.7	138.0	3.61%	16.6
Market Debt (Long Term)	10.3	4.47%	36.7	5.3	4.50%	36.0
Market Debt (Short Term)	85.0	0.57%		41.0	0.95%	
	199.8			**184.3**		
Variable rate funding:						
Public Works Loans Board	0.0			0.0		
Market	10.5	5.24%	17.5	13.0	4.48%	27.1
	10.5			**13.0**		
Loans taken by Blackburn with Darwen Borough Council	**210.3**			**197.3**		

Debt from PFI arrangements	66.8			65.1		
Debt managed by LCC	15.4	2.0%		14.7	2.0%	
Total debt	**292.5**			**277.1**		

Total investments	**33.7**	**0.52%**		**24.5**	**0.73%**	

For the first time in a number of years, a significant tranche of long term borrowing was taken, in early December 2018 (when long term borrowing rates were low), to rebalance the overall debt portfolio away from an excessive reliance on short term borrowing.

In summary, the key changes to the Council's overall debt position across the year were:

a)   A reduction in the level of short term borrowing, from £85M to £41M,
b)   Repayment of a £2.5M money market loan
c)   Principal repayments of £1.6M on PWLB EIP (Equal Instalment of Principal) loans
d)   Taking on £35M of PWLB EIP debt, across four new loans -

7th Dec 2018	£10 M	10 years	1.74%
10th Dec 2018	£10 M	15 years	1.88%
12th Dec 2018	£5 M	12 years	1.73%
13th Dec 2018	£10 M	17 years	1.92%

e)   Repayments of part of the outstanding PFI debt recognised on the balance sheet for Building Schools for the Future (BSF), and of debt managed by LCC.

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No debt rescheduling was undertaken, because the premiums payable on early repayment of PWLB debt made it uneconomic to do so.

5.3.4   Short term loans were taken for a range of durations at various points across the year. Investments continued to be maintained to ensure sufficient resources to cover day to day cash flow needs, and would be higher when the timing of short term loans taken was not aligned to the immediate cash flow requirements of the Council.

Across the year, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should long-term plans change.

Overall, investment balances are still much lower than they would have been if long term borrowing had been taken to cover the Council's CFR position. The degree to which long term debt was less than CFR fell, by over £30M, to around £56M, as a result of the new PWLB loans taken.

The deliberate strategy of taking short term loans continued to reduce the interest earned on balances, but delivered large savings on borrowing costs.

5.3.5   In summary, the outturn position in respect of interest costs and income, and MRP charges, was as follows:

Outturn 2017/18 £'000		Original Budget 2018/19 £'000	Outturn 2018/19 £'000
5,438	Interest paid on borrowing – long term debt	5,186	5,378
278	Interest paid on borrowing – short term debt	480	539
315	Interest paid on debt managed by LCC	366	333
6,420	PFI interest paid	6,240	6,230
(91)	Interest – treasury/other minor elements	(80)	(256)
(156)	Interest & dividends from BSF investments	(113)	(1,170)
5,734	MRP on Council borrowing	5,678	5,670
141	MRP – PFI debt	153	153
340	MRP – debt managed by LCC	340	340

5.3.6   Interest paid on borrowing in 2018/19 was around £0.25M up on the Original Estimate, reflecting both higher short term interest rates and the decision to take on new long term debt in year. There was still a significant element of interest paid on short term borrowing – the element relating to short term debt went up from around £278,000 to around £539,000.

PFI interest charges did not add to the "bottom line" faced by the Council Taxpayer, as grants covered their cost.

5.3.7   The average investment balance over the year was up, at £37M (£28M in 2017/18), as a result of the high levels held in the last quarter of the year following the PWLB loans taken in December. (see Weekly Balances **Appendix 1**).

Overall, interest and dividends received rose significantly to £1.4M in 2018/19 (£0.25M in 2017/18). The most significant variation was in relation to the Council's BSF PFI holding. While "routine" PFI holding receipts were similar, at £0.15M (£0.16M in 2017/18), **a one off windfall of over £1M** was generated for the council by the restructuring of one of the BSF PFI debt frameworks.

Investment interest rates increased a little but remained low across 2018/19. Funds have continued to be invested for short periods, and sometimes with the government's Debt Management Office, to manage risk – this also contributed to the relatively low returns. Interest earned on treasury cash investments increased, from £0.08M to £0.24M, and the average rate of return rose to 0.63% (against 0.25% in 2017/18).

5.3.8   The impact of the revised MRP Policy introduced in 2016/17, can be seen in the continuing lower MRP costs in 2018/19, which, at £6.2M, were still significantly lower than they would have been under the previous policy. The final MRP costs at outturn were in line with expectations.

5.3.9   The position with regard to performance against Treasury/Prudential Indicators in 2018/19 is summarised in **Appendix 2**. There was no breach of the Authorised Borrowing Limit, but the Operational Boundary (set for management purposes) was exceeded for a limited period following the new long term borrowing taken in December 2018, until existing short term debt was repaid over succeeding months.

Outturn capital spend was £20M, which is below the £30M anticipated at the start of the year.

5.4 Treasury Management Consultancy

5.4.1   The Council is contracted up to 31st March 2020 to receive treasury management support from Arlingclose Limited. They provide advice and information on the Council's investment and borrowing activities, although responsibility for final decision making remains with the Council and its officers.

5.4.2   Over the period, in providing support to the Council, Arlingclose have reviewed the Council's Treasury management procedures and activities. They have provided member training; ongoing officer training; support for and review of treasury decisions, reports and strategies; feedback on accounting for treasury activities; benchmarking with other authorities; guidance on borrowing and investment opportunities; forecasts of interest rates; and regular updates on credit ratings and other information on credit quality. The quality of the support provided has been of a high standard.

5.5 Counterparty Update

5.6.1   Credit Default Swap (CDS) spreads, an indicator of market confidence in banks, increased (worsened) towards the end of 2018 on the back of Brexit uncertainty, before falling (improving) again in 2019. The process of separating the banks into retail (ringfenced) and investment banking (non-ringfenced) entities concluded.

5.6.2   In February, Fitch put the UK AA sovereign long-term rating on Rating Watch Negative as a result of Brexit uncertainty, following this move with the same treatment for UK banks and a number of government-related entities.

5.6.3   Otherwise, there were minimal other credit rating changes during the period.

6.5   Risk Management

6.5.1   The Council's key priorities for managing its investments are the security and liquidity of its funds, before seeking the best rate of return. Most surplus cash is therefore held as short-term investments with the UK Government, highly rated banks and pooled funds. The Council also holds some investments that entail a slightly higher level of risk, including unrated building society deposits (where risks have been mitigated by limiting the amount and duration of exposure).

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6.5.2 The Council's primary objective for the management of its debt is to ensure its long-term affordability. The largest part of its loans is from the Public Works Loan Board at long-term fixed rates of interest.

6.5.3   A combination of short duration investments and long duration debt exposes the Council to the risk of falling investment income during periods of low interest rates. However, the risk of low investment returns is viewed as of lower priority compared to the benefits of optimising the security and liquidity of investments, and the savings made on borrowing costs. Also, though the Council has no long term investments, it is hedged against the investment return risk by its short term debt.

6.5.4   Even though a significant tranche of new longer term debt, the Council is still holding a significant element (around £40M) in short term loans from other local authorities. If the medium to long term cost of debt were to move upwards, it may be necessary to restructure the Council's debt quickly, and cope with an increased cost of borrowing. This issue remains under review, with regular updates from Arlingclose.

7. FINANCIAL IMPLICATIONS

The financial implications arising from the 2018/19 Treasury Outturn have been incorporated into Corporate Budget Monitoring Reports.

8. LEGAL IMPLICATIONS

8.1   Under the Local Government Act 2003, local authorities determine locally their levels of capital investment and associated borrowing. The Prudential Code has been developed to support local authorities in taking these decisions, and the Council is required by Regulation to have regard to the Code when carrying out its duties under Part 1 of the Local Government Act 2003.

8.2   The Department for Communities and Local Government issued Guidance on Local Government Investments, under the Local Government Act 2003, effective from 1st April 2010. Authorities must manage their investments within an approved strategy, setting out what categories of investment they will use and how they will assess and manage the risk of loss of investments.

9. POLICY IMPLICATIONS, RESOURCE IMPLICATIONS, CONSULTATIONS

None

10. STATEMENT OF COMPLIANCE
The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

VERSION:	0.01

CONTACT OFFICER:	Ron Turvey, Deputy Finance Manager	extn 5303

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	Louise Mattinson, Director of Finance & Customer Services extn 5600
DATE:	31st May 2019
BACKGROUND PAPER:	Treasury Management strategy for 2018/19 approved at Council 26th February 2018.

Weekly Investment balances   2018-19
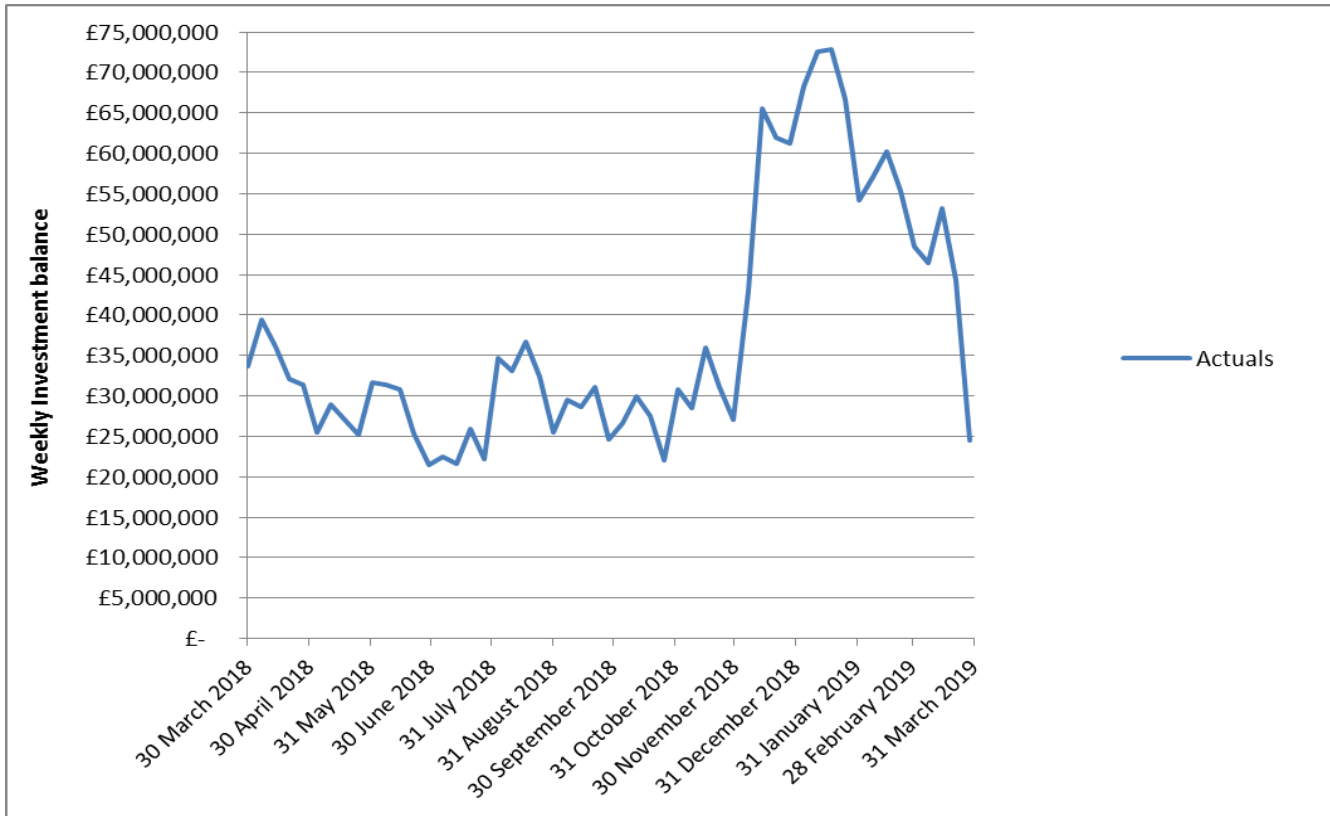
		Performance against Treasury & Prudential Indicators 2018-19 (approved by Council 26th Feb 2018)		Appendix 2
	1	Local Authority has adopted CIPFA Treasury Management Code of	CIPFA TM Code of Practice adopted March 2012	
	2	Estimated Capital Expenditure	£30.3 M	£20.4 M

PRUDENTIAL INDICATORS

3	Estimated total Capital Financing Requirement at end of year	£303.8 Million (incl projections re LCC debt £15.6M and accumulated PFI / Lease debt £69.7M)	these indicators are set when the Capital Programme is approved, to inform the decision making around that process, and are not, as a matter of course, updated during the financial year
4	Estimated incremental impact of capital investment decisions on Council Tax	£0 (Zero after revenue savings allowed for)	
5	Estimated ratio of financing costs to net revenue stream	13.93% (Main Programme Capital Spend)	

6	Outturn External Debt prudential Indicators	LCC Debt 15.6M PFI elements (no lease) 69.7M Remaining elements 224.20M **Operational Boundary 309.5M** **Authorised Borrowing Limit 319.5M**		LCC debt and BSF PFI debt witll both fall across the year, as debt payments are made

Borrowing to date	£M
LCC Debt	14.7
PFI Elements	65.1
BwD	197.3
Total	**277.1**

7	Variable Interest Rate Exposure	£95 Million	Exposure to date	£27.6 M	Limit not breached during the year

TREASURY

8	Fixed Interest Rate Exposure	£217.5 Million	Exposure to date	£143.3 M	Limit not breached during the year

9	Prudential limits for maturity structure of borrowing				

Lower Limit	Upper Limit	Period (Years)
0	50%	<1
0	20%	1-2
0	30%	2-5
0	30%	5-10
25%	95%	>10

Actual maturity structure to date		
Period (Years)	£M	%
<1	41.1	20.8%
1-2	2.3	1.2%
2-5	3.7	1.9%
5-10	20.2	10.2%
>10	130.0	65.9%
Total	**197.3**	**100%**

| 10 | Total investments for longer than 364 days | £7 Million | **NO LONG TERM INVESTMENTS MADE** |

	TO:	Audit & Governance Committee
	FROM:	Head of Audit & Assurance
	DATE:	25 June 2019

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: **Audit & Assurance - Progress and Outcomes to 31 May 2019**

1.   **PURPOSE**

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 March 2019 to 28 May 2019 and the proposed arrangements for the re-assessment of Internal Audit.

2.   **RECOMMENDATIONS**

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 28 February 2019 against the annual Audit & Assurance Plan, which was approved by Committee on 16 April 2019.

- consider and approve the proposed approach for the external assessment of internal audit against requirements of the Public Sector Internal Audit Standards (PSIAS).

3.   **BACKGROUND**

The internal audit function is required to comply with the Public Sector Internal Audit Standards (PSIAS).

The PSIAS require the Head of Internal Audit to communicate any significant governance, risk management and control issues identified to the Audit Committee during the year. This Progress and Outcomes report complies with the requirements of the PSIAS by communicating any significant issues that have been identified during the year.

The Standards also require public sector internal audit functions to be externally assessed at least once every five years. The assessment must be carried out by a qualified, independent assessor or assessment team from outside the organisation, which complies with the required quality assurance standard. The results of the previous assessment were reported to the Committee in April 2016.

Under the PSIAS the Chief Audit Executive (the Head of Audit & Assurance) must discuss with the board (the Council's Audit & Governance Committee):
- The form of external assessments; and
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

The proposed approach is to use a peer review model, developed by the Lancashire Chief Auditors Group (LCAG) that meets the requirements of the

PSIAS. A Peer Review Memorandum of Understanding (MOU), setting out the governance, methodology and delivery of the process, will be in place between the participating authorities. The approach and MOU is based on the model used by the North West Audit Executive's Group (NWAEG), which the Audit & Assurance team participated in for the previous peer review in 2015/16. The model addresses the requirement of a self-assessment with external validation.

4.   RATIONALE

The Council is required under the Accounts and Audit (England) Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards (PSIASs).

The work undertaken throughout the year is intended to ensure that:

- at the year end, an objective and independent opinion can be provided that meets the PSIAS and statutory governance requirements;
- it demonstrates the effectiveness of the internal audit function; and
- throughout the year, support is provided to Members, Directors and managers in their particular areas of responsibility.

5.   KEY ISSUES
Outcomes achieved in the year to 31 May 2019:

Corporate Governance and Risk

The table below summarises the twelve "red" priority areas of concern across the departments, by key themes, which have been identified in the summary Director Exception/Dashboard Report and Assurance Statements for the second half of the year, as at 31st March 2019.

This includes nine "red" priorities that have remained as areas of concern from 30th September 2018, three "red" areas that have been upgraded (U below) and one new "red" area (N below) which has been identified and appears as red for the first time. There is also one area of concern previously identified as "red" that has now been downgraded (D below) to "amber" in the period.

			2018/19	2018/19
Themes	**No**	Description	**31st March Year End**	**30th Sept Half Year**
Demand Management		Reducing fly tipping, landfill waste and maximising recycling in order to reduce the amount waste going to landfill. (Environment)	**Amber(D)**	Red
	1	Inspections (Children's)	**Red**	Red
	2	Child Exploitation (Children's)	**Red**	Red
	3	Placement Sufficiency - Foster & Adoption Placement (Children's)	**Red**	Red
	4	Social Worker Workloads (Children's)	**Red**	Red
	5	Crime Figures (Adults & Prevention)	**Red**	Red
	6	Compliance with GDPR (Digital & Business Change)	**Red(U)**	Amber

Budgets & Finance	7	Budget Pressures - Adult Social Care Commissioning (Adults & Prevention)	**Red**	Red
	8	Budget Pressures - Social Work Demand Costs and Out of Borough Placements (Children's)	**Red**	Red
	9	Budget Pressures - Increased Waste Costs and Parking Oncome (Environment & Operations)	**Red**	Red
	10	Performance against targets for the European Structural & Investment funded project. (Neighbourhood & Prevention)	**Red(U)**	Amber
Staffing/ HR	11	Sickness Absence (Adults& Prevention)	**Red**	Red
	12	Capacity and direction to provide strategic capacity/analysis to SLT and the wider department (Adults & Prevention)	**Red(N)**	n/a

The year-end Director Exception reports provided details of the various actions and mitigations in place within Departments in respect of each of the issues identified above.

Counter Fraud Activity

National Fraud Initiative

A total of 4,716 data matches were initially received from the Cabinet Office in February as part of the 2018/19 National Fraud Initiative exercise (NFI 2018/19). An initial sift of these matches is currently taking place to ensure that follow up action is taken where appropriate. To date, 398 matches have been processed and a further 196 investigations are ongoing. A total of 43 errors have been found to date resulting in savings of £107,379 and arrangements are already in place to recover this money from the individuals concerned. The table below illustrates main areas of activity and where savings have been identified.

Summary of Results

Area	No. of Frauds/Errors	Value (£)
Benefits (Housing/Council Tax Support)	15	£31,777
Private Residential Care Homes	28	£75,602
TOTAL	**43**	**£107,379**

The Council received additional reports from the Cabinet Office in February and March 2019 which included 4,673 Council Tax Single Person Discount data matches for further review. The reports were generated after council tax records were matched with various data sets including the electoral register. The matches indicate that entitlement to Single Person's Discount is incorrect and further enquiries need to be made. The reports have been forwarded to the Revenues section for follow up and further action.

Other investigations

During the period Audit & Assurance carried out a review following receipt of an anonymous complaint relating to the alleged illegal sale of Council land. The review

found no evidence of unlawful or illegal activity in relation to the sale of the land and confirmed that the Council had followed an appropriate process in approving the site for disposal.

In addition, Audit & Assurance has also reviewed the cash security arrangements at one location following the report of missing money. Whilst fraud/theft was suspected, insufficient evidence was available to confirm that this was the case. Following discussion with management internal controls have been strengthened to prevent a reoccurrence.

As part of its proactive plan of counter fraud work, Audit & Assurance undertook an exercise to validate the VAT status of its suppliers to ensure that VAT is only paid where the supplier is VAT registered. The results of the exercise confirmed that VAT payments are accurate and are only made in appropriate circumstances.

Audit & Assurance is currently liaising with the Police regarding two separate cases of suspected overpayments in respect of social care clients who are in receipt of Direct Payments for their care provision. The most recent case involves the identification of a £20,000 overpayment after it was established that the client's circumstances had changed and Direct Payments had been falsely claimed for over a year. Payments have been suspended and recovery will be sought from the client.

Internal Audit

A summary of the six audits completed and finalised since the last report to Committee are detailed below:

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Mileage Payments	Adequate	Limited	14
Council Tax	Adequate	Adequate	4
VAT Mismanagement	Adequate	Limited	10
Longshaw Nursery	Limited	Limited	18
Cedars Primary	Substantial	Adequate	11
St Francis CE School	Adequate	Adequate	20

We have provided a brief commentary on the three audit assignments where we have provided a limited assurance opinion.

Mileage Payments: The audit objective was to ensure to assess systems and procedures in place in Departments for the recording of drivers and vehicle checks of staff who use their own vehicles for Council business (whether or not they claim mileage) and to ensure that any claims for were bona fide and supported by appropriate receipts. **Adequate** assurance was provided for the control environment and **limited** assurance for compliance with the controls identified in place. A number of areas were identified for management attention. These included raising staff and managers awareness of the management checks which are required to be carried out and the checking of mileage claims to ensure that these are accurate and reasonable.

VAT Mismanagement: The review assessed the system and processes for the collection and recording of Leisure Services income in the Council's accounts, including the correct application and recording of VAT. **Adequate** assurance was

provided for the control environment and **limited** assurance for compliance with the controls identified in place. A number of recommendations were made relating to strengthen the reconciliation processes and the recording of income.

Longshaw Nursery: The final report provided a **limited assurance opinion** for the both the control environment in place within the nursery and compliance with the controls identified in respect of the areas covered during the visit. We made 18 recommendations to strengthen arrangements in place across six of the eight areas covered during the visit. This included 6 'must' level recommendations. There were issues found within the following areas:

- Management Structure (7 recommendations);
- Policies (2 recommendations);
- Expenditure and Cheque Control (4 recommendations);
- Income Collection and Billing (2 recommendations);
- Asset Control (1 recommendations); and
- Information Security and Access Rights (2 recommendations).

During the period Audit & Assurance staff also carried out work to co-ordinate and collate the draft 2018/19 Annual Governance Statement for consideration and approval by this Committee.

The team also completed the year end review and challenge of the Director Exception/Dashboard Reports.

Current internal audit reviews

In addition to the above completed audits, the following reviews are ongoing:

- Overtime/Additional Hours;
- Social Determinants of Health/Public Health Internal Spend
- Adults Client Care Assessment/Case Management
- Personalised Budgets/Direct Payments;
- Highways Asset Valuation;
- Main Accounting System;
- Budgetary Control;
- Fostering Recruitment and Payments
- Information Governance;
- Growth Strategy;
- Pupil Transport; and
- Payroll Core System;

Internal Audit Performance

The Departmental Business Plan includes seven targets to achieve our strategic aims. The defined targets and actual performance for the latest period and the previous period are as follows:

Performance Measure	Target	Q4 2018/19	Q3 2018/19
1. Delivery of Priority 1 Audits (Annual)	100%	100%	N/A
2. Planned Audits Completed Within Budget	90%	**67%**	**66%**
3. Final Reports Issued Within Deadline	90%	100%	100%

Performance Measure	Target	Q4 2018/19	Q3 2018/19
4. Follow Ups Undertaken Within Deadline	90%	**33%**	63%
5. Recommendations Implemented	90%	**80%**	100%
6. Client Satisfaction	75%	97%	100%
7. Compliance with PSIAS (Annual)	95%	99%	N/A

We have provided a brief commentary on the measure where performance (Q3, 2018/19) has fallen below the agreed target:

2. Planned Assignments Completed Within Budget
Two of the six audits, (67%), completed in the period were over budget. The VAT Mismanagement review required additional time to complete as this was the first audit of this area. Additional time was required to carry out document and evaluate the system. In addition, extended testing of the transfer and reconciliation of data from the Leisure system to Civica was carried out.

The St Francis CE Primary review was a financial health check review carried out at the request of Education Services. Additional time was reviewed to liaise with Education and Finance colleagues to prepare for and carry out this review. e work was carried out by the apprentice, under supervision, and additional time was spent to ensure that the work and related reports met the required quality standards.

4. Follow Ups Undertaken Within Deadline
There was a delay in issuing a number follow ups at the time that they were due during the period. However these have now all been issued.

5. Recommendations Implemented
Of the follow up responses received back we were able to identify that 47 (65%) of the 72 recommendations due for implementation on or before 30 May 2019 had been fully implemented and 11 (15%) partially implemented. One follow up was outstanding.   This report included 2 'must' graded recommendations. Audit & Assurance will continue to seek a response from the Department for this review and provide a verbal update at the Committee meeting if received.

 Peer Review Arrangements

The proposed peer review approach for the external assessment of internal audit is based on the model previously used by both the LCAG and NWAEG for the previous local authority assessments of compliance with the PSIAS. The reviews will be carried out by suitably qualified and experienced heads of audit. With their background and experience the members of the LCAG satisfy the competency requirements of the PSIAS, with regards to the professional practice of internal auditing and the external assessment process, and are suitably independent.

There is no direct cost to the Council from participating in this process. However the agreement to participate does require a 'time' commitment from the organisations involved. It has been agreed that the 'time' as a reviewer, moderator or authority under review cannot be claimed and/or recharged. The LCAG will ensure that the 'time burden' is evenly spread across the organisations participating in the process, with each participating authority taking its share.

We consider that the peer review process will enable the Council to add value to its audit processes through the opportunity to learn from colleagues across the area and allow us to identify and share good practise. The alternative would be to

procure the services of an external assessor. This would still require investment of time from the Audit & Assurance management team and incur a financial cost to the Council, without the benefit of sharing good practice.

6.   POLICY IMPLICATIONS
This delivery of the Plan leads to the Annual Internal Audit Opinion Report and this, in turn, contributes directly to the Annual Governance Statement.

7.   FINANCIAL IMPLICATIONS
There are no financial implications arising as a result of this report.

8.   LEGAL IMPLICATIONS
There are no legal implications arising as a result of this report.

9.   RESOURCE IMPLICATIONS
There are no resource implications arising as a result of this report.

10.   EQUALITY & HEALTH IMPLICATIONS
There are no equality or health implications arising as a result of this report.

11.   CONSULTATIONS
Directors

Contact Officer: Colin Ferguson, Head of Audit & Assurance– Ext: 5326
Date: 13 June 2019
Background Papers: Audit & Assurance Plan 2019/20, approved by the Audit & Governance Committee on 16 April 2018.

TO: Audit & Governance Committee

FROM: Director of Finance & Customer Services

DATE: 25 June 2019

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF BRIEFING PAPER   Risk Management Report Annual 2018/19

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1.   PURPOSE

To inform the members of the Audit & Governance Committee of the risk and related activity which has taken place or been delivered during 2018/19 and provide an overall conclusion of the effectiveness management arrangements which are in place within the Council.

2.   RECOMMENDATIONS

The Committee is asked to:
- Consider and review the annual risk management report; and
- Agree the conclusion on the overall effectiveness of the Council's risk management arrangements in place during 2018/19.

3.   BACKGROUND

The Corporate Risk Management Strategy and Framework 2015/20 requires the Audit & Governance Committee to approve an annual risk management report which includes consideration of the effectiveness of the risk management arrangements in place within the Council. The Committee's terms of reference also requires it to review progress on risk management at least annually.

4.   KEY ISSUES

1.   Summary

1.1   The Annual Risk Management Report provides the Audit & Governance Committee with a summary of the risk management activity that has taken place across the Council for the year ended 31 March 2019. The risk management framework and associated systems and procedures should ensure the Council has adequate and effective risk management and resilience arrangements in place to ensure that key business objectives are met.

1.2   The key elements of risk and resilience considered under the framework are:

- Risk Management;
- Insurance;

- Emergency Planning and Business Continuity (including health aspects);
- Information Governance; and
- Health, Safety and Wellbeing.

1.3 This report covers the activities relating to the corporate and departmental risk management arrangements, emergency and business continuity planning, event management, information governance and insurance. It outlines the risk management policies and arrangements currently in place, activities which have taken place or been delivered during the last year directed at achieving the various risk objectives, and details of key actions or developments for 2018/19.

1.4 A separate health, safety and wellbeing annual report will be presented to the Committee.

2. Background and Overall Assessment

2.1 The Council uses the Institute of Risk Management's definition of risk management, which is as follows:

'The systematic process which aims to help organisations understand, evaluate and address risks to maximise the chances of objectives being achieved and reduce the likelihood of failure. It also exploits the opportunities uncertainty brings, allowing organisations to be aware of new possibilities.'

2.2 The Council recognises that risk management is not simply a compliance issue, but rather it is a way of viewing and managing its operations with a significant impact on long-term viability. It understands that effective risk management helps to demonstrate openness, integrity and accountability in all of the Council's activities. It also benefits how we operate, to ensure that key risks are identified, assessed and mitigated appropriately and effectively.

2.3 The details provided in this report provide evidence that, overall, the Council has adequate risk management arrangements in place and these have operated effectively during the year ended 31 March 2019. Areas for action or development during 2019/20 have been identified in the following sections. These will strengthen the existing systems and procedures in place.

RISK MANAGEMENT

3. The Corporate Risk Management Process

3.1 The Corporate Risk Management cycle is aimed at identifying, analysing, prioritising, managing and monitoring risks which could impact on the delivery of the Council's objectives (i.e. corporate risks).

3.2 Corporate risks are those significant risks which could impact on the overall success of Council objectives and priorities, or the vitality and viability of the organisation. Should these risks materialise Members and other stakeholders/partners, including the public, will be aware of them and they may affect the reputation of the Council, amongst other significant consequences.

3.3 The Chief Executive and Management Board are responsible for leading and ensuring effective risk management operates consistently across the Council. Each Director is the risk owner of all risks within their Department. Risk Champions provide support to Directors and managers to maintain their departmental risk registers. Advice and support regarding risk management

issues is also available from the Audit & Assurance team. The Champions provide advice on risk management matters to Executive Members, Directors, Heads of Service and other managers within each department or service area. These officers also highlight relevant significant risks included on departmental risk registers for consideration for inclusion in the corporate risk register. These are escalated to Management Board for consideration and agreement.

4.   Corporate Risk Register

4.1   Corporate risks are those which may impact on the overall achievement of Council objectives and priorities. Management Board reviews the corporate risk register on a six monthly basis to ensure that appropriate corporate risks are identified, assessed and aligned to the corporate priorities and objectives on an ongoing basis. A revised risk register format has been used since 2016/17, as part of the revised Corporate Risk Management Strategy and Framework 2015/20. The corporate and departmental registers identify inherent and target risk scores for each risk and the summary reports show any change in residual risk scores between period ends to enable movements to be easily tracked.

4.2   The residual risk scores for the following corporate risks have increased during the year:

- Corporate risk 11 – Failure to improve the education and skills for our young people;

- Corporate risk 13 - Failure to prevent data loss and privacy incidents (Information Governance) leading to financial/Data loss, disruption or damage to the reputation of the Council; and

- Corporate risk 15 - Failure, at a corporate level, to comply with Health & Safety legislation and provide both a safe working environment for employees and the provision of a safe environment for service users.

4.3.   The residual risk score for Corporate risk 3 has increased as there have been changes to the senior managers responsible for this area during the year. The Interim Head of Service left the Council during March and the Service Lead post had previously been deleted. This leaves a significant gap and associated risks, which will need to be considered as part of the review of senior management arrangements within the Children's Services & Education Department.

4.4   The increase in residual score for corporate risk 13 relates to the increased risk of failing to comply with the Subject Access Provisions in the General Data Protection Regulations 2016. The Council has a number of outstanding subject access requests that carry risk of noncompliance with legislation as they are significantly overdue. The consequences of this risk include enforcement action and potential civil monetary penalties issued to the Council by the Information Commissioner.

4.5   The increase in the residual risk score for Risk 15 is as a result of the reassessment of the likelihood of this risk occurring following an increase in the number of health and safety accidents and related matters reported during the year. This has highlighted a lack of staff awareness regarding this area. Steps are being taken to address this through training and awareness raising.

4.6   In addition to the changes noted above the risk relating to Britain exiting the European Union was added to the register during quarter 4 and subsequently closed as a result of the extension of the exit date to 31 October. Corporate risk 5, relating to Council governance and decision making arrangements failing, was also reviewed and re-assessed. The controls relating to this area have been assessed as good and the risk has been accepted and closed. This risk will continue to be managed as part of business as usual activity.

4.7   The Corporate Risk Register contained 14 open risks as at 31 March 2019. A summary of all the corporate risks is attached at Appendix 1. The following list shows the number of risks that are aligned to each of the corporate priorities:

Corporate Priority	No of Risks
Jobs	6
Housing	5
Health & Wellbeing	5
Outcomes for Young People	4
Safeguarding Vulnerable People	7
Making Your Money Go Further	8

4.8   As at 31 March 2019 the Council's top corporate risks were those relating to the risk of a high profile serious or critical safeguarding case and data loss or privacy incidents.

5.   Key events and achievements during the year

5.1   During the year corporate risk management support has been delivered by the Audit & Assurance team, under the Director of Finance & Customer Services, to support the achievement of the risk management objectives. Key activities undertaken/achievements during the period include the following:

Corporate/Departmental

- The continuation of regular 'deep dive' reviews of specific corporate risks by the Audit & Governance Committee to improve its oversight and understanding of these risks.

- On-going monitoring and reporting of risk assessments via the implementation of the updated Summary Risk Register template including the tracking of changes in residual risk scores.

- The ongoing implementation of the Counter Fraud Risk Register.

- Monitoring and review of the completion of corporate and departmental risk registers, with associated reporting to Management Board and Audit & Governance Committee.

- Implementation of streamlined Management Accountabilities Framework Dashboard reporting arrangements.

- Audit & Assurance continuing scrutiny and challenge of Directors Management Accountabilities Framework Dashboard reports, to ensure that risk issues identified have been included in Departmental or Corporate risk registers.

- Continuing use of the risk management support available from Zurich Municipal to carry out reviews of risk management arrangements and support training and awareness raising. This included a training session

for members of the Council's Events Safety Advisory Group. This covered the scope of this Group, events safety management and reviewing events safety plans.

- The Road Risk Management Group Review continues to meet regularly to consider fleet and driving risks. This includes monitoring of insurance claims and vehicle tracker reports relating to Council fleet vehicles and drivers by to identify any themes or training needs.

- The circulation of winter safety advice to managers and staff including a reminder to ensure that risk assessments are up to date and shared with staff and that effective lone working arrangements are in place.

5.2 Colleagues from Zurich Municipal completed a Municipal review of the Council's arrangements for managing Subject Access Requests (SAR) made by individuals under the previous Data Protection legislation. The review assessed the Council's readiness to respond to the changed requirements of the General Data Protection Regulations (GDPR) that came into force on 25 May 2018. The report concluded that without intervention it is evident that the Council will be unable to fulfil its legislative duties under Data Protection Regulations.

5.3 The key risk identified in the report was the inadequate resourcing in place to manage this area. It noted the issue in the Children and Adults area where SARs are typically complex. At the time of the review there were 55 outstanding cases equating to a workload of approximately 400 days with only 1 fulltime equivalent to support the process. Trends show an increase frequency in SARs generally and with increased awareness of individual's rights brought about by the GDPR that trend is unlikely to change in the short to medium term. This issue is linked to the increase in the residual risk score for Corporate Risk 13 noted at paragraph 4.4 above. Additional resources have since been identified to address this issue.

6. Developments for next 12 months

6.1 The risk management activity planned for the next twelve months includes the following:

- Continuing the 'deep dive' assessment of corporate risks by the Audit and Governance Committee at each meeting;

- A review of the asset and risk management arrangements in place in respect of the Council responsibilities as a highways authority. This will provide a comparison to the Zurich Highways Review Standard, based on the new Code of Practice issued by the Department of Transport together with an assessment of our arrangements for preventing and defending claims.

- On-going identification of areas to utilise the risk management support available from Zurich Municipal, including health and safety training and awareness and property management areas.

- Continuing review of management information relating to the use of the Council motor fleet and related insurance to identify themes, driver training needs and minimise the incidence and impact of motor vehicle claims and incidents.

- On-going support for appropriate corporate and departmental risk initiatives via the internal risk management fund;

- Continuing the cycle of Departmental risk register reviews and challenges as part of the risk management work carried out by Audit & Assurance staff.

- A review of the Counter Fraud Risk Register by Audit & Assurance to provide assurance on the risks identified.

7. Review of the Effectiveness of Risk Management Arrangements

7.1 The arrangements, as set out in the Risk Management Strategy & Framework, have been undertaken throughout the year as illustrated by the examples noted in this report. We consider that the Council continues to maintain robust and effective risk management processes. This conclusion has been supported by the results of the benchmarking which was carried out in 2016/17 using the CIFPA Risk Management Benchmarking tool, which was noted in the previous Annual Risk Management Report.

7.2 The Audit & Assurance team will continue to develop the arrangements to address the issues noted from the audit and ensure that the arrangements in place meet the changing needs, risks and pressures that the Council faces.

CIVIL CONTINGENCIES - Emergency Planning & Business Continuity

8 Emergency Planning

8.1 During the year to 31 March 2019, Blackburn with Darwen had several emergency events affecting the community at large. These were:

- Increased security considerations for Council staff and the community as a result of international terrorism events impacting upon UK Nationals;

- Fire at Larkhill Flats resulting in a fatality;

- Operation Merlin – Chlorine Gas release at Queen Elizabeth Grammar School;

- Burst water mains impacting a school ;

- Fire at Blackburn Central High School;

- Moorland fires;

- Operation Merlin fire at First Choice Skip Hire; and

- Power outage to 300 homes.

8.2 Duty officer statistics for 2018/19 were as follows:

- Warnings received = 350;

- Information received total = 208;

- Activations total = 38 (Strategic Officer notified on 1 occasion); and

- Total activity = 558.

9 Key events and achievements during the year

Corporate Exercise

9.1 This year the annual corporate exercise focussed on Business Continuity (BC), using a national and regional risk, "loss of power". This is one of the highest impact risks the UK faces, albeit a low risk. This risk relates to the loss of power from 24 hours to 7 days. This tested all of the Council's

departmental business continuity plans and the corporate plan. Presentations and support from United Utilities, Electricity North West Limited and Telefonica/O2 and other external partners provided technical detail for the services to work with. A report, with recommendations, is being progressed.

Schools Community Resilience Project (SCRP)

9.2   The Civil Contingencies Service (CCS) has created and developed a multi-agency programme to promote community resilience by engagement through schools. This is a concept of enhancing community resilience (and therefore reducing reliance upon the local authority in times of emergency) by using "pester power" i.e. engaging with children to target parents.

9.3   Community resilience is fundamental to empowering communities in helping prepare themselves against emergencies and disruptive events and become less reliant upon the Council for support. When the community is better prepared to respond to and recover from an emergency, they are better able to cope in the immediate aftermath and also through the recovery phase of an emergency (prolonged period following an emergency). When an emergency happens the first people to respond are those in the immediate vicinity, followed by the "blue light" services, then the Local Authority as necessary. Therefore, it makes sense for a community to be resilient and self-reliant in times of emergency.

9.4   Twenty-five schools have been provided with the information. Twenty-two of these have undertaken the scheme or have shown an interest in it.

9.5   The SCRP has now been accredited by Wolverhampton University and is now ready to be shared nationally. Permission has been received from Essex County Council (for the original basic concept) and the scheme will be shared via the Ministry of Housing Communities & Local Government (MHCLG) and Department for Education in Spring/Summer 2019.

Plan reviews

9.6   All of the Departmental BC plans were reviewed as part of the Quality Assurance (QA) Audit process undertaken over the last two years. The plans were split into 15 areas as the services were re-aligned as structures changed over the year. All of the departmental plans are now up to date ready for the Corporate BC Plan to be updated and reviewed.

9.7   As Capita services came back in-house, CCS provided support to create "new" departmental plans for these areas, as they were under the Capita BC plan until January 2019, and had to start from scratch.

9.8   The Generic Emergency Response Plan was reviewed following the last corporate exercise (emergency planning) including recommendations made following the exercise e.g. hand over checklists.

QA Audit Programme

9.9   A QA Audit Programme was created to support the recommendations and outcomes of the previous corporate BC exercise. This programme of work concluded in March 2019, in time for the Corporate BC exercise.

9.10   The CCS supported directors throughout the process ensuring that the business impact analysis (BIA), critical functions, processes etc. and the related plans were updated. The onus is with Directors and departments to ensure BC is considered and embedded within the departments, and to

support BC Champions where departments still have this resource.

9.11   All services have completed their audit, with scores ranging from 70% to 98%. Every service was challenged on the BIA's, and had the opportunity to have a mini departmental exercise delivered with support from the CCS. A number of services took advantage of this. The QA audit should be undertaken every year to ensure the plan is fit for purpose and any changes are reflected within the plan.

e-Learning Portal

9.12   The CCS is using the corporate e-learning portal to promote awareness of the corporate role and expectations of staff in support of the Service. There are two e-learning packages available. The first is aimed at all staff as an introduction to Civil Contingencies, with an option to become a volunteer. The second is specifically for all managers to have an understanding of civil contingencies and the impact an emergency or business disruption has on their service and their responsibility if one of their staff is a volunteer. All staff should be aware of these training packages and undertake them.

Schools Emergency Planning Template (Charging For Advice)

9.13   The CCS has worked with Education Services and the Education Risk Advisor to create a streamlined "model emergency plan template" to be used by infant schools right through to colleges and children's centres.

9.14   This streamlined service has been promoted to all primary, junior and secondary schools, regardless of their status, as the Council has a duty to provide advice prior, and support during an emergency. The CCS charges for any bespoke training/plan writing for schools. The plan include business continuity, call cascades, "sheltering" and "lockdown" for schools, which are included within OFSTED challenges to schools.

9.15   To date twenty three schools have requested initial advice and guidance and two schools have requested specific chargeable services e.g. training and exercising.

Project Griffin Update (ACT – Action counters terrorism)

9.16   Under the CONTEST Strategy the CCS (through the Civil Contingencies Act 2004) delivers the Prepare and part of the Prevent strands of counter terrorism in Blackburn with Darwen in conjunction with the police and the Council's Prevent team.

9.17   Project Griffin (now rebranded ACT) is a National Counter Terrorism Security Office (NaCTSO) training package to raise staff awareness around counter terrorism.   During the last year 451 staff have received this mandatory training. The training reassures staff and raises awareness in identifying suspicious behaviour and not for religious stereotypes. The ACT training is now available online as an annual training package.

Training delivered

9.18   Under the Civil Contingencies Act 2004, Local Authorities must ensure that their staff and volunteers are ready and trained to perform the functions/roles expected of them. The CCS delivered 31 basic types of training sessions over the year in addition to the 20 sessions of ACT training noted above. There is a corporate training programme outlining all of the essential training for staff for the Council's wider response to an emergency. This matrix includes 21 different types of training which the CCS either delivers or is

integral to. This includes the Emergency Planning College Masterclass which was attended by external partners, generating a small income for the council.

9.19   Specific Operation Merlin Training was delivered to the Public Protection service to ensure understanding of the staff roles in a specific scenario with the police, fire, ambulance and CCS.

9.20   The role of the Tactical Officer was reviewed, transforming it to the more accurately named Strategic Officer role. The number of chief officers and senior managers on the rota was increased, creating a "buddy system" for resilience and ease of changes/swaps etc. Comprehensive training was put into place for all new (and existing) Strategic Officers with resource packs and additional training dates in place over the year discussing specific arrangements etc. The new "buddy" system rota started in April 2019.

EU Exit – Council Preparations

9.21   The CCS has been preparing for a "no deal" European Union exit, working in collaboration with external partners under the Lancashire Resilience Forum and with Local Government Association and regional Chief Executives reporting into MHCLG and other Government departments.

10   Key Additional Developments for the next 12 months

10.1   The intention is to promote the SCRP nationally as accepted "good practice" by the Civil Contingencies Secretariat at the Cabinet Office and national partners via Resilience Direct and in co-ordinated briefings to external partners. There is also the intention to resurrect the "Question Time" feature of the project again, utilising these events to highlight to national partners as an opportunity to observe in practice.

10.2   Traded Service for Schools will be revisited for the Emergency Plan Model template to ensure that the wider safeguarding responsibility for schools includes child and staff safety in emergency response and business disruption, with an income generation aspect.

10.3   Countywide Emergency Response Group (ERG) Volunteer Training will continue to be developed in order to ensure that the community receives consistent support across the county. Blackburn with Darwen Borough Council will continue to host training events for internal staff and for countywide staff, with a published list of training dates available.

10.4   The whole range of CCS training packages will be going online for all staff, including the Induction module/ Managers module/ all ERG training/ Elected Members training etc.

10.5   The CCS is working on creating a "Staff Information Line" to be used in times of emergency to inform staff of welfare issues or emergencies. This will utilise information held in MyView i.e. staff contact numbers to text alert staff to call the Staff Information Line for fuller specific information. This would be activated with Strategic Officer permission. This is still in the development stage due to delays with staff updating personal information to MyView.

10.6   The CCS Manager is conductiong a full review of the standby arrangements across the organisation. The aim is to make the system more resilient and ensure it is fit for purpose. Initial findings and recommendations will be

presented to Management Board in May 2019.

10.7 The CCS and members of the Council will participate in a Lancashire Resilience Forum multi-agency live exercise in November 2019. This has been in the planning since summer 2018, with multiple elements of response.

EVENTS

11 Events Safety Advisory Group (ESAG)

11.1 This multi-agency group, chaired by the Leisure Facilities Manager, is well established and meets on a regular basis to review events planned across the borough. The Group is attended by representatives from many Council Departments including Public Protection, Licencing, Insurance, and Emergency Resilience, as well as the three Emergency Services. The group acts as a central point for all event notifications, ensuring organisers have a single point of reference to obtain support and advice regarding their event. The members of the Group are aware that they play an important role and challenge where necessary plans that are not thorough to ensure that all quality standards are met.

11.2 Registration of events is stringent with organisers required to submit Event and Traffic Management plans and insurance details which are scrutinised by all members of the group. In addition, the organisers of large events are invited to an ESAG meeting to be interviewed by the members. Once this is all complete the Group signs the event off. This is done in order to ensure safe and well managed events are conducted and also to protect the Council in terms of its reputation and any risk possibilities.

11.3 During 2018/19 the Council has arranged or facilitated numerous events from fairgrounds in parks and the Town Centre to music festivals at Darwen Music Live, the large Restricted Forrest events at Witton and the Festival of Making in the town centre. In 2019 O2 Victoria Warehouse are bringing their Wonderwood festival to Blackburn and we also have the Restricted Rocks tribute band festival. This year will represent a large increase in events across the Borough with Shadsworth, Queen's, Corporation and Witton Parks, hosting a range of events and there are also circus and fairgrounds on Borough Road in Darwen. We expect these to deliver increased footfall and a good positive vibe around the Borough in a safe and well organised manner and in the next year we are expecting even more events to be held.

11.4 Recently there have been high profile cases of ESAGs in other Authorities not getting it right. To learn from these the Group Chair circulates details relating to the incidents with the members of the group, where possible, to reiterate the level the level of responsibility that we have in protecting the reputation of the Council. In addition, a best practice training course was arranged for the Group that was delivered by Zurich Municipal in May 2018, as part of their risk management support. This covered the role and responsibilities of ESAG groups.

INFORMATION GOVERNANCE (IG)

12 Introduction

12.1 The IT Compliance and Information Governance team, within the Information Technology Management & Governance Department, has overall responsibility for the information governance framework within the Council.

The team also receive and coordinate responses to Freedom of Information (FOI), Environmental Information Regulations (EIR) and Data Protection Subject Access (DP SARs) requests.

12.2 In addition, the team is responsible for monitoring information security incidents in relation to the Data Protection Act (DPA), reporting any breaches, ensuring that all incidents are thoroughly investigated and that appropriate corrective action is taken. The team are the first point of contact for complaints made, about the Council, to the Information Commissioner's Office (ICO).

13 Annual requests and clearance statistics for 2018/19 and comparison against 2017/18

		2017/18	2018/19
FOI	Number received	1204	1373
	Number due	1174	1366
	Number on time	1155	1335
	% on time	**98.38**	**97.73**
EIR	Number received	1035	1098
	Number due	1029	1127
	Number on time	612	971
	% on time	**59.47**	**86.16**
Combined FOI/EIR	Number received	2239	2471
	Number due	2203	2493
	Number on time	1767	2306
	% on time	**80.21**	**92.50**
DPA	Number received	160	250
	Number due	163	203
	Number on time	109	138
	% on time	**66.87%**	**67.98%**

13.1 The number of FOI/EIR requests received in 2018/19 has increased by 10.4% compared to 2017/18. Whilst the numbers of requests continue to increase each year this is a slight reduction in the annual increase compared to the previous year. FOI compliance rates were above the mandatory requirement rate of 85% with a rate of 97.73% responded to on time. EIR compliance rates have improved to 86.16%, which is just above the mandatory requirement of 85%.

13.2 The number of DP SARs received in 2018/19 has increased by 56.3% compared to 2017/18. The compliance rate again falls short of the mandatory 85% requirement with only 67.98% of requests answered on time.

14 Information Assurance Incidents Recorded During 2018/19

14.1 During 2018/19 there were 57 information assurance incidents recorded, an increase of 111.11% from 2017/18. All incidents have, or are in the process of being investigated. Remediation action plans have been drafted in agreement with the Senior Information Risk Owner (SIRO) where applicable and implemented by the responsible officer. Incidents where the cause has been identified as process failure as opposed to human error will continue to be reviewed to ensure the suggested remediation actions have been

completed within the timescale required. It is to be noted that increased awareness is also a contributory factor to the upturn in reported incidents.

14.2 A breakdown of the incidents by department is as follows:

Department	2017/18	2018/19
Adults Services	3	3
Children's & Education	5	24
CEO	1	1
Digital and Business Change (Business Support)	N/A	9
Environment and Operations	2	4
Finance and Customer Services	3	4
Growth and Development	1	2
Public Health and Wellbeing	N/A	1
HR, Legal & Governance	12	9
Total	**27**	**57**

14.3 There has been 1 complaint made to the ICO within 2018/19.

Department	Self-referral or complaint	Number	Outcome
Children's	Complaint	1	upheld
Total		**1**	

14.4 The complaint was reviewed by the ICO and the Council were reprimanded for not responding within the statutory time period. The IG team have subsequently supported Children's Services and provided the necessary documentation to fulfil the request. The ICO were happy with our remediation action and responded that as the Council has now complied with the request and we have admitted that we could have handled this better, they do not anticipate taking any further action at this time. However they will keep a record of this complaint on file to help build a picture of the Council's compliance.

14.5 A further 2 complaints to the ICO have been made, but so far referred to as premature. These complaints are currently being managed through the SARs and Social Care Complaints process and may yet still result in a full ICO referral.

15 Key events and achievements during the year

15.1 The GDPR 2016 and DPA 2018 were successfully implemented into Council policies and procedures in May 2018. There remains 1 Special Category Data Policy that requires formal ratification. This is currently being reviewed by the Unions and Policy Working Group and is awaiting approval.

15.2 The GDPR mandatory Information Asset Register continues to be updated to ensure that all information assets are appropriately captured in the Records of Processing Activity (ROPA) register. This register is operational in that all the data we have captured so far is uploaded. However action scheduled to review the data held has been slow to progress in the last year owing to

resource pressure. Failure to easily demonstrate that the Council is complaint with the 'Accountability Principle' (Article 30) is considered a breach of the GDPR. There may be limited resource availability within the 6 week school period where resource can be transferred and dedicated to this activity to progress this area.

15.3 Information Governance Mandatory Training was launched in May 2018. Management instruction was for all users to have completed this mandatory training by the end of March. To date only 4% of staff are non-compliant. Reminders have been issued to the users.

15.4 An application to the Local Government Association for additional funding for information security awareness training was submitted in December 2018 and consequently successful. The Council was awarded £5,000 and the funding has been allocated to the procurement of specific information and cyber security awareness training (DOJO) which will be rolled out during quarter 1 2019/20. Evidence that mandatory awareness training has been completed is a formal requirement in both the NHS Information Governance Toolkit (now known as Data Security & Protection Toolkit (DSPT)) and Public Service Network (PSN) Connection toolkits

15.5 The IG team are looking to combine resources with Salford and Oldham Councils, who also have the new DOJO training package, to work as a group to implement a solution that will work for all our respective organisations due to a lack of capacity within the Council to assist with the campaign to roll out the training. The aim is to get the first module pushed out within Quarter 1 2019/20.

15.6 The Council's evidence submission for the 2019/20 NHS DSPT was approved by the SIRO and uploaded by the Council's Data Protection Officer (DPO) in March 2019. This has been accepted by NHS assessors and published on the DSPT website. To date there has not been an assessment score made as this is a new BETA version release of the Toolkit. The Council can confirm however, that it has uploaded the relevant evidence against the 40 modules required to achieve compliance. This will enable the Council to continue to exchange data with NHS bodies.

15.7 Risks have been identified relating to the failure to comply with the Subject Access Provisions in the GDPR 2016. The Council has a number of outstanding subject access requests that carry risk of noncompliance with legislation as they are significantly overdue. The predominant reason for the risk is a lack of specialist resource in 'People Resource' area to complete the requests. In addition there has been a significant increase in the number of complaints issued to the Council regarding SARs in Q4. The Council has received 4 threats to refer to the ICO, 1 actual referral and a string of complaints directly to People Services all relating to the lack of a timely response. The risks of further referrals may cause the ICO to undertake a mandatory inspection of our processes. In turn this could lead to enforcement action.

15.8 The risk to the organisation for failing to respond to subject access requests within the prescribed timescales dictated by the legislation could include the following:

a) ICO Enforcement Action under Part 6 Section 149 of the DPA 2018. The ICO could issue and written notice to immediately remedy the failings of the Council.

b) Powers of entry and inspection under Part 6 section 154 of the DPA 2018. The ICO could determine that the failings of the Council are significant enough to warrant an audit of our subject access request process.

c) Financial Penalty notices under Part 6 Section 155 of the Data Protection Act.

15.9 The IG Team have continued to assist Children's Services with their backlog of SAR's. This has resulted in a significant amount of backfill whilst 2 IG staff members focus on these disclosures. The risk has also been reflected on departmental and corporate risk registers. Escalation to senior management relating to the capacity issues has led to a review of the SARs process and suggestions for improving compliance were reported to the SIRO and Caldicott Guardian. Plans are in place to ensure the necessary resource is provided to deal with the backlog and the demand moving forwards.

15.10 Data Protection Impact Assessments (DPIA) are now a mandatory requirement under GDPR. There is an electronic process being designed by Morecambe Bay with funding from the Greater Manchester Combined Authority. BWDBC IG Team are contributing to the design and testing of this system. Until this is available for release the Council needs a process agreeing as any output from this work stream is likely to be at least 1-2 years away. The IG Team has developed a Council pre-DPIA form, DPIA form and a Management DPIA Summary for Stakeholders and the SIRO to sign off on risk. In the absence of a risk forum, there needs to be an agreed method that ensures that relevant stakeholder approval for the data processing includes senior officers other than the DPO.

15.11 The IG team continue to provide advice, guidance and assistance in the relevant areas of legislation, have appropriate Information Security Examinations Board qualifications in Data Protection and Freedom of Information. The IG Manager has successfully completed the General Data Protection Regulation Practitioner Certificate and has formally absorbed the DPO role on behalf of the Council into her Job Description. The DPO is a mandatory appointment under the GDPR 2016.

15.12 To date the Schools IG team has secured 59 education establishment contracts for the Schools IG SLA for 2019/20. Schools IG worked incredibly hard to prepare all the establishments for the 2018 legislation change, providing all the necessary template policies and privacy notices. In addition the School DPO has successfully conducted an audit of the IG functions in all the Schools that have taken up the service. The revenue target for 2019/20 is set at £25,000. We have already surpassed this figure with 'checked out' SLA packages totalling £41,000.

15.13 We have previously been approached by numerous out of borough schools to provide an IG SLA/DPO Service. However, at the start of 2018/19 with the introduction of GDPR and the additional workload we did not have the resource we needed to facilitate this and felt that the increased burden on a service already running at full capacity may be to the detriment of the existing schools we support and could even start to affect our corporate performance. As GDPR is now fairly well embedded and the demands on the service have reduced slightly it may be worth considering an exercise to see if there is still an appetite among out of borough schools for the service, and to try and establish what, if any, extra capacity would be required.

15.14 The Corporate and departmental risk registers have been updated to include

known GDPR risks, most significant is the risk of enforcement action from the ICO relating to non-compliance with the subject access provisions.

INSURANCE

16   Insurance Policies

16.1   The Council continues to have its insurance with Zurich Municipal under a long term agreement which commenced on 1 April 2017. The agreement is for an initial period of three years with an option to extend for a further two years.   Discussions will be held with colleagues during summer 2019 regarding the two year extension. Terrorism cover is provided separately by a Lloyd's syndicate, via Aon Crisis Management, with other minor policies provided by specialist providers.

16.2   During the year the Insurance Team has continued to provide advice and support to departments regarding insurance requirements and claims. The team have also liaised with Zurich and relevant solicitors to discuss the Council's defence of claims. This input has continued to prove a valuable link between the insurer, their appointed solicitors and the Council as it has allowed us to give guidance to solicitors when settlement may be beneficial and to provide detailed technical support to defend cases successfully.

17   Claims Management

17.1   During the year we have continued to provide management reports to relating to motor fleet claims and incidents to the Road Risk Management Group and employer liability claims information is provided to health & safety colleagues. Ad hoc reports are produced for managers on request.

17.2   During 2018/19 the insurance team handled 166 non injury highways claims and incidents in-house. This includes 31 open highways claims and incidents at the year end. These include cases where claims will have been refuted or settled in-house following a review of the evidence provided by departments. This approach has benefitted the Council by reducing the claims handling costs of £140 per claim, which would otherwise have been charged by Zurich, and improved customer satisfaction and the Council's reputation by dealing with these claims promptly.

17.3   In addition to these savings, where possible the Team has requested invoices for repairs etc. to be sent direct to the Council in respect of those claims being settled, enabling us to recover the VAT. The team was also able to agree ex-gratia payments in a number of cases, limiting the cost to the Council.

17.4   Zurich Municipal engages local solicitors to assist in defending claims against the Council. The Insurance team liaises with the solicitors to discuss cases and their defence and the solicitors provide detailed information regarding case load management. They also contest the costs of settlements including claimants' solicitors' legal fees and costs, saving the Council significant sums.

17.5   In the last year this has saved £128,957 on costs initially claimed, an average saving of £9,920 (38%) per case. It should also be noted that the 2018/19 claimants costs finally paid have decreased by approximately 31% compared to 2017/18, to a total of £213,036,. The solicitors have also made significant savings on final settlements compared to total initial reserves in respect of defended cases in the year amounting to £516,722. The outcomes of claims

listed for trial are illustrated in the final chart at Appendix 2.

18   Insurance Claims Experience

18.1   Since the implementation of the Jackson reforms in August 2013 we have not experienced any significant increase in the numbers of claims received. The number of claims received by the Council during 2018/19 has decreased compared to the previous year. This is due to a number of factors but one area where there has been a significant reduction is the highways related claims.   This is primarily due to the better winter weather in 2018/19 compared to the previous years. We are able to defend the majority of these claims.

18.2   The trends in claims and incidents volumes and values received against the class of business over the last three years are set out in the table and charts in Appendix 2. It should be noted that claims may be received up to three years after the date the event occurred, or in the case of long tail claims, such as noise, hand arm vibration, asbestos and abuse, three years after the person first became aware they have suffered the injury. For claims relating to children, these can be received up to three years after their 18th birthday.

Class of business	No of Incidents		Claims		Total	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Employers Liability	5	8	10	13	15	21
Motor	33	43	33	27	66	70
Other	0	0	2	1	2	1
Property	5	2	18	18	23	20
Public Liability	77	74	177	137	254	211
Total	**120**	**127**	**240**	**196**	**360**	**323**

18.3   In February 2017 the Government announced a change in the discount rate used to calculate the payments of any long term injury claims under motor, public and employers liability cover. As a result this has led to an increase in the total cost of the open claims and any settlements made for long term post made after 20 March 2017. Insurers announced substantial increases in their claims reserves as a result. Following consultation on the issue during the year a further review of the rate was announced in September 2017. However at this stage it is unclear when any further change will happen.

18.4   We are continuing to work with departments to ensure that relevant documents are retained and investigations carried out so an adequate defence can be maintained against claims received.   If there is no documentation or records available we do not have a defence.

19   Municipal Mutual Insurance (MMI)

19.1   A number of years ago the Council was insured by MMI. This company got into financial difficulty and ceased trading in 1992 but maintained the claims arising whilst it was still solvent. In November 2012 the MMI Board of Directors triggered the Scheme of Arrangement as a solvent run-off could no longer be foreseen. After completing discussions with their professional advisers, the Directors concluded that there was no other alternative to insolvent liquidation.

19.2   As a result, control of MMI passed to the Scheme Administrator, Gareth

Hughes of Ernst & Young LLP, who, in accordance with the terms of the Scheme, undertook a financial review of the Company and, in consultation with the Scheme Creditors Committee, considered the extent to which any levy was to be imposed upon Scheme creditors.

19.3 Although MMI note that all claims would continue to be paid until a decision on the levy was made and communicated to the Scheme Creditors, all members who had historic periods of cover with MMI, were urged to urgently consider their financing arrangements for these periods.

19.4 As one of the local authorities who are members of the Scheme of Arrangement, the Council will be liable to pay any remaining outstanding claims as and when required. There are a number of these long tail claims, where the cause is pre 1993, relating to child abuse/failure to remove cases or health related issues such as asbestos related illness, noise and vibration white finger, which have been subject to numerous legal challenges.

19.5 Predicting ultimate claims cost for occupational diseases arising from past exposure is extremely difficult and whilst the current claw back from the Council will be 25% it is possible that there could be further claw back over the next 10 to 20 years, as incurred but not reported claims are translated into reported claims over this time.

19.6 The scheme of arrangement with MMI was always expected to have a clear run-off. However, the Council previously estimated the potential cost to the Council, if the scheme is invoked, could be over £2.0 million at the current calculation, along with any new claims, and this is taken into account when the minimum level of balances is reviewed during the annual budget process, and in assessing contingent liabilities when the Statement of Accounts is prepared.

19.7 As the scheme of arrangement has now been triggered, since 2014 the Council has paid levies totalling 25% (amounting to £493,967) on known claims at the time. A provision of £324,260 has also been established against the possibility of the levy increasing to the maximum estimated amount of 28%, retaining £250,000 as an earmarked reserve towards future claims.

19.8 As a consequence of the levy, since 2014 the Council has been responsible for self-insuring, initially 15% and currently 25% of any future claims. The Council is now required to pay all MMI related claims and associated legal costs as and when these are settled and submit invoices to the Scheme Administrator to reimburse the 75% portion they are responsible for.

19.9 The Council receives an annual statement from MMI to update on its liabilities in respect of the Scheme of Arrangement and the Finance department have been kept fully aware of this liability.

5. RATIONALE

Within the Corporate Risk Management Strategy there is a requirement to report annually to the Audit and Governance Committee on the progress of risk management within the Council.

The key issues detailed above provide the members of the Committee with a summary of the elements, key issues and work undertaken by various teams relating to risk management activity across the Council during the year ended 31 March 2019.

The details reported provide assurance to the Committee on the adequacy of the Risk Management Strategy and the associated risk management control environment within the Council.

6.   POLICY IMPLICATIONS

As indicated above, this report is part of the requirements of the Corporate Risk Management Strategy.   These requirements are constantly being reviewed and updated to reflect the changes that have taken place in respect of the risk management arrangements within the Council.

7.   FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

8.   LEGAL IMPLICATIONS

There are no direct legal implications from this report.

9.   RESOURCE IMPLICATIONS

There are no direct resource implications from this report.

10.   EQUALITY AND HEALTH IMPLICATIONS

The decisions to be taken do not change policy and do not require any further consideration in respect of equality or health issues.

11.   CONSULTATIONS

Members of the Primary Assurance Group.

CONTACT OFFICER: Colin Ferguson, Head of Audit & Assurance
DATE: 13 June 2019
BACKGROUND PAPERS: Corporate Risk Management Strategy and Framework
                                      2015/20

Summary Risk Register

| Update | Create | Insert |

Directorate:
Department: Corporate Risk Register
Service:
Quarter and Year: Quarter 4 - 2018/19   Date of last review: 31-Dec-18
Date: 31-Mar-19   Date of next review: 30-Jun-19

Risk No	Risk Description	Date Raised	Strength of Existing Controls	Inherent L	Inherent I	Inherent Risk Rating	Residual L	Residual I	Residual Risk Rating	Target L	Target I	Target Risk Rating	Risk Owner(s)	Key Contact(s)	Risk Status	Last Risk Review Date	Prev Res L	Prev Res I	Previous Residual Risk Rating	Change in Score
1	Failure to deliver a balanced budget and Medium Term Financial Strategy may result in a Governement Commission taking control of the authority's finances	26-Jan-15	Good	5	5	HIGH	2	3	LOW	1	2	LOW	Louise Mattinson	Simon Ross, Zoe Evans	Open	23-Apr-19	2	3	LOW	-
2	Failure of the assets or failure to manage these in a proactive and co-ordinated way (Assets include Buildings, Infrastructure)	25-May-11	Fair	3	5	HIGH	2	4	MEDIUM	2	2	LOW	Martin Kelly/ Martin Eden	Lee Kinder, Matthew Joyce	Open	01-Apr-19	2	4	MEDIUM	-
4	The Council is not able effectively influence and shape new partnership structures to respond to changes occurring in the public sector.	07-Feb-12	Good	3	3	MEDIUM	2	3	LOW	2	2	LOW	Denise Park	Alison Schmid / Heather Taylor	Open	24-Apr-19	2	3	LOW	-
6	Failure to deliver the management, workforce and organisational objectives for workforce reviews within the agreed budget.	17-Oct-16	Good	2	3	LOW	1	3	LOW	1	2	LOW	Management Board	David Fairclough	Open	23-Apr-19	1	3	LOW	-
7	Ensure BwD delivers its statutory function- Emergency Preparedness, Planning, Response, Recovery & BC Promotion (small & med businesses) to protect the Community/enhance the Council's resilience, mitigate reputational and financial damage. Corporate Objectives at risk - 1,2,5,6.	25-May-11	Good	4	5	HIGH	1	5	LOW	1	5	LOW	Harry Catherall	David Fairclough, Rachel Hutchinson, Sarah Riley	Open	17.04.2019	1	5	LOW	-
7b	Ensure delivery of statutory Civil Contingencies function - Business Continuity Management arrangements in place,planning, training testing & validating & exercising procedures & plans: to protect Council's resilience, protect the community,& mitigate financial & reputational damage. Corpo Obj 1,2,5,6 link	22-Sep-16	Good	3	4	MEDIUM	2	4	MEDIUM	1	3	LOW	Harry Catherall	David Fairclough, Paul Fleming, Rachel Hutchinson, Sarah Riley	Open	17.04.2019	2	4	MEDIUM	-
9	Failure to improve health outcomes within Blackburn with Darwen could result in the communities' health and wellbeing position or conditions deteriorating.	25-May-11	Good	3	4	MEDIUM	3	4	MEDIUM	1	3	LOW	Dominic Harrison	Gifford Kerr	Open	30-Apr-19	3	4	MEDIUM	-
10	Due to the breakdown of community relations or a deterioration of community cohesipn, greater risk of hate crime, extremism, radicalisation or polarisation of communities.	07-Feb-12	Good	4	5	HIGH	2	3	LOW	1	3	LOW	Sayyed Osman	Heather Taylor/Mark Aspin	Open	24-Apr-19	2	3	LOW	-
11	Failure to improve the education and skills for our young people	20-Aug-13	Good	4	4	HIGH	3	3	MEDIUM	2	3	LOW	Jayne Ivory	Jo Siddle	Open	02-May-19	2	3	LOW	Up
13	Failure to prevent data loss and privacy incidents (Information Governance) leading to financial/Data loss, disruption or damage to the reputation of the Council	26-Sep-14	Good	5	4	HIGH	4	4	HIGH	3	2	LOW	Paul Fleming	Sarah Critchley	Open	25-Mar-19	4	2	MEDIUM	Up
14	High profile serious/critical safeguarding incident/case that is known to Council services.	20-Aug-13	Good	4	5	HIGH	3	5	HIGH	3	5	HIGH	Sayyed Osman (DASS) / Jayne Ivory (DCS)	Paul Lee	Open	04-Apr-19	3	5	HIGH	-
15	Failure, at a corporate level, to comply with Health & Safety legislation and provide both a safe working environment for employees and the provision of a safe environment for service users.	19-Mar-15	Fair	4	4	HIGH	3	3	MEDIUM	2	3	LOW	David Fairclough	Fiona Eastwood	Open	30-Apr-19	2	3	LOW	Up
17	Cyber Risk - Risk of financial/Data loss, disruption or damage to the reputation of an organisation from compromise of its IT systems.	15-Mar-16	Good	5	5	HIGH	3	4	MEDIUM	2	4	MEDIUM	Paul Fleming	Steve Rowe	Open	02-Apr-19	3	4	MEDIUM	-
18	Insufficient budget for service delivery if MTFS income targets from the Growth Agenda are not met.	29-Nov-16	Good	4	5	HIGH	3	4	MEDIUM	3	4	MEDIUM	Martin Kelly	Simon Jones	Open	01-Apr-19	3	4	MEDIUM	-

Insurance Claims Statistics and Trends

Claims and Incidents Notified by Year

Policy	2016/17		2017/18		2018/19		Totals	
	No	Value	No	Value	No	Value	No	Value
Employers	22	£32,302	15	£56,838	21	£118,130	**58**	**£207,270**
Motor	67	£12,911	66	£40,584	70	£34,289	**203**	**£87,784**
Other	1	0	2	£10,000	1	£10,200	**4**	**£20,200**
Property	31	£8,352	23	£2,884	20	£114,938	**74**	**£126,174**
Public	241	£430,925	254	£1,471,908	211	£1,511,520	**706**	**£3,414,353**
Totals	**362**	**£484,490**	**360**	**£1,582,214**	**323**	**£1,789,077**	**1,045**	**£3,855,781**

No of Claims & Incidents by Class of Business
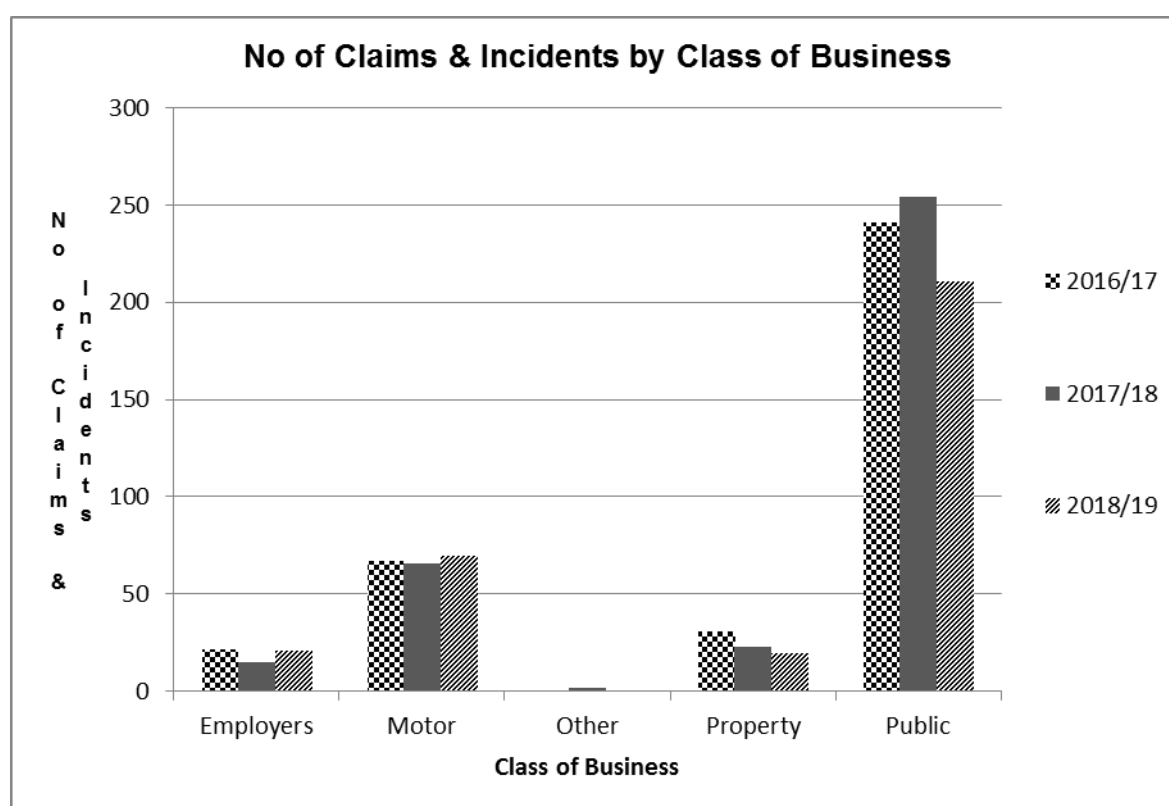
Estimated Cost of Claims & Incidents by Class of Business
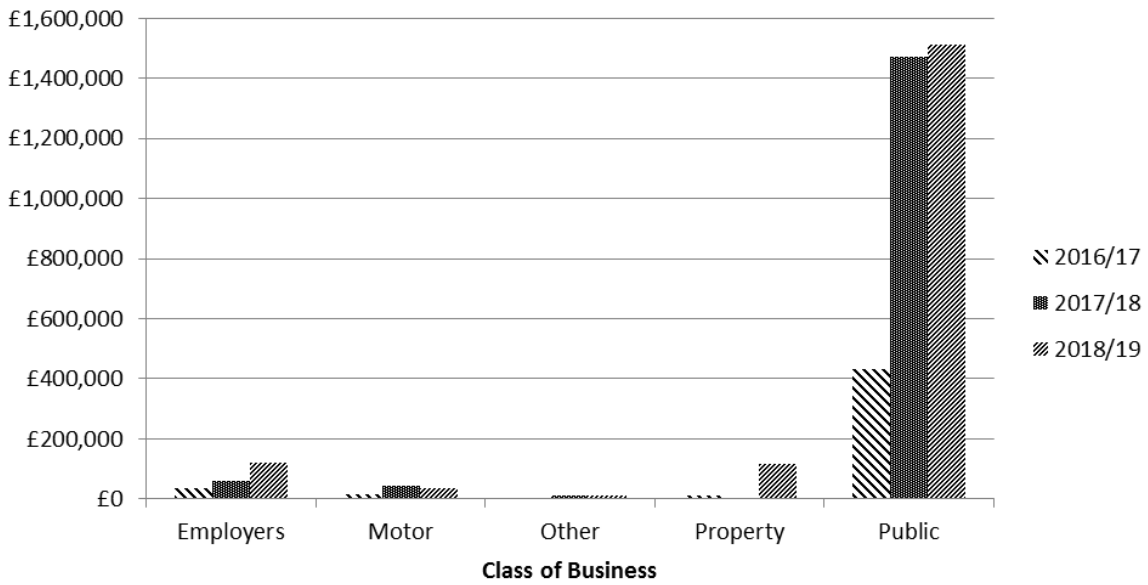
Estimated Total Cost of Claims & Incidents (Payments & Reserves) Notified by Year
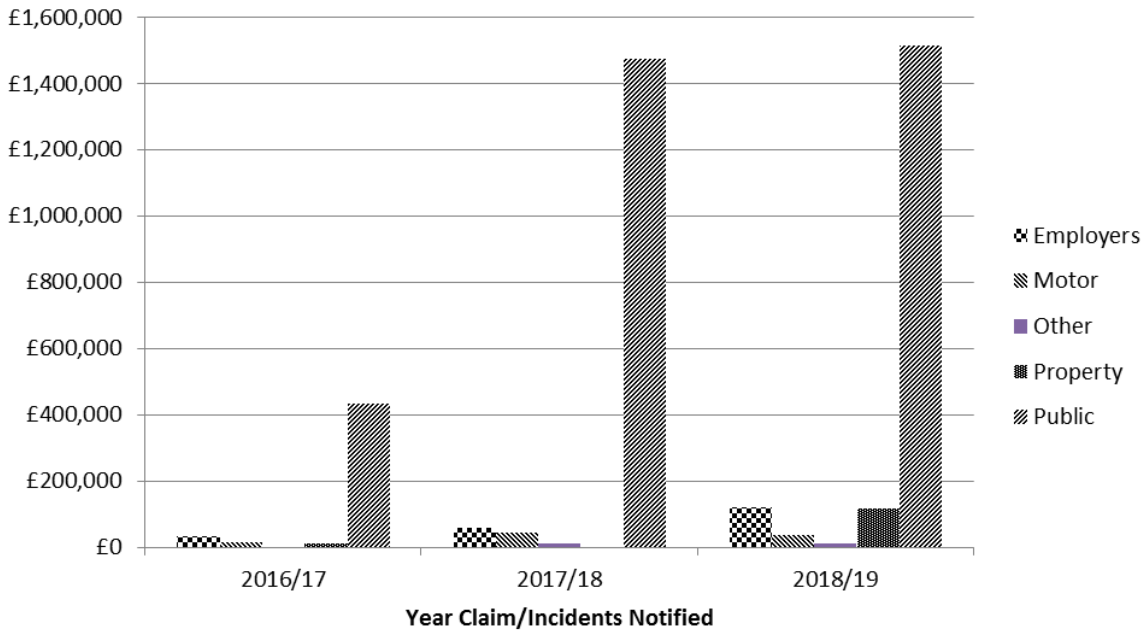
Outcome of Cases Listed for Trial

Legend:
- 2014/15
- 2015/16
- 2016/17
- 2017/18
- 2018/19

Categories: Settlement negotiated prior to Trial, Cases Won, Discontinued, Cases Lost, Indemnified, Contribution received, Struck out

	TO:	Audit & Governance Committee
	FROM:	Head of Audit & Assurance
	DATE:	25 June 2019

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT   Counter Fraud Annual Report 2018/19

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1.   PURPOSE

1.1   To inform the Audit & Governance Committee of the results of the counter fraud activity that has been carried out during the year ended 31 March 2019 to minimise the risk of fraud, bribery and corruption occurring in the Council, and the outcome of investigations carried out into potential or suspected fraud or irregularities.

2.   RECOMMENDATIONS

2.1   The Committee is asked:
- to consider the Counter Fraud Annual Report (as set out in Appendix A) as part of its monitoring role.

3.   BACKGROUND

3.1   The Council is committed to the principles of good governance and recognises the importance of operating in an open and accountable manner, whilst demonstrating high standards of conduct. The Council expects all its stakeholders (including its councillors, employees, partners and contractors) to act honestly, with integrity and to safeguard the public purse. The Council does not accept any fraud or corruption and any identified case will be thoroughly investigated and appropriately dealt with.

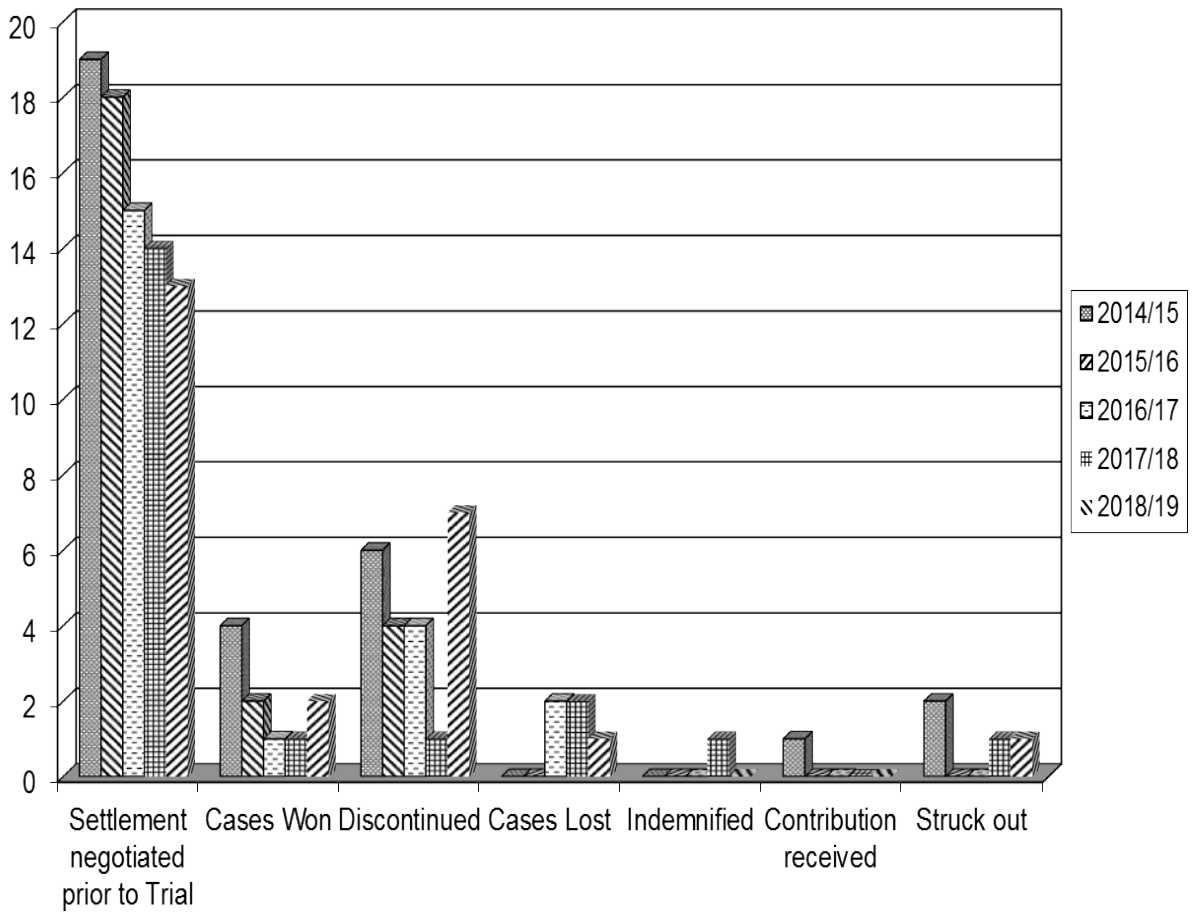3.2   The Audit & Governance Committee has a role in helping the Council to implement the values of good governance, including effective arrangements for countering fraud and corruption risks. To achieve this the Committee's terms of reference include responsibility to ensure that the Council maintains a robust counter fraud culture via the implementation of the counter fraud strategy. The Strategy is backed up by effective controls and procedures, which define the respective roles of management and Audit & Assurance.

3.3   The Council's Counter Fraud Strategy was reviewed and updated in 2016 to ensure that it provided an effective structure and approach to ensure that the

counter fraud arrangements in place within the Council reflected latest guidance and best practise and are embedded into the everyday processes of financial management activity and decision making within the Council.

3.4   The Strategy includes a requirement that an annual fraud report is prepared that includes and evaluation of the success of the strategy in achieving its objectives.

4.   RATIONALE

4.1   The Annual Counter Fraud Report provides the Committee with assurance on the effectiveness of the counter fraud arrangements in place within the Council in its roles of reviewing the assessment of fraud risks and potential harm to the Council from fraud and corruption and ensuring the Council maintains a robust counter fraud culture via the implementation of the Counter Fraud Strategy.

5.   KEY ISSUES

5.1   It is one of the requirements of the Accounts and Audit (England) Regulations 2015 that the Council must have measures in place 'to enable the prevention and detection of inaccuracies and fraud'.

5.2   The attached report (see Appendix A) provides a summary of the work undertaken during the year which supports the overall conclusion on the measures in place relating to this area.

6.   POLICY IMPLICATIONS

6.1   This report is part of the requirements of the Counter Fraud Strategy. These requirements are periodically reviewed and updated to reflect the changes that have taken place in respect of the counter fraud arrangements within the Council.

6.2   It is also contributor to the Annual Governance Statement, which assesses the effectiveness of the Council's own management of its policy objectives.

7.   FINANCIAL IMPLICATIONS

7.1   There are no financial implications arising as a result of this report.

8.   LEGAL IMPLICATIONS

8.1   There are no direct legal implications from this report.

9.   RESOURCE IMPLICATIONS

9.1   There are no resource implications arising as a result of this report.

10.   EQUALITY IMPLICATIONS & HEALTH IMPLICATIONS

10.1   There are no equality or health implications arising as a result of this report.

11. CONSULTATIONS

11.1 This report has been discussed with the Council's Primary Assurance Group.

Contact Officer: Colin Ferguson, Head of Audit & Assurance – Ext: 5326
Date: 13 June 2019
Background Papers: Counter Fraud Strategy 2016/20

Blackburn with Darwen Borough Council

Counter Fraud Annual Report
2018/19

Audit & Assurance
Finance & Customer Services Department
May 2019

1. Background

1.1. The Council is committed to ensuring that opportunities for fraud and corruption are reduced to the lowest possible level through a combination of the following:

- Acknowledging and understanding fraud risks, and the harm they cause to the organisation, its objectives and service users, and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response;
- Preventing and detecting fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture; and
- Responding by punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

1.2. The purpose of this report is to present the work carried out during the past financial year to minimise the risk of fraud, bribery and corruption across the Council. This supports the requirements of the Accounts and Audit Regulations (England) 2015 which states that the Council must have measures in place 'to enable the prevention and detection of inaccuracies and fraud'.

1.3. The report also sets out planned work for 2019/20 and highlights some of the current areas of fraud risk.

2. Key mechanisms – policies and procedures

2.1. Effective policies and procedures are essential to ensure that all officers and members are aware of their roles and responsibilities in identifying and managing the risk of fraud. All policies and associated documents are available on the Council's intranet.

Whistleblowing Policy

2.2. The Council has an up to date Whistleblowing Policy which is available to all staff and members via the intranet.

Counter Fraud Strategy

2.3. The Counter Fraud Policy Statement and Counter Fraud Strategy 2016/21 were updated and approved in 2016.

Fraud Risk Register

2.4. To enable managers to identify and mitigate fraud risks a fraud risk register was created in 2016/17. Work has been undertaken with service managers in to ensure that risk owners review and update the fraud risks for which they are responsible.

Reporting and awareness

2.5. Audit & Assurance reports to the Audit & Governance Committee on a regular basis with corporate fraud updates.

2.6. The Council subscribes to the National Anti-Fraud Network (NAFN), which promotes the sharing of information between Authorities and publishes regular

2

bulletins on fraud cases and attempted scams. These fraud alerts are then cascaded to ensure that key officers receive key messages and take appropriate action where appropriate. In addition, the Lancashire Chief Audit Group shares information and alerts regarding potential scams which are being attempted, or have been carried out in the region, as and when these are identified locally. These are also cascaded to relevant departments and highlighted on the Council's website where appropriate. Fraud cases are also discussed at the Group's meetings during the year.

2.7.   The Principal Internal Auditor (Counter Fraud) is also a member of the North West Chief Auditors Counter Fraud sub group. This group has met on a regular basis during the year to consider the scope for joint working across the region on areas such as business rates and personal budgets, as well as to develop a common approach to key fraud risks and share best practise.

2.8.   A fraud awareness training course is available on the Council's e-learning portal. This course has been undertaken by 309 people since its introduction (127 people during 2018/19) and Audit & Assurance continue to promote the course during its engagements with departments and schools. Members of the Audit & Governance Committee have also been provided with a copy of the CIPFA Counter Fraud Workbook for Councillors during the year. This has been produced by CIPFA and the Local Government Association.   It is designed as a learning aid on this area for elected members and includes guidance, challenges cases studies and links to other information on this area.

3.   <u>Risk based planning to minimise the risk of fraud</u>

3.1.   The annual audit planning process includes consideration of the fraud risk. The 2018/19 Annual Audit Plan, approved by the Audit & Governance Committee in April 2018, included provision to support a programme of proactive work that minimises the risk of loss to the Council. The annual plan also includes an allocation of time for reactive investigations.

4.   <u>Work and investigations carried out in 2018/19</u>

<u>National Fraud Initiative (NFI)</u>

4.1.   The Council is required by law to provide set data to the Cabinet Office who administers this national data matching exercise. The returned data matches identify anomalies for further follow up and review by the Council to determine and actions required. Audit & Assurance co-ordinate the exercise and carry out further review of certain reports including Payroll anomalies and suspected fraudulent Council Tax Support claims. A total of 4,716 data matches were initially received in February 2019 from the Cabinet Office as part of the 2018/19 exercise. The results of work undertaken show that 394 data matches have been processed to date. A total of 36 errors have been found, so far, resulting in savings of £95,997. The table below illustrates the main areas of activity and where savings have been identified to date. Work on this area will be on-going during 2019/20.

Summary of Results

Area	No. of Errors	Value (£)
Benefits (Housing/Council Tax Support)	8	£20,395
Private Residential Care Homes	28	£75,602
TOTAL	**36**	**£95,997**

4.2. The Council received additional reports from the Cabinet Office in February and March 2019 which included 4,673 Council Tax Single Person Discount data matches for further review. The reports were generated after council tax records were matched with various data sets including the electoral register. The matches indicate that entitlement to Single Persons Discount is incorrect and further enquiries need to be made. The reports have been forwarded to the Revenues section for follow up and further action.

Direct Payments Fraud

4.3. Direct Payments are made to Council service users which allow them to pay for their own assessed social care needs as an alternative to the Council directly providing or commissioning those services. Audit & Assurance has undertaken several investigations into suspected Direct Payments fraud in the past, including a case during 2018/19. The case, which is currently ongoing, involves an overpayment of £20,000. The Police are supporting the Council with this investigation.

Other investigations and counter fraud activity

4.4. During the year Audit & Assurance carried out an investigation into an alleged fraud following a complaint made under the Council's Whistleblowing Policy. The complainant suggested that a contractor was overcharging the Council for the services it provided. We found no evidence of fraud or overcharging and confirmed that effective contract management arrangements are in place.

4.5. A separate complaint made by a member of the public that his bank account details had been falsely used by someone to set up a Direct Debit Instruction for a Council service led to an investigation by Audit & Assurance. As part of the investigation, we reviewed the procedures for setting up Direct Debit Instructions online and face to face. The investigation concluded that there was no evidence to suggest any staff involvement in the fraud and confirmed that the Council has appropriate processes in place to handle payments via Direct Debit. The review made one recommendation to further strengthen internal controls and this was accepted by management and has been introduced.

4.6. Audit & Assurance conducted a review in a service area due to concerns raised by the Director into procurement practices and as a result of a complaint received from an external source regarding the inappropriate disposal of Council assets. Whilst no evidence of fraud was found we identified several issues concerning non-compliance with the Council's Standing Financial Instructions and Contract and Procurement Procedure Rules. The findings have been reported to management along with several recommendations to improve the control environment and ensure compliance.

4.7. A separate investigation was carried out by Audit & Assurance as a result of a whistleblowing allegation concerning the disposal of Council assets. This investigation found no evidence of fraud and established that equipment had been disposed of in an appropriate manner.

4.8. During the year Audit & Assurance also reviewed the petty cash procedures at two locations following the report of missing money. Whilst fraud/theft was suspected, insufficient evidence was available to confirm that this was the case. In one case we identified several issues concerning non-compliance with the Council's Standing Financial Instructions. The findings have been reported to management along with several recommendations to improve the control environment and ensure compliance. The Head of Audit & Assurance has also provided on-going support to the Head of Governance to investigate various matters which were raised in a complaint received by the Chief Executive. The investigation did not find any evidence of fraud.

4.9. Audit & Assurance dealt with an investigation following an allegation made by a member of the public that staff had falsified documents relating to property rental payments due to the Council. We found no evidence to substantiate the allegations.

4.10. As part of its proactive plan of counter fraud work, Audit & Assurance undertook an exercise to validate the VAT status of its suppliers to ensure that VAT is only paid where the supplier is VAT registered. The results of the exercise confirmed that VAT payments are accurate and are only made in appropriate circumstances.

5. Priorities for 2019/20

5.1. The 2019/20 Internal Audit Plan makes provision for the following counter fraud activity during the year:

- National Fraud Initiative – co-ordination of the exercise and investigation into data matches;
- A review of the Counter Fraud Strategy;
- Reactive fraud investigations; and
- Development of a pro-active plan of work.

6. Conclusion

6.1. The range of activities and incidents covered in this report highlights the extent to which fraud and error exist as risks to the achievement of the Council's objectives. Our conclusion is that the Council had effective measures to enable the prevention and detection of fraud and irregularities. Work will continue in 2019/20 to ensure that the Council has all the necessary policies and procedures in place to create and promote an environment where fraud, bribery and corruption are not tolerated.

TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 25 June 2019

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT   Annual Internal Audit Opinion Report 2018/19

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1.   PURPOSE

To provide independent evidence to allow the Audit & Governance Committee to fulfil its role and function of providing independent assurance to the Council on the adequacy of the risk management, and internal control arrangements in place within the Council.

2.   RECOMMENDATIONS

The Committee is asked:

- to note the content of the Annual Internal Audit Opinion Report for 2018/19 (as set out in Appendix A);
- to consider the overall annual opinion of the Head of Audit & Assurance, which is that **adequate assurance,** can be placed upon the Council's framework of governance, risk management and internal control; and
- to note that the internal audit work that supports this opinion has been delivered in accordance with the Public sector Internal Audit Standards (PSIAS) and that there are no significant areas of non-conformance.

3.   BACKGROUND

The internal audit function is required to comply with the PSIAS.

The PSIAS require the Head of Internal Audit to present an Annual Opinion Report to the Audit & Governance Committee, which gives an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control. The report should be timed to support the production of the Council's Annual Governance Statement (AGS).

4.   RATIONALE

The Audit & Governance Committee, in its role of providing independent assurance to the Council on the adequacy of its risk management framework, overall governance and the associated control environment is required to consider the Annual Internal Audit Opinion Report.

5. **KEY ISSUES**

The Council is required under the Accounts and Audit (England) Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards.

The attached report complies with the requirements of the PSIAS. It includes a summary of the work that has been carried out that supports the opinion. It sets out any qualifications to the opinion, together with reasons for those qualifications, discloses any impairments or restrictions in scope and compares actual work with the planned work approved by the Committee in April 2018. It also states whether the work has been undertaken in conformance with PSIAS, the results of any Quality Assurance Improvement Programme (QAIP), summary of actual performance against targets/measures and any issues that are considered relevant to the preparation of the AGS.

6. **POLICY IMPLICATIONS**

This report is a key contributor to the Annual Governance Statement, which assesses the effectiveness of the Council's own management of its policy objectives.

7. **FINANCIAL IMPLICATIONS**

There are no financial implications arising as a result of this report.

8. **LEGAL IMPLICATIONS**

This report fulfils the statutory requirements placed upon by the Council by the Accounts & Audit (England) Regulations 2015.

9. **RESOURCE IMPLICATIONS**

There are no resource implications arising as a result of this report.

10. **EQUALITY IMPLICATIONS & HEALTH IMPLICATIONS**

There are no equality or health implications arising as a result of this report.

11. **CONSULTATIONS**

The issues raised in this report have previously been reported to Directors following the completion of audit assignments. Summaries of the issues identified have previously been reported to the Audit & Governance Committee at its meetings during 2018/19.

This report has been discussed with the Council's Primary Assurance Group.

Contact Officer: Colin Ferguson, Head of Audit & Assurance – Ext: 5326
Date: 13 June 2019
Background Papers: 2018/19 Annual Audit & Assurance Plan, Strategic Statement and Internal Audit Charter, Audit & Assurance - Progress & Outcomes Committee reports, Audit & Assurance reports and files.

Blackburn with Darwen Borough Council

Annual Internal Audit Opinion Report 2018/19

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        Summary of Other/Unplanned Work 2018/19.

B   Summary Quality Assurance & Improvement Programme Activities
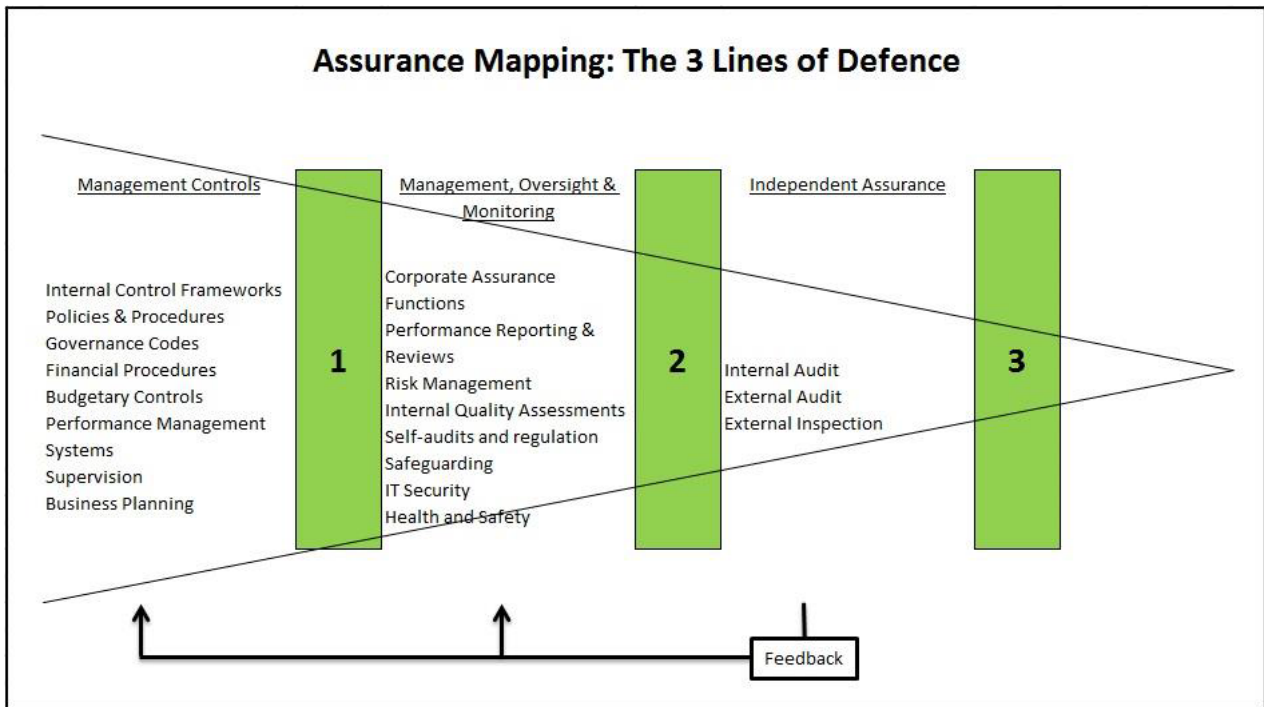
SECTION 1 – BACKGROUND

1.1 Introduction

1.1.1 This report details the cumulative activities undertaken by the Council's Audit & Assurance (Internal Audit) section of the Finance & Customer Services Department during the period 1 April 2018 to 31 March 2019. It highlights key issues and themes identified from the audit reviews of the Council's risk management, governance and internal control frameworks. The activities undertaken by the section are primarily directed by a risk-based audit plan, which takes into account the Council's organisational objectives and priorities.

1.1.2 This report is intended to provide the Audit & Governance Committee with:

- an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control;

- a summary of the internal audit work that supports the opinion;

- any qualifications to the opinion together with reasons for the qualifications;

- any impairments or restrictions in scope of the work undertaken;

- a comparison of the audit work actually undertaken with the work planned, including a summary of its performance and quality assurance;

- a declaration that work undertaken is in conformance with the Public Sector Internal Audit Standards (PSIAS); and

- details of any issues particularly relevant to the preparation of the Council's Annual Governance Statement (AGS).

1.1.3 This report meets the requirements for Internal Audit to provide an annual internal opinion on the overall adequacy of the Council's framework of governance, risk management and control, as detailed in the PSIAS and demonstrates that the Council is maintaining an adequate and effective system of internal audit as required by the Accounts and Audit (England) Regulations 2015.

1.2 Role of Internal Audit

1.2.1 The statutory basis for Internal Audit in local government is the Accounts and Audit (England) Regulations 2015, which state that each authority must:

'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards.'

1.2.2 Internal audit work is governed by the PSIAS. The Internal Audit Team has adopted the PSIAS definition of internal audit, which is:

"Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

1.2.3 It should be remembered that internal audit is the Council's 'third line of defence in a model where management and management controls represent the first line, with responsibility for directly assessing, controlling and mitigating risks in accordance with the Council's control frameworks and procedures. In-service compliance functions confirming the operation of these controls represents the

second line of defence. Where such 'second line' compliance functions are available, we focus our audit work on assessing the control exerted by them rather than on repeating their work. This model is illustrated in the table below:

Assurance Mapping: The 3 Lines of Defence

Management Controls		Management, Oversight & Monitoring		Independent Assurance	
Internal Control Frameworks Policies & Procedures Governance Codes Financial Procedures Budgetary Controls Performance Management Systems Supervision Business Planning	**1**	Corporate Assurance Functions Performance Reporting & Reviews Risk Management Internal Quality Assessments Self-audits and regulation Safeguarding IT Security Health and Safety	**2**	Internal Audit External Audit External Inspection	**3**

Feedback

1.3   Objectives and Scope of Internal Audit

1.3.1   The objectives and scope of Internal Audit are set out in the Internal Audit Charter. The Charter is reviewed biennially by the Audit & Governance Committee and was approved on 16 April 2019. The Charter complies with the requirements of the PSIAS. The emphasis placed on Internal Audit's role in reviewing areas both financial and non-financial represents the profession's best practice and enables Internal Audit to give an opinion on the adequacy of all of the Council's systems of risk management, control, and governance.

SECTION 2 – INTERNAL AUDIT OPINION

2.1 Arriving at the Opinion

2.1.1 The overall opinion on the Council's systems of risk management, control and governance is based on Internal Audit's assessment of the Council's key management arrangements. This is the framework required to provide management with confidence that the main processes to achieve these business objectives are:

- Adequate and effective for their purpose; and
- Free from material financial and non-financial business risk.

2.1.2 In providing our opinion, it should be noted that assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses within these systems.

2.1.3 Our opinion on the systems of risk management, control and governance within the Council has been formulated by giving careful consideration to following:

- Planned work undertaken during 2018/19;
- Unplanned work undertaken during 2018/19;
- Follow ups of audit work undertaken during 2017/18 and 2018/19; and
- Other sources of assurance relevant during 2018/19.

2.2 Our Opinion

> On the basis of the evidence reviewed, explanations received and the processes reported upon during 2018/19 together with the other sources of assurance available to Internal Audit it is considered that the Council has **adequate** systems of risk management, control and governance, which are being applied to an **adequate** standard.

2.3 Qualifications to the Opinion

2.3.1 In providing the overall opinion consideration is given to the assurance opinions provided during 2018/19 in respect of audits identified in the approved plan as priority 1 risk areas or on functions which have been identified as corporate risks. There were no areas in either of these categories where the opinions provided were less than adequate.

2.3.2 The assurance opinions provided in the finalised the audit reports issued and reported to the Audit & Governance Committee during 2018/19 across the categories of risk management, internal control and governance are detailed in Appendix A attached.

2.4 Work Supporting the Opinion

Planned Work:

2.4.1 The Audit & Governance Committee approved the Audit & Assurance Plan for the year to 31 March 2019 at its meeting on 10 April 2018.

2.4.2 Each internal audit report provides two areas of assurance: (i) an opinion on the control environment based on the internal controls identified in place; and (ii) an opinion on compliance regarding the application of those controls. The level of

assurance given is derived from the findings and based on the following definitions:

	Control Environment Assurance	
	Level	**Definition**
1	SUBSTANTIAL ASSURANCE	There are minimal control weaknesses which present very low risk to the control environment.
2	ADEQUATE ASSURANCE	There are some control weaknesses which present a medium risk to the control environment.
3	LIMITED ASSURANCE	There are significant control weaknesses which present a high risk to the control environment
4	NO ASSURANCE	There are fundamental control weaknesses which present an unacceptable level of risk to the control environment.
	Compliance Assurance	
	Level	**Definition**
1	SUBSTANTIAL ASSURANCE	The control environment has substantially operated as intended although some minor errors have been detected.
2	ADEQUATE ASSURANCE	The control environment has mainly operated as intended although errors have been detected.
3	LIMITED ASSURANCE	The control environment has not operated as intended. Significant errors have been detected.
4	NO ASSURANCE	The control environment has fundamentally broken down and is open to significant error or abuse.

2.4.3   Internal Audit has completed and formally reported upon 29 assignments including 23 internal control assignments, 3 risk related assignments and 3 governance assignments which support our overall opinion on the Council's systems of risk management, governance and internal control. In addition to these there were 15 reviews in progress at the year end. A summary of the assurance levels that support our opinion is also provided in Appendix A.

Other/Unplanned Work:

2.4.4   During the year we have carried out a number of other activities/unplanned audit work and provided advice and assistance to managers, departments and schools on a number of areas. A total of 31 audit days has been spent on these areas. A summary of the days on each area is set out in the second graph included at Appendix A.

2.4.5   Our other/unplanned work can be categorised as follows:

• Supporting the Audit & Governance Committee (14 days);

• Liaison with departments/DMTs, external audit and responding to general requests from managers for advice/guidance (8 days);

• Specific activity on new systems and programmes or other cross cutting working groups and boards (2 days); and

• Monitoring the implementation of reported recommendations (7 days).

Follow Ups:

2.4.6   Where we issue a *limited* or *no* assurance report we undertake "standard" follow ups after 3 months. For all other assurance reports we undertake a "standard" follow up after 6 months. In 2018/19 we followed up a total of 164 recommendations, which comprised 56 "Must", 104 "Should" and 4 "Consider"

recommendations. The responses to the follow up reports are summarised in the chart below.

Follow Up Status of All Recommendations 2018/19

Follow Up Status of All Recommendations

0
17
41
106

- Fully Implemented
- Partially Implemented
- Not Applicable
- Not Implemented
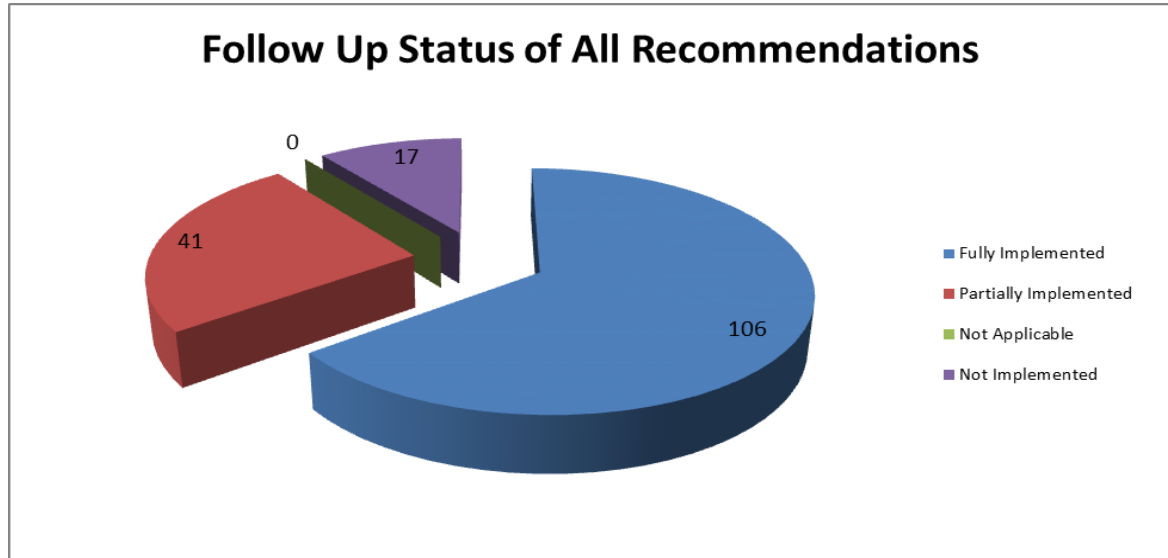
2.4.7   The non-implemented recommendations were reported to the Audit & Governance Committee as part of our regular progress reporting during the year. We received appropriate explanations for those recommendations not being implemented within agreed timescales.

2.4.8   Further analysis of the highest priority "must" recommendations has identified that 6 recommendations (10%) were not implemented in accordance with the agreed timescales.   The results from the follow up of agreed recommendations are included in the Audit & Assurance Progress Reports presented to each Audit & Governance Committee meeting for consideration.   This includes explanations where of any responses to follow ups undertaken have not received at the time of the report and any recommendations which have not been implemented.

Follow Up Status of Must Recommendations 2018/19

Follow Up Status of Must Recommendations

0
6
12
38

- Fully Implemented
- Partially Implemented
- Not Applicable
- Not implemented
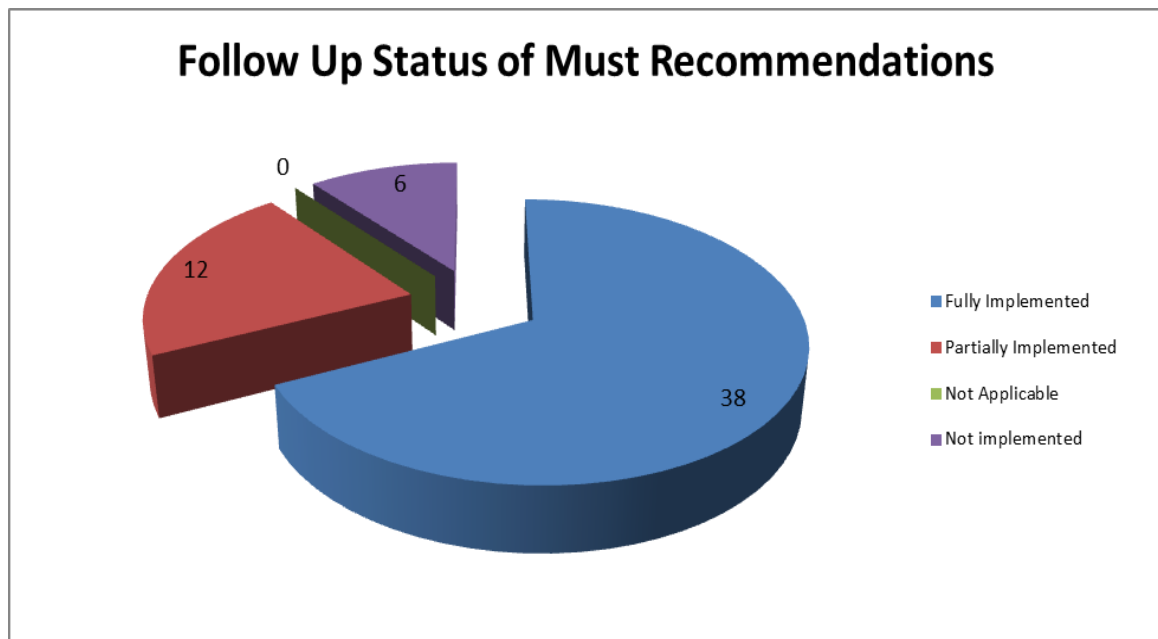
2.4.9   Where we have particular concerns about the implementation of recommendations we will undertake further "physical" follow up exercises where documentation will be reviewed and further testing undertaken.

Other Sources of Assurance:

2.4.10 In addition to the internal audit work carried during the year, we have gained assurance on a number of the Council's processes from other internal and external sources. The sources of assurance include:

- The Council's Management Accountabilities Framework (MAF) reporting arrangements and challenge process;
- The annual Directors' assurance certificates;
- The external auditor's annual audit letter and certification report;
- The results from the Public Service Network (PSN) compliance testing of the Council's IT infrastructure and the penetration testing of the perimeter network;
- The result of the Council's self-assessment for compliance with the NHS Data Security & Protection Toolkit (DSPT);
- The reports from the inspections by Ofsted and the Care Quality Commission of the Council's services. We also consider relevant school Ofsted inspection reports when carrying out our school visits.

2.4.11 The "red" priority thematic areas of concern from the MAF are reported to the Audit & Governance Committee on a six monthly basis. The reporting of the half year "red" areas did not identify any further challenges from the Audit & Governance Committee. The results of the year end exercise are reported to the June Committee meeting. An initial review of the Directors Dashboard reports did not identify any significance issues that would require consideration as part of the annual audit opinion.

2.4.12 All Directors and the Deputy Chief Executive were required to complete a statement of assurance each year regarding the governance arrangements, including risk management and internal control arrangements for their areas of responsibility as part of the process to produce the Council's Annual Governance Statement. Completed statements of assurance were received from all these officers. All directors confirmed that they were satisfied that "a sound system of governance was in place throughout the year ended 31 March 2019 and is ongoing".

2.4.13 The audit approach used by the Council's external auditors includes an evaluation of the Council's internal control environment. The auditors gave an unqualified opinion on the Council's financial statements for the year ended 31 March 2018 on 31 July 2018. They also concluded that the information published with the financial statements was consistent with their knowledge of the Council and with the audited statements, and that proper arrangements were in place, in all significant respects, to secure economy, efficiency and effectiveness in the Council's use of resources.

2.4.14 Following their interim work for 2018/19, in April 2019 Grant Thornton reported to the Audit & Governance Committee that they had commenced their interim work and that there were no issues they needed to bring to the Committee's attention from the work completed to date. They also noted that their work has not identified any material weaknesses which are likely to adversely impact on the Council's financial statements. Their testing was on going at the time of the

report but they had not identified any concerns they needed to bring to the Committee's attention at that time.

2.4.15   The Council's ICT network was assessed for compliance with the PSN Code of Connection during 2018/19.   The results demonstrated that the Council meets the agreed standards of the PSN Code of Connection that the ICT infrastructure is sufficiently secure to connect to the PSN.   As such it does not present an unacceptable risk to the security of the network.

2.4.16   An external security assessment of the Council's ICT perimeter network was carried out in May 2018, including and external network penetration test.   The primary purpose was to check for security misconfiguration and other weaknesses that could lead to system compromise and access to sensitive or valuable information. The conclusion from the project was that the overall security posture of the perimeter network was good.

2.4.17   The Council's evidence submission for the 2019/20 NHS DSPT was approved by the Council Senior Information Risk Officer.   The relevant evidence for the 40 modules required to achieve compliance has been uploaded and has been accepted by the NHS assessors and published on the DSPT website.   This provides assurance on the arrangements in place for the management and security of data and will enable the Council to continue to exchange data with NHS bodies.

2.4.18   Progress of the Single Inspection Framework Inspection Action plan from the December 2017 Ofsted report on services for children and young people in Blackburn has been monitored by the People Overview & Scrutiny Committee during 2018/19. Ofsted carried out a follow up inspection in November 2018 which focused on the Council arrangements for children in need and those subject to a child protection plan. The report concluded that children who are at immediate need are protected. It noted that the quality of most of the help and protection services remained the same as the last inspection, with some improvements to some aspects of the service. However it also reported the ability to improve the quality of practise considered in the visit had been impacted by a lack of progress in some key areas.

2.4.19   Ofsted carried out inspections at two local authority residential homes during the year.   These were judged as good, retaining their previous assessments.

2.4.20   The number of schools that are providing a good or better education as deemed by Ofsted has risen from 76% to 81%, which has brought us closer to national and regional averages.   This progress is something that the School Improvement Board and Local Authority want to sustain.   The rise is as a result of some schools remaining consistently good and some on their way to outstanding through good leadership. It is also due to the targeted support by the School Improvement Board, along with the local authority, for schools who were in an Ofsted window or who were vulnerable through data. Of the 14 schools who were assessed as requires improvement or lower 9 (64%) are academies or free schools which in turn lowers the percentage overall for the borough.

2.4.21   Having noted all of the above, it is striking that while the overall achievement of Blackburn with Darwen pupils at the end of Primary and Secondary school is relatively strong within the region (and nationally), the inspection grades for local schools lags behind and is less positive, which is something that was raised with the Inspectorate at Blackburn with Darwen's annual conversation.

2.4.23 Our planned work, other/unplanned work, follow ups and other sources of assurance has not identified any serious concerns in relation to the Council's systems of risk management, control and governance.

2.5   Impairments/Restrictions in Scope

2.5.1   No limitations have been placed on the scope of work carried out by Internal Audit during 2018/19. Audit recommendations have been made based on the findings from each review. These have been discussed and agreed with the managers responsible for each area reviewed. Action plans have been agreed for each audit report issued. Implementation of the recommendations, as per the agreed action plans, is followed up to confirm that the agreed recommendations have been implemented.

2.5.2   The Head of Audit & Assurance has line management responsibility for the Council Insurance team in addition to Internal Audit. However internal audit staff had no direct operational responsibility or authority over any of the activities audited in 2018/19. We can therefore confirm the organisational independence of the Internal Audit activity.

SECTION 3 – INTERNAL AUDIT PERFORMANCE/QUALITY ASSURANCE

3.1   Comparison of Actual and Planned Work

3.1.1   The Audit & Assurance Plan was approved by the Audit Committee on 10 April 2018 and it was then anticipated that Audit & Assurance would have staff resources amounting to 744 days for internal audit assignments and counter fraud work.

3.1.2   Internal Audit was able to deliver a total of 495.8 days (66.6%) against the approved Audit & Assurance Plan of 744 days, which can be summarised as follows:

Audit & Assurance Plan Against Actual 2018/19 (Days Achieved)
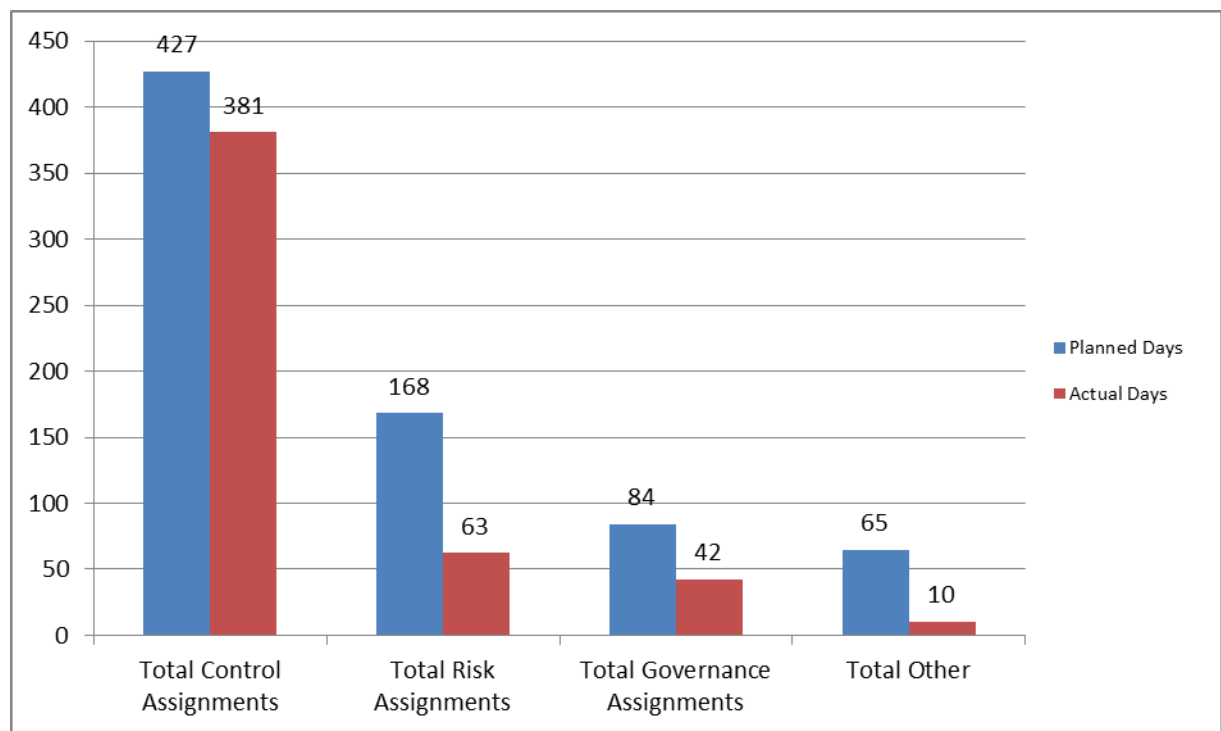
3.1.3   A revised Audit & Assurance Plan (reduced to an estimated 726 days for internal audit and counter fraud activity) was approved by the Audit & Governance Committee on 15 January 2019. The short fall in days arose due to delays experienced in recruiting to one of the Internal Auditor posts, which became vacant on 19 August, an unplanned extension to the time that Audit staff resources were required to provide cover and support to the Insurance team in order to ensure that insurance claims and associated processes were managed effectively and extra time dealing with staffing, and recruitment matters and on the job training within the team.

3.1.4   There was a further reduction in the staff resources for the internal audit plan in February when the newly appointed Internal Auditor left the Council without notice, after only a month in the role. However despite this the days achieved against the original and revised Audit & Assurance Plan are considered sufficient to provide an opinion on the effectiveness of risk management, control, and governance processes within the constraints that are being placed upon the Council and Audit & Assurance.

3.2   Key Achievements 2018/19

3.2.1   Despite the reduction days available Internal Audit was able to deliver sufficient audit assignments to provide an overall opinion on the risk, control and governance environment in place within the Council. The following exhibit shows Internal Audit was able to deliver 41 assignments, which is 43% less than those originally planned (72), but in line with the revised plan (47). It should also be noted that 13 planned reviews were in progress at 31 March 2019.

Exhibit 7: Internal Audit Plan Against Actual 2018/19 (Assignments Delivered)
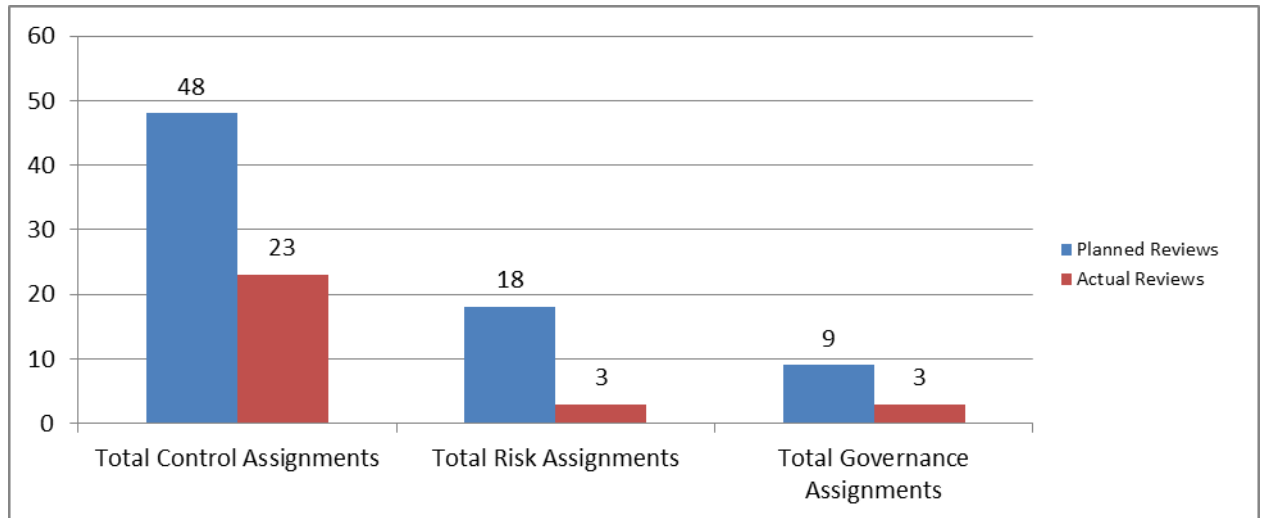
3.2.2   We consider that the volume of audit assignments completed in relation to risk management, control and governance, along with the other work carried out on these areas by Audit & Assurance staff is sufficient to allow us to provide an overall opinion on each of those Council processes.

3.2.3   The Audit & Assurance Plan is prioritised according to the level of risk associated with each audit assignment. A Priority 1 (highest level) assignment is "a strategic risk or fundamental review required to provide a statutory opinion for the Annual Governance Statement". The 2018/19 Audit & Assurance Plan included eight Priority 1 audit assignments. With the exception of the Sport England Grant review, all of these (87.5%) have been delivered in 2018/19 or were in progress at the year end. The findings to date, of the priority 1 reviews completed or in progress at the year end, have not identified any significant areas of concern which would impact on the annual overall opinion provided. The work on the Sports England Grant has been carried forward to 2019/2020 as the details of the grant requirements and investment framework were not finalised until late in March.

3.3   Key Performance Information

3.3.1   The Finance & IT Department's Business Plan and Audit & Assurance Plan included a number of measures to assess the performance of Internal Audit in terms of its achievement and quality. The actual performance against these targets for 2018/19 (together with the 2017/18 performance) is shown in the following table.

Internal Audit Performance 2018/19

Performance Measure	Target	Actual 2018/19	Actual 2017/18
Delivery of Priority 1 Audits	100%	100%	100%
Planned Audits Completed Within Budget.	90%	**70%**	**71%**
Final Reports Issued Within Deadline	90%	100%	95%
Follow Ups Undertaken Within Deadline	90%	**61%**	**82%**
Recommendations Implemented	90%	90%	**89%**
Client Satisfaction	75%	100%	100%
Compliance with PSIAS	95%	99%	99%

3.3.2 The actual performance against these targets was reported to each Audit Committee meeting during 2018/19. Explanations were also provided where our performance did not meet the expected target.

3.4 Benchmarking

3.4.1 Internal Audit has not undertaken any benchmarking since 2016/17 when we participated in the CIPFA Audit Benchmarking Club, as the number of authorities participating in this benchmarking process has reduced over the years making it difficult to find similar authorities for comparative purposes.

3.4.2 The results of the most recent exercise were presented to the Audit & Governance Committee as part of the 2016/17 Annual Report and are included below for reference. The Council's internal audit service (shown on the bar charts as the "black bar") was compared with 9 other near-comparators (based upon Council gross revenue turnover (GRT), service structure and internal audit delivery arrangements). The key benchmark of "mainline audit days per £million of gross turnover" identified the following for 2015/16 (2.4 days compared to an average of 3.9 days) and 2016/17 (2.3 days compared to an average of 3.8 days):

2015/16 Actuals: Mainline audit days per £'m gross turnover

2016/17 Plan: Mainline audit days per £'m gross turnover
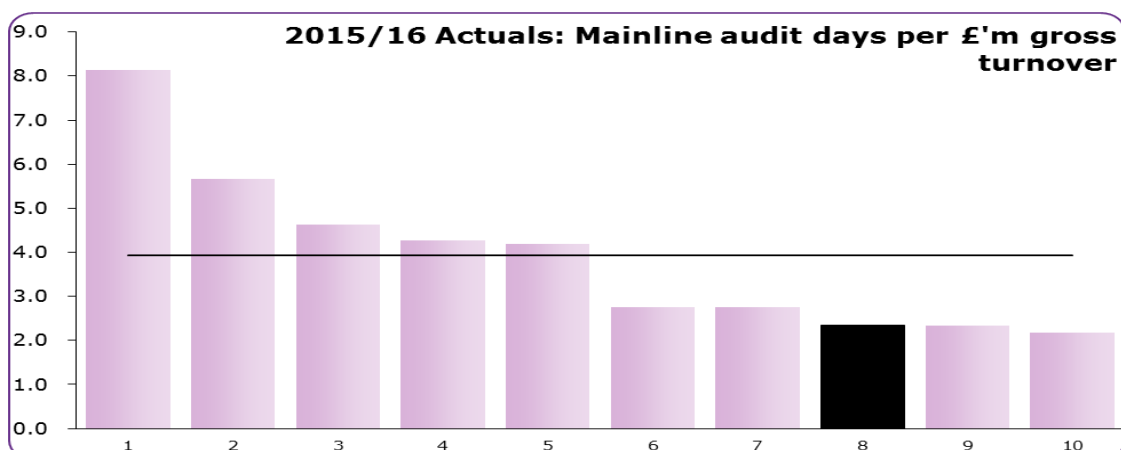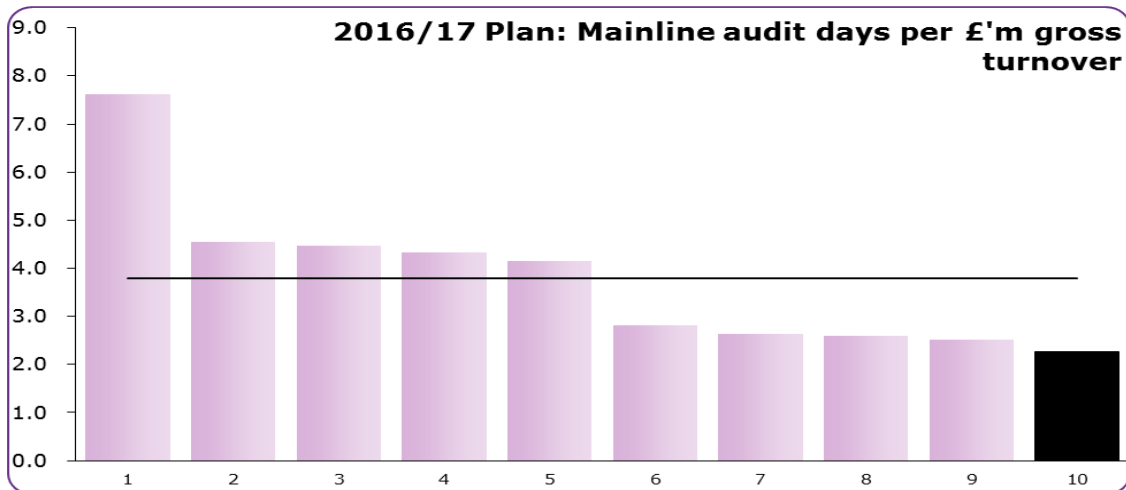
It should be noted that the figures for 2016/17 were prepared on the basis of the planned audit days deliverable per the Audit & Assurance Plan approved on 12 April 2016.

3.5 Quality Assurance

3.5.1 The Quality Assurance & Improvement Programme (QAIP) was presented to the September 2016 Committee meeting. The QAIP covers all aspects of internal audit activity and enables conformance with the PSIAS to be evaluated. A key objective of the QAIP is to assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. This is achieved through both internal and external assessments. A summary of the QAIP is attached at Appendix C.

3.5.2 During 2018/19 the Head of Audit & Assurance has had operational involvement in the ongoing quality monitoring process as a result of the staffing restructure. This has involved reviewing the work of the Principal Audit & Assurance Officers and quality assuring the final reports of all staff. This allows the Head of Audit & Assurance to ensure consistent application of the quality standards and to review the process to identify opportunities for improvement.

3.6 Statement of Conformance with the Public Sector Internal Audit Standards (PSIAS)

3.6.1 From 1 April 2013 Audit & Assurance has been required to comply with the requirements of the PSIAS. Our assessment is that we comply fully or partially with 330 of the 334 elements (99%) of the Standards. The areas of non-conformance are as follows:

Exhibit 10: PSIAS Non-Conformance 2015/16

Conformance with the Standard	No
1300 Quality Assurance and Improvement Programme	
If the organisation is a 'larger relevant body' in England, does it conduct a review of the effectiveness of its internal audit at least annually, in (accordance with the Accounts and Audit (England) Regulations 2011 section 6(3)?	1#
2450 Overall Opinion	
Does the annual report incorporate the following:	
h) The results of the QAIP?	1*
i) Progress against any improvement plans resulting from the QAIP?	1*

The Accounts & Audit Regulations 2015 states that organisations are no longer required to undertake an annual review of effectiveness of internal audit as there is an overriding requirement to undertake an external assessment.

* Section 3.5 and Appendix B of this report demonstrates the implementation of these actions.

3.6.2 This analysis shows that the Council's Internal Audit function is generally in conformance with the PSIAS. Furthermore, the results of the PSIAS Peer Review assessment, carried out by independent Head of Audit colleagues from the North Wets Chief Auditors Group (NWAG), (reported to the April 2016 Committee meeting) confirmed that the Council's internal audit team conforms to the PSIAS across all areas of focus:

Exhibit 11: PSIAS Summary Peer Review Assessment 2015/16

Area of Focus	Judgement
Purpose & Positioning	Conforms
Structure & Resources	Conforms
Audit Execution	Conforms
Overall Judgement	**Conforms**

3.6.3 The NWAG Peer Review sub group prepared a report setting out the overall summary of the findings of the reviews carried against the PSIAS across the 17 participating authorities following the completion of reviews earlier in the year. Fourteen of the authorities were assessed as conforming with the PSIAS and three as partially conforming. The report included an outline of the common themes and findings arising from the reviews.

3.7   Improvement Plans for 2019/20

3.7.1 No significant areas for improvement have been identified for 2019/20 from the results of the quality assurance process in place within Audit & Assurance. Following the completion of the service review of the Audit & Assurance team and the implementation of the revised structure the Team has focussed on ensuring that it continues to deliver an effective and improving service. Audit management will continue to work with senior management to ensure that systems in operation to promote effective control, risk management and governance are adequate in the current evolving transformational climate. The team will also continue to maintain and improve its corporate visibility to take every opportunity to market itself to the organisation, particularly at lower levels of management and operational areas of management, emphasising the added value that it offers.

3.7.2 The common themes identified in the NWAG Peer Review overall summary report will be reviewed during 2019/20 to ensure that these areas are considered as part of the on-going development and improvement for Audit & Assurance, where applicable.

SECTION 4 – ANNUAL GOVERNANCE STATEMENT

4.1   Criteria for Identifying Issues Relevant to the Annual Governance Statement

4.1.1   The CIPFA (Chartered Institute of Public Finance & Accountancy) and APB (Auditing Practices Board) guidance suggests the following criteria should be applied when judging what may constitute a significant control issue for the purposes of disclosure in the Annual Governance Statement:

- the issue has seriously prejudiced or prevented achievement of a principal objective;

- the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant a diversion of resources from another aspect of the business;

- the matter has led to a material impact on the accounts;

- the issue or its impact has attracted significant public interest or has seriously damaged the reputation of the organisation; or,

- the issue has resulted in formal action being taken by the Chief Financial Officer or Monitoring Officer.

4.2   Issues Relevant to the Preparation of the Council's Annual Governance Statement

> In our opinion none of the qualifications that inform our annual internal audit opinion constitute a material weakness in the Council's overall governance framework that requires disclosure in the Annual Governance Statement.

Audit & Assurance Plan & Actual 2018/19

Audit Assignment	CLASSIFICATION	Priority	18/19 Days	Actual Day	Assurance Opinion	
					Control	Compliance
Personalised budgets/Direct payments (WIP 2018/19)	Control	2	10	7.6		
Commissioning/Contract Management - Adults	Control	2	15	0.6		
Private Care Home Contract Payments	Control	2	10	0		
Commissioning/Contract Management - Childrens	Control	2	10	0		
Fostering recruitment, retention and payments (WIP 2018/19)	Control	3	10	14		
Finance Transactional Team	Control	3	10	0		
Audits of Schools Finance systems	Control	3	3	1.8		
St Pauls CE Primary (WIP 2017/18)	Control	3	0	0.5	Adequate	Adequate
Ashworth Nursery	Control	3	5	9.3	Adequate	Adequate
Cedars Primary School	Control	3	5	9.8	Substantial	Adequate
Longshaw Nursery (WIP 2018/19)	Control	3	5	8	Control	
St Francis CE Primary School	Control	3	5	11.1	Adequate	Adequate
Longshaw Juniors	Control	3	5	9.7	Adequate	Adequate
Blackburn Central High School	Control	3	5	10.3	Adequate	Adequate
Children's Centres	Control	3	10			
Volunteers/Demand Management	Control	2	10	1.8		
LTP Grant Requirement	Control	1	5	5.7	n/a	n/a
Bus Subsidy Grant	Control	1	5	2.1	n/a	n/a
Highways Asset Valuation/Data Management Strategy/Achievement of DfT Highway Asset Mgmt. Band 3 (WIP 2018/19)	Control	2	10	2.9		
Planning Performance Improvement Plan / New Planning system/Under performance on planning.	Control	2	10	1.1		
Arrangements re use of Contractor and Development Framework	Control	3	10	0		
New Section 106 Procedures	Control	3	10	0.6		
Transport Procurement/Fleet Management	Control	3	10	0		
New Leisure Mgmt System	Control	3	10	0.1		
Income billing and collection - parking/bus lane enforcement and bereavement services	Control	3	10	0.7		
Police & Crime Commissioner Grant	Control	1	5	8.8	Adequate	Limited
Payroll - Core system (WIP 2018/19)	Control	2	20	28.8		
Governance arrangements	Control	2	10	0		
Ownership disputes relating to sale of land and buildings	Control	3	10	0		
Mileage Payments/ Staff Expenses (WIP 2018/19)	Control	3	10	22.8	Adequate	Limited
Equality Act Reporting	Control	2	10	10.3	Adequate	Adequate
Main Accounting System - including account reconciliation's (WIP 2018/19)	Control	1	10	2.9		
Creditors/E-Procurement	Control	2	10	0		
Council Tax	Control	2	10	12.4	Adequate	Adequate
VAT Mis-Management	Control	2	10	23.3	Adequate	Limited
Sundry Debtors	Control	2	10	3.7		
NNDR	Control	3	10	11.9	Adequate	Substantial
Adults Off System Commissioning - Addition to Plan	Control	2	0	20.5	Adequate	Adequate
Treasury/Cashflow Management	Control	3	5	0		
Internal Controls - Filtering system and reporting notifications	Control	3	10	0.6		
Off Payroll Engagement - IR35 (WIP 2017/18)	Control	2	0	2	Limited	Limited
Overtime / Additional Hours (WIP 2018/19)	Control	2	7	12.7		
KGH Events Management (WIP 2017/18)	Control	2	1	4.2	Adequate	Adequate
Capital Programme/Budget Monitoring (WIP 2018/19)	Control	2	4	9.1	Adequate	Adequate
Main Accounting System (WIP 2017/18)	Control	1	1	2.6	Substantial	Substantial
Severance Payments (WIP 2018/19)	Control	2	1	1.7	Adequate	Adequate
Corporate Procurement (WIP 2018/19)	Control	2	2	9.1	Substantial	Adequate
Payroll - Core System (WIP 2017/18)	Control	1	10	14	Adequate	Adequate
Income Collection and Mgmt (WIP 2017/18)	Control	2	3	5.8	Adequate	Substantial
Total Control Assignments			**367**	**304.9**	**23 (48)**	

Audit Assignment	CLASSIFICATION	Priority	18/19 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Client case management system - Mosaic (WIP 2018/19)	Risk	1	10	14.3		
Transitional Arrangements : Children to Adult Care	Risk	3	10	0		
YPS educational trips and visits risk assessment and approval system and process. (WIP 2018/19)	Risk	2	10	4.6		
Ofsted Inspection Framework	Risk	2	5	0		
Section 17 Payments/Financial Support to Families	Risk	3	10	0		
Pupil Transport (WIP 2018/19)	Risk	3	10	3		
Health in all policies	Risk	3	10	1.1		
Radicalisation leading to residents and the property of the Borough coming to harm - Prevent	Risk	2	10	0		
Homelessness Prevention Strategy - Impact of Universal Credit	Risk	2	10	0		
Budget Setting & Control (WIP 2018/19)	Risk	1	10	2.1		
Deterioration of the highways network in particular road surfaces. HAMIS	Risk	2	10	0		
Growth Strategy (WIP 2018/19)	Risk	2	10	3.2		
DOLS and COP Applications & Public Law Outline	Risk	3	10	0		
Failure to prevent data loss (Information Governance) (WIP 2018/19)	Risk	1	10	4		
Software licencing/Asset Management	Risk	3	10	0		
Performance Indicators/Data Quality (WIP 2018/19)	Risk	3	10	4		
Budget Setting & Control (WIP 2017/18)	Risk	1	3	4.3	Substantial	Substantial
Public Protection, Inspections (WIP 2017/18)	Risk	2	1	1	Adequate	Adequate
Highways (WIP 2017/18)	Risk	2	9	20.9	Adequate	Adequate
Total Risk Assignments			**168**	**62.5**	**3 (19)**	

Audit Assignment	CLASSIFICATION	Priority	18/19 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Social Determinants of Health Fund	Governance	2	10	0		
Departmental Strategic Management and Governance and Officer Delegation	Governance	2	10	0		
Growth deal Round 3 - Haslingden Rd/South East Blackburn/Furthergate	Governance	3	10	0		
Sports England Grant - Pennine Lancashire Pilot	Governance	1	5	0.6		
Review of Financial Regulations, SFIs, etc.	Governance	2	5	2.3		
Capita Partnership - Contract Mgmt (WIP 2017/18)	Governance	1	2	5.2	Adequate	Adequate
Project Management (WIP 2017/18)	Governance	2	1	2	Adequate	Adequate
Social Determinents of Health (WIP 2017/18)	Governance	2	4	7.1		
Partnership Arrangements (WIP 2017/18)	Governance	2	2	3.8	Substantial	Adequate
Total Governance Assignments			**49**	**21**	**3 (9)**	

Audit Assignment	CLASSIFICATION	Priority	18/19 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Other Audit Work						
Follow up work	Governance	1	10	7.3		
Audit Committee	Governance	1	15	11.6		
Liaison with external audit	Other	1	5	0.7		
Audit Committee Annual Report/Evaluation	Governance	1	5	2		
A & A Client liaison/Queries	Other	2	15	6.7		
A & A Client liaison/DMT attendance	Other	2	10	0.9		
A & A Client liaison/Project Groups	Other	2	10	1.8		
Contingency	Other	2	25	0		
Total Other			**95**	**31.00**		
Other Fraud Work						
Review of Counter Fraud Strategy	Control	1	5	0.4		
National Fraud Initiative (NFI)	Control	1	20	16		
Counter Fraud Annual Plan/Report	Governance	1	5	0.3		
Reactive investigations	Control	2	15	59.4		
Proactive Fraud Testing	Control	2	10	0.3		
Review/Monitor Fraud Risk Register	Control	2	5	0		
Fraud awareness and whistle blowing initiatives	Control	2	5	0		
Counter Fraud Activities			**65**	**76.4**		
Total Internal Audit & Counter Fraud			**744.00**	**495.80**		
Other Risk Work						
Annual Gov Statement	Governance	1	10	10.1		
MAF and MAF Challenges	Governance	1	10	13		
Risk Management Support	Governance	1	5	5.3		
Road Risk Mgmt Group	Governance	1	5	5.1		
Review/Monitor Corporate Risks	Governance	1	5	0.4		
Review Monitor Departmental Risks	Governance	1	10	0.1		
Business Continuity Champions Meetings	Governance	1	4	0.6		
Risk Annual Plan/Report	Governance	2	5	2		
Risk Management Activities			**54**	**36.6**		
Grand Total			**798**	**532.4**		

Summary of Internal Audit Opinions 2018/19

	Control	Governance	Risk
Substantial	1	1	1
Part Substantial	4	0	0
Adequate	12	2	2
Part Limited	3	0	0
Limited	1	0	0
No	0	0	0
NA	2	0	0
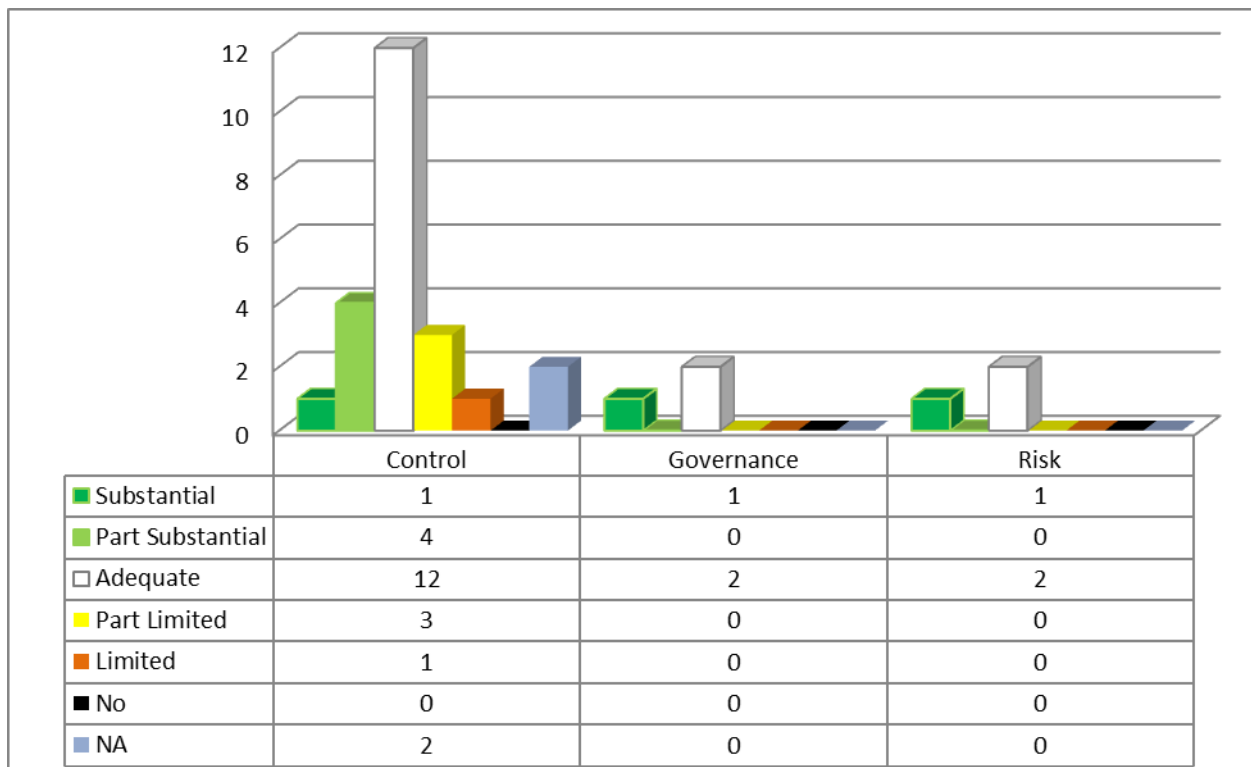
Summary of Other/Unplanned Work 2018/19

Audit Days 2018/19
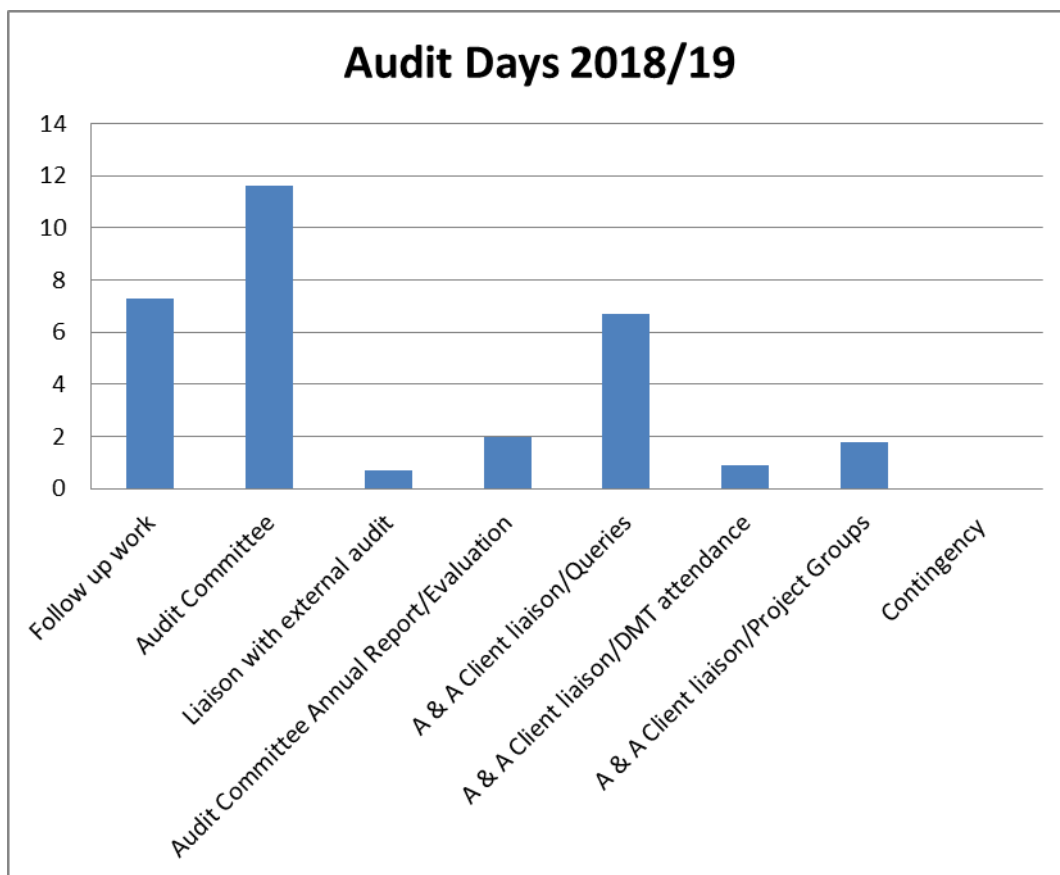
Appendix B

Summary Quality Assurance & Improvement Programme Activities

Activity	Frequency	Responsibility	Reporting
Internal Assessments – Ongoing Monitoring			
Review of internal audit charter, audit policies and procedures	Annual	Head of Audit & Assurance	Annual Plan to Audit & Governance Committee
Agree performance metrics for internal audit	Annual	Head of Audit & Assurance/Director of Finance & IT	Annual Plan to Audit & Governance Committee
Allocation of audit assignments to appropriate internal auditors	Each Assignment	Head of Audit & Assurance/Principal Audit & Assurance Officers	Annual Report to Audit & Governance Committee
Review of audit assignments	Each Assignment	Head of Audit & Assurance /Principal Audit & Assurance Officers	Annual Report to Audit & Governance Committee
Moderation and approval of internal audit reports	Each assignment	Head of Audit & Assurance/ Principal Audit & Assurance Officers	Annual Report to Audit & Governance Committee
Customer survey/questionnaire	Each Assignment	Head of Audit & Assurance/Principal Audit & Assurance Officers	Quarterly Progress Report to Audit & Governance Committee
Analyse performance metrics of internal audit activity	Quarterly	Head of Audit & Assurance	Quarterly Progress Report to Audit & Governance Committee
Discuss performance of internal audit activity	Monthly	Head of Audit & Assurance	Team Meeting Minutes
Discuss performance with individual internal auditors	Monthly	Head of Audit & Assurance/Principal Audit & Assurance Officers	HoIA 121s and Finance & CS DMT
Internal Assessments – Periodic Self-Assessments			
Self-Assessment against PSIAS	Annual	Head of Audit & Assurance	Annual Report to Audit & Governance Committee
Review of QAIP	Annual	Head of Audit & Assurance	Annual Report to Audit & Governance Committee
Progress against the audit & assurance plan/completion of priority 1 audits	Annual	Head of Audit & Assurance	Review of Audit Plan to Audit & Governance Committee
Appraisal of Head of Audit & Assurance	Annual	Director of Finance & CS/Chief Executive/Chair of Audit & Governance Committee	Finance & CS DMT
Appraisal of auditors including objective/target setting against agreed skills & competencies.	Annual	Head of Audit & Assurance/Principal Audit & Assurance Officers	Finance & CS DMT
Client Satisfaction Survey	Annual	Head of Audit & Assurance	Annual Report to Audit & Governance Committee
Benchmarking review of internal audit services	Every 3 Years	Head of Audit & Assurance	Annual Report to Audit & Governance Committee
External Assessments			
Assessment against PSIASs	Every 5 Years	Head of Audit & Assurance	PSIA Report to Audit & Governance Committee

Blackburn with Darwen Borough Council

**Annual Governance Statement
for the year ended 31 March 2019 and up to the
date of the June 2019 Audit & Governance
Committee**

ANNUAL GOVERNANCE STATEMENT

Foreword by the Chief Executive – Chair of the Primary Assurance Group

Blackburn with Darwen Borough Council recognises that there always will be risks that it must manage effectively. Whilst it recognises that due diligence will not always ensure that it gets things right first time, it continues to put in place assurance frameworks and enhance existing arrangements that are intended to ensure that its system of governance is fit for purpose and has flexibility to meet the challenges that the change agenda brings.

The Resources Directorate has continued to promote the Council's strategic approach to governance and assurance. The key developments and on-going arrangements in governance in 2018/19 included:

- Continuing review and refresh of the Council's Constitution.
- Completion and review of director assurance statements, which closely reflect the seven principles of good governance in support of the Annual Governance Statement.
- Ongoing work to implement the information governance strategy and related policies and procedures, including work to ensure compliance with the requirements of the General Data Protection Regulations.
- The May 2018 External IT Health Check Review, which included penetration testing, concluded the overall security posture of the Council's perimeter IT network was good.
- Evidence was submitted for the 2019/20 NHS Information Governance Toolkit to achieve compliance and enable the Council to continue to exchange data with the NHS.
- Completion of the Local Government Cyber Security Stocktake to provide an overall assessment of the Council's cyber security arrangements.
- Continuing embedding of information security awareness through the refresh of the e-learning toolkit, and monitoring staff completion of training.
- The implementation of a Counter Fraud Risk Register and on-going participation in the National Fraud Initiative.
- Ongoing use and review of the risk register template to improve the monitoring arrangements.
- Revision of the Medium Term Financial Plan and Capital Programme.
- Annual Audit & Governance Committee self-assessment arrangements to evaluate its effectiveness.
- The on-going formalised, structured member training and development programme including mandatory and optional courses.
- The Audit & Governance Committee routinely inviting senior officers to attend meetings and holding them to account for actions to address significant issues identified by Audit & Assurance.
- The review of significant partnerships and external bodies the Council is represented on to confirm the Council representation is appropriate and the governance arrangements in place are adequate.
- Detailed review and challenge of corporate risks by the Audit & Governance Committee.
- The Local Government Association (LGA) Corporate Peer Challenge concluded that the Council demonstrates a deep understanding of its local place and the challenges and opportunities these present for communities across Blackburn with Darwen.

SCOPE OF RESPONSIBILITY

Blackburn with Darwen Borough Council (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 and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Audit & Governance Committee fulfils the core functions of an audit committee, as identified in CIPFA's *Audit Committees - Practical Guidance for Local Authorities and Police (2013 Edition).* It monitors and responds to the work of internal and external audit and has overall responsibility for reviewing the framework of corporate governance.

The Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government 2016". A copy of the Code is on our website at www.blackburn.gov.uk; it is contained within the Constitution. This statement explains how Blackburn with Darwen Borough Council has complied with the code and it meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and it can therefore only provide reasonable, and not absolute, assurance of effectiveness. It is based on a continuous process that is designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of both those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Blackburn with Darwen Borough Council for the year ended 31 March 2019 and up to the date of approval of the annual statement of accounts.

THE GOVERNANCE FRAMEWORK

The Council has had robust corporate governance and management arrangements in place for many years which have led to good financial management, the delivery of efficiencies and planned investment in priorities. The Council is already implementing improvements to these business systems and processes.

Some of the key features of the governance framework are set out in the following paragraphs.

1. **Identify and communicate the vision and intended outcomes for citizens and service users.**
   The Council has a Corporate Plan in place which is reviewed annually and approved at Policy Council. This was developed using the latest information about the needs of the people of Blackburn with Darwen including the challenges and opportunities it faced as an organisation and borough at that time, as well as responding to issues that residents identified, focusing on what is needed to achieve the identified priorities over the period of the plan. The plan is published on the Council website.

   Corporate Plan targets are monitored at departmental management team meetings prior to being taken to, six monthly challenge meetings, at quarter 2 (half-year reporting) and quarter 4 (year-end reporting) with directors from Resources, People and Place, the Deputy Chief Executive and a policy, research and partnerships team officer.

   The challenge meetings provide a robust integrated performance challenge framework that focuses on identifying key issues and cross-cutting problems from the Corporate Plan performance metrics, Management Accountabilities Framework (MAF) dashboard reports and HR issues, such as sickness and Health & Safety, are also challenged for all portfolios. Highlighted issues are discussed fully and remedial actions agreed.

   Priority issues are highlighted for progression to executive team prior to being included in the Executive Board performance reports which are challenged at Policy Development Sessions (PDS) by the leader and executive members prior to final overall performance reporting and challenge at Executive Board or at Policy Council.

   The LGA Corporate Peer Challenge in December 2018 noted that the Council benefits from widely respected political and managerial leadership. The confidence that partners have in the Council is in part inspired by its track record in stepping up to its responsibilities in partnerships across Lancashire and by its ability to deliver. Political and managerial leaders are experienced and, along with wider membership of the Council and staff, are passionate and committed to the area. This gives the Council a clear understanding of the place and its communities.

   Council Forum in March 2019 agreed the refresh of a new corporate plan for 2019-2023. This has gone through extensive consultation with residents, staff and members. The new corporate plan will be launched after Annual Council in May 2019.

   The Medium Term Financial Strategy (MTFS) is reviewed at Finance Council, and builds upon the priorities agreed at Policy Council and identified within the Corporate Plan.

2. **Review the vision and its implications for the authority's governance arrangements.**

The Council's vision is guided and influenced by the longer term community vision, which is owned by the Local Strategic Partnership (LSP) and is currently encapsulated within the 2030 vision statement. In addition to this the LSP developed a medium term plan, "Plan for Prosperity 2014-20", which was endorsed by the Local Government Association Health and Wellbeing Board peer review team.

The Council reviews its vision, which is focused on short to medium term ambitions, as and when required, for example when new priorities emerge or if there is a change of leadership. Changes to the vision and ambitions are generally consulted upon with executive members, chief officers and overview and scrutiny chairs, prior to annual Policy Council, which discusses and ratifies the vision and priorities.

The Council achieves good governance by working with the LSP to provide the vision for its communities and leading by example in its decision-making processes and its service delivery.

3. **Translate the vision into objectives for the authority and its partnerships.**

The Council plays a key role within the Blackburn with Darwen LSP, which is made up of representatives from the public sector, local business and the voluntary, community and faith sectors. The aim of the partnership is to help make the borough the best it can possibly be, and all members of the LSP are committed to delivering improvements for the borough, which are outlined in the Plan for Prosperity.

The priorities are:
- Infrastructure and housing
- Business investment and innovation
- Employability
- Quality of life
- Image and marketing

The Council continues to place these at the heart of everything it does, and all of our delivery priorities outlined within the Corporate Plan help us contribute to delivering on the vision.

During 2018 the LSP transformed its programme to an annual summit. The first ever LSP Annual Summit took place in October 2018 and was attended by over 100 delegates. The summit was designed to update partners and stakeholders on activity across four key themes over the last 12 months and consider key priorities to take forward.

The four themes were health and wellbeing; social integration; growth and business; employment and skills. Consideration was also given to emerging policy initiatives from Government and more locally, to agree key actions and also gather early thoughts for the next iteration of the LSP Strategic Partnership Plan 2020 to 2030. We were delighted that the Rt Hon Alan Milburn, Chancellor of Lancaster University attended as our guest speaker.

Current economic and social issues were also discussed, including planning for Brexit, the challenges faced by our residents, and the continued regeneration of the area to attract businesses and jobs to the borough.

As well as focusing on growth, employment and skills, opportunities up to 2020, from healthcare pressures and wellbeing, social integration, volunteering, Your Call, and community safety.

Business leaders discussed the next steps for promoting the borough and leading efforts to make the area more attractive to business, investors and visitors.

LSP partners also began to look at developments long term to take the partnership and the borough forward to 2030.

The LGA Corporate Peer Challenge team found that partners have confidence in the Council, both locally and across the region. The Council is seen as an effective partner across the region, able to step up when partners have had to address other issues.

At the same time as consulting on the vision and ambition, the Council's policy, research and partnerships team worked with officers to identify what will be done to deliver the ambition and how progress against this delivery will be measured. This is currently encapsulated within the Technical Appendix that accompanies the Corporate Plan.

The policy, research and partnerships team also work with service departments to ensure that appropriate responsibilities for delivery are built into departmental business plans. The agreed performance measures and activities are then monitored through the Performance Management Framework.

4. **Measure the quality of services for users.**
In the Council's 2014 Residents Survey, more than seven out of ten (70%) of respondents to the question "Overall, how satisfied or dissatisfied are you with the delivery of council services" reported that they were either very or fairly satisfied overall with the delivery of council services.

The Council undertook a further resident survey in autumn 2018 to gain a better understanding of the opinions and views of residents and their priorities. Survey methodology was via a random sample postal survey and an online survey published on the Council website.

Respondents reported the highest level of satisfaction with refuse collection and doorstep recycling (68%) and sport and leisure facilities (66%) out of the services listed. Almost three quarters (73%) thought that the Council promotes a good image of the Borough 'a great deal' or 'to some extent'. A large proportion also felt that the Council treats all types of people fairly 'a great deal' or 'to some extent' (67%) and uses new technology to deliver services well (63%).

Customer / resident satisfaction with the services they receive, for the council tax that they pay, has always been a key priority for the Council, and as such key measures are included in the current Corporate Plan and customer service is an embedded principal

in all council work and specific arrangements exist within statutory services around adults and children social care.

5. **Define and document the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements.**

The Council is legally and constitutionally obliged to maintain and keep up to date its constitution. The Council Constitution was updated in May 2018 to reflect the resolutions/decisions made at Full Council since December 2017. This included changes in organisational structure previously noted and agreed, statutory changes and changes to the delegations.

The annual update also reviewed Executive Member portfolio responsibilities and the Council's strategic objectives. Amendments are made as necessary during the course of the year to reflect changes in the law and others changes which would require full Council approval. The Constitution is due to be further reviewed and updated this year to reflect the further changes to the organisational structure and portfolios made by the leader at Annual Council in May 2019.

The Council has adopted the Executive and Leader model. The Council's Constitution sets out the relative roles and responsibilities of Executive and, Officers and Committees of the Council. It defines, through the procedure rules, how day-to-day activities must be undertaken and it allocates statutory responsibilities to named individuals. The decision-making processes are also defined by the Constitution and Executive Member decisions and "key decisions" may only be taken after both the Finance and Legal departments have been consulted.

The respective roles of the Section 151 Officer, Monitoring Officer and Senior Information Risk Officer (SIRO) ensure legality, financial prudence and transparency in transactions in accordance with legislative requirements.

During the year the senior management and departmental structures were reviewed to keep these best aligned with the corporate priorities. A more efficient internal management structure was approved during the year through the reduction of the executive level posts from two to one, to take effect from 1 May 2019. The retirement of the previous Chief Executive has enabled the Council to benefit from the opportunity presented by the experience, knowledge, skills and abilities of the current Deputy Chief Executive to take on the Chief Executive role from May 2019, enabling a smooth transition to take place. During the year new Directors have been appointed to Growth and Development, and Digital and Business Change to strengthen and lead on these vital areas going forward, along with the appointment of a new Director of Children Services. This has ensured that the Chief Officer Management Board will have the right skills and capacity going forward. Team activities have also been undertaken to develop Management Board working together effectively as a group.

The Council is proactive in supporting the development of partnership bodies both with other public sector agencies, like health and the police, and with representation from the business and community sectors. This is principally through the development of the LSP but it also involves other significant partnership projects. The policy, research and partnerships team produce an Annual Significant Partnerships Governance checklist

which is reviewed and audited by internal audit prior to the final report being taken to Audit & Governance Committee. Governance arrangements are also set out in the Constitution.

The Council has introduced a procedure for recording and publishing decisions made by officers, in line with the Government's transparency agenda and the Access to Information Procedure Rules in the Constitution. Such decisions are subject to the scrutiny arrangements outlined in the Constitution.

The LGA Peer Challenge team reported that members from all parties feel able to challenge the executive through scrutiny, without a detrimental impact on relationships and that the use of scrutiny appears appropriate.

6. **Develop, communicate and embed the codes of conduct and define the standards of behaviour for members and staff.**
   The Council Constitution contains codes of conduct for Members and staff. New Members accept their code of conduct as part of their Acceptance of Office declaration. They are also provided training on the Code of Conduct as part of their induction. All Members need to complete and submit a 'General Notice of Registrable Interests' form, which includes information relating to gifts, hospitality and pecuniary interests. These are published on the Council website. New staff appointees sign the staff Code of Conduct as part of their induction. In addition, each Department maintains a register of gifts and hospitality and of personal interests, in accordance with the recently revised Standing Financial Instruction 12 – Register of Personal Interests. The latter are reviewed at least annually. The Employee Code of Conduct was updated in October 2013 and is reflected in the Constitution.

7. **Review the effectiveness of the decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.**
   The Constitution provides the framework for decisions making. It includes delegations to various committees, Executive Members and officers, and also scrutiny arrangements for holding decision makers to be held to account. The decision making process is set out in Article 13 of the Constitution and responsibilities are identified in Part 3. These were updated and approved at Annual Council in May 2018 following a review of the Constitution. The Monitoring Officer also holds and maintains a record of sub-delegations by each Chief Officer, and is also responsible for ensuring lawfulness and fairness of decision making.

   External formal monitoring of the Council's data quality arrangements are no longer required by external audit, however the Council's previous monitoring arrangements have continued to be operated. Council processes have been reassessed in light of the requirements of the Single Data List published by the Department for Communities and Local Government. Training and awareness raising sessions continue to be delivered as and when required, alongside formal checks on performance indicator files and monitoring / recording processes. The Data Quality Policy (Performance Data) will be refreshed in 2019 to reflect the changes in reporting arrangements and staff within the Council.

   The Policy will be endorsed by the Executive Member for Resources and the Chief Executive. Work is continually underway to assess the Council's compliance with the Government's Code of Practice on Transparency, and any areas recommended for

improvement will be addressed and monitored through existing data quality arrangements.

Over the course of the year the Council has continued to carry out and record equality analysis and impact assessments as a key stage in the decision making process.

The Council revised its Equality Impact Assessment (EIA) Toolkit and reviewed its decision-making processes in 2016 to embed a robust and mandatory process which helps demonstrate due regard of the impact of service reviews on protected groups, staff and local residents, whilst ensuring a level of bureaucratic balance with the introduction of a new 'screening' element to the EIA process and in line with legislative requirements.

Senior Management Teams (SMT's) and Elected Members within their respective service areas are engaged in understanding the outcomes of consultations and the impacts of decisions as part of the organisational transformation and downsizing.

The annual Audit and Assurance Plan and supporting Strategic Statement set out the internal audit resources and skills required to deliver an effective internal audit service. The staff resources are considered adequate for the Council's current needs to ensure that it meets the requirements of the Accounts and Audit Regulations. The resources are prioritised to evaluate and improve the effectiveness of the Council's risk management, control, and governance processes for the higher priority areas identified in the annual Audit and Assurance Plan, which is approved by the Audit & Governance Committee at its meeting in April each year. Reviews of these areas are required to inform the annual internal audit opinion which contributes to the Annual Governance Statement.

8. **Review the effectiveness of the framework for identifying and managing risks and demonstrate clear accountability.**
   Overarching responsibility for risk management lies with the Management Board, with the corporate risks being owned by members of the Executive Team or Management Board. The Corporate Risk Management Strategy and Framework 2015/20 sets out the structure of the risk management groups and risk management roles and responsibilities. It also includes the terms of reference for the groups responsible for monitoring risk management arrangements and activity, and includes risk management guidance for decision makers and self-challenge questions for report writers. The Risk Management Toolkit and risk register ensure a consistent approach to risk management across the Council. Each department has its own risk register and is required to consider risk at each departmental management meeting. The Executive Member and Executive Board Decision templates have been revised to include consideration of key risks. The Management Accountability Framework (MAF) Director's Exception/Dashboard Report also contains a risk section. The corporate risk register is considered by Management Board on a six monthly basis. Risk management reports, including a summary of the corporate risk register, are also presented at each Audit & Governance Committee meeting. The Committee also carries out a detailed review and challenge of a selection of corporate risks on a regular basis during the year.

   Directors are required to confirm that there are sound corporate governance, control and risk management arrangements operating within their Departments, in accordance

with the Council's procedures and practices that uphold the Code of Corporate Governance on a six monthly basis to identify any areas of concern and action that they are taking to address these, via their MAF Dashboard Report. This is report reviewed along with progress against the Corporate Plan priorities, as part of the Programme Area Meetings and reported to the Chief Executive and the Audit & Governance Committee through the MAF thematic summary.

The six monthly assurance statement covers the effectiveness of the internal controls risk management and governance arrangements within Departments and relevant corporate risks. This includes safeguarding assets, monitoring compliance with Council policies and objectives, budget management, risk management, and health and safety. MAF is an evolving process and refinements and extensions to its coverage will continue.

The Primary Assurance Group (PAG) draws together the sources of assurance, including those provided through MAF, and having challenged them produces the Annual Governance Statement for consideration by the Audit & Governance Committee's and the Chief Executive. The PAG is chaired by the Chief Executive and has the Monitoring Officer Senior Information Risk Owner and Section 151 Officer as members. The Chair of the Audit & Governance Committee also attends the meeting to oversee the annual governance process.

The Council produces integrated financial monitoring reports covering revenue and capital expenditure. The Council introduced a new Financial Management System from 1st April 2017, this produced immediate working efficiencies, cost savings and facilitated the production of more timely and detailed information to Members and Officers at all levels. The system has continued to be developed during 2018-19 and has produced further cost and working efficiencies both within the Finance Department and the Council as a whole.

The Departmental Business Continuity Plans and the Functional Emergency Plans are constantly being reviewed and streamlined. Over the last two years all of the departmental business continuity plans have been reviewed and updated through a Quality Assurance audit process. This process challenges each service area in departments requiring evidence or actions in response to questions asked, then providing a score as a result of the information input. The Emergency Plans now have Standard Operating Procedures (SOPs), essentially a "plan on a page" to assist Strategic Officers quickly assessing information when/if they have to attend the Strategic Co-ordinating Centre at Police Headquarters. This is being replicated for the Departmental Business Continuity Plans. The Corporate Business Continuity plan is being refreshed in order to reduce the cross referencing between it and departmental plans with the aim of a single plan with departmental annexes. The Corporate BC Plan will contain all Critical Functions, priority tiers of staff, essential fuel users and essential prioritised services at the White Dove Centre in times of IT outage etc.

The corporate Emergency and Business Continuity plans are tested annually in alternate years. The corporate exercise for 2018/19 was Business Continuity testing a national and regional risk of region wide loss of power very high impact and low likelihood. Power would be lost for anything from 24 hours to 7 days across the region this impacted upon services provided, and resilience of staff impacted by the disruption also and queries basic methods of communications as we rely heavily upon IT. All

departmental plans were also tested during the exercise, with any actions required identified and reported to Management Board. The civil Contingencies Service delivers an annual corporate training programme to staff and volunteers to ensure that they are all trained in their roles they are either expected to perform or volunteer to perform for the Council. The Civil Contingencies Service is currently working through a resilience promotion to year 5 pupils in the borough to encourage community resilience, which will be launched nationally in the spring/summer; and also working with schools on their resilience in their emergency preparedness and response to an emergency or disruption. The Civil Contingencies Service has also worked on the Council's preparedness for the potential implications of a "no deal" EU Exit with partners.

All employees have responsibility for their own health and safety and for the health and safety of others who may be affected by their actions. The overall responsibility for health and safety management lies with the Chief Executive. The Corporate Health and Safety policy, which has been reviewed in May 2019, in line with changes to Chief Executive and the system of safety procedural and guidance documents, outline the arrangements in place to meet the Council's statutory duties.

Face to face training courses for employees are available where appropriate and these are agreed with departmental managers, and are available on request. E-learning safety packages are freely available to all Council employees via the 'Me Learning' portal. There are number of the health and safety courses that are in the process of becoming mandatory for all employees.

A rolling health and safety audit programme is in place for the Council. Service Level Agreements are offered to schools across the Borough for a health and safety service, with over 40 schools purchasing this service from the team.

The organisation has improved the reporting of accidents, incidents and near misses with an intranet based reporting system. This has improved reporting levels as well as tracking that steps are taken by managers to reduce risks and learn from incidents. Statistics are reported at the Health and Safety Consultative Committee every quarter and monthly to Chief Officers The statistics are reviewed by the team and any trends, reoccurring incidents or common issues are addressed where necessary.

The trend in RIDDOR reportable accidents remains similar to previous years with 11 reported in 2018/19. All RIDDOR reportable incidents are fully investigated and any necessary subsequent actions are implemented.

9. **Ensure effective counter-fraud and anti-corruption arrangements are developed and maintained.**
   The Audit & Assurance Team takes part in the National Fraud Initiative on behalf of the Council and monitors the completion of the fraud awareness e-learning package by staff. It also monitors whistle-blowing calls and emails received by the Council and carries out investigations into potential or suspected fraud and non-compliance with financial policies and procedures or financial irregularities.

   The Council's Counter Fraud Policy Statement and Strategy 2016/2021 was approved in March 2016. The Statement and Strategy have been prepared in accordance with the CIPFA Code of Practice on managing the risk of fraud and corruption for public

service organisations (2014). The document sets out the Council's approach to the management of fraud risks and defines responsibilities for action.

Having considered all the principles, the organisation has adopted a satisfactory response that is appropriate for the fraud and corruption risks identified and commits to maintain its vigilance to tackle fraud.

10. **Ensure effective management of change and transformation.**
The Council is continuing the implementation of its digital vision for the Borough. The work on this area is monitored by the Digital Programme Board. This vision sets out our approach to addressing the challenges of delivering technology across the organisation to take advantage of the technology that is available and new ways of working to ensure that the maximum benefit is derived for the Council, its workforce, customers and partners.

11. **Ensure the financial management arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2016).**
The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

12. **Ensure the assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010).**
The Council's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).
The Statement identifies that the Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:

  i. championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and

  ii. giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

To perform this role the Head of Internal Audit:

  iii. must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit & Governance Committee;

  iv. must lead and direct an internal audit service that is resourced to be fit for purpose; and

  v. must be professionally qualified and suitably experienced.

13. **Ensure effective arrangements are in place for the discharge of the monitoring officer function.**
The functions of the Monitoring Officer are set out in the Council's Constitution. The role of Monitoring Officer forms part of the specific responsibilities of the Director of HR, Legal and Governance.

14. **Ensure effective arrangements are in place for the discharge of the head of paid service function.**
As Head of the Paid Service, the Chief Executive is responsible for ensuring that Directors and Members both understand the need for sound internal controls and governance arrangements and to apply these in practice.

15. **Undertake the core functions of an audit committee.**
The Audit & Governance Committee provides independent assurance on the adequacy of the risk management framework, overall governance and the associated control environment. It oversees the internal and external audit arrangements, helping to ensure efficient and effective assurance arrangements are in place. This includes the integrity of financial reporting and annual governance processes. It also provides independent scrutiny of the Council's financial and non-financial performance to the extent that it affects its exposure to risk and weakens the control environment.

The Audit & Governance Committee is responsible overall for monitoring compliance with policies and procedures and for setting defined standards, where need be; this includes responding to reports from the Council's external auditor.

The Audit & Governance Committee has continued to monitor its own effectiveness against the criteria outlined in the CIPFA Audit Committees Practical Guidance for Local Authorities and Police (2013 Edition). The overall results reported to the Committee in January 2019 showed that there is a strong belief by its members that the Committee is operating effectively.

16. **Ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.**
Directors are responsible for ensuring that, within their areas of responsibility, they establish and maintain effective systems of risk management, governance and internal control, complying with legislation, grant rules, the Council's own rules, etc. This includes both responding to recommendations by internal and external inspection processes and working with partner organisations.

A key element of assurance available to the Council and the Audit & Governance Committee are the assurance statements made by each of the directors that support the Annual Governance Statement. These require each director to take personal responsibility for the operation of adequate and effective governance and internal control systems within their departments, which include compliance with applicable laws and regulations. The directors' assurance statements closely reflect the seven CIPFA/SOLACE principles of good governance and the Council's Local Code of Corporate Governance.

The Council's evidence submission for the 2019/20 NHS Information Governance Toolkit (now known as DSPT) was approved by the SIRO and uploaded by the Council's Data Protection Officer in March 2019. This has been accepted by NHS assessors and published on the DSPT website. To date there has not been an assessment score awarded as this is a new BETA version release of the NHS IG Toolkit. The Council can confirm however, that it has uploaded the relevant evidence against the 40 modules required to achieve compliance. This will enable the Council to continue to exchange data with NHS bodies.

The General Data Protection Regulations (GDPR) mandatory Information Asset Register continues to be updated to ensure that all information assets are appropriately captured in the Records of Processing Activity (ROPA) register. This register is operational in that all the data we have captured so far is uploaded however, action scheduled to review the data held has been slow to progress in the last year owing to resource pressure.

An application to the LGA for additional funding for information security awareness training was submitted in December 2018 and consequently successful. The Council was awarded £5k and the funding has been allocated to the procurement of specific information and cyber security awareness training (DOJO) which will be rolled out during Q1 2019/2020. Evidence that mandatory awareness training has been completed is a formal requirement in both the NHS DSPT and PSN Connection toolkits.

The GDPR2016 and the DPA2018 were successfully implemented into Council policies and procedures in May 2018. There remains 1 Special Category Data Policy that requires formal ratification. This is currently being reviewed by the Unions and Policy Working Group and is awaiting approval.

Risks have been identified relating to the failure to comply with the Subject Access Provisions in the GDPR2016. The Council has a number of outstanding subject access requests that carry risk of noncompliance with legislation as they are significantly overdue. The consequences of this risk include enforcement action and potential civil monetary penalties issued to the Council by the Information Commissioner. The predominant reason for the risk is a lack of specialist resource in People's Services area to complete the requests. This has been highlighted at departmental and corporate risk level. A task group has been challenged to identify potential solutions to mitigate the risk. Updates are scheduled to be reported back to the Management Board.

The IG team continue to provide advice, guidance and assistance in the relevant areas of legislation and have appropriate Information Security Examinations Board qualifications in Data Protection and Freedom of Information. The IG Manager has successfully completed the General Data Protection Regulation Practitioner Certificate and has formally absorbed the Data Protection Officer (DPO) role on behalf of the Council into her Job Description. The DPO is a mandatory appointment under the GDPR2016.

Audit & Assurance produces an internal audit charter and annual plan which are approved by the Audit & Governance Committee. The annual plan examines the Council's systems of risk management, control, and governance. It reports to individual managers on the outcomes of its audit reviews, agreeing management actions with them. It also regularly reports to the Audit & Governance Committee on the progress and outcomes of its planned work. At the year end, it produces a mandatory Head of Internal Audit opinion report, which is part of the Annual Governance Statement process. Routinely during the year Audit and Assurance reports to the Chief Executive and Audit & Governance Committee on governance matters of particular importance through its independent reviews of MAF Exception reports.

17. **Whistleblowing and for receiving and investigating complaints from the public.**
The Council's Whistle-blowing and Corporate Complaints Policies are available on the Internet. Both define what steps will be taken in investigating complaints or allegations of potential or suspected fraud or irregularity from staff or members of the public.

18. **Identify the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.**
The Council remains committed to elected member training and development, and continues to assess the development needs of all elected members. A training needs assessment is carried out following Council elections. There is a robust induction programme for newly elected members to the Council and portfolio areas. The Council also maximises the development opportunities offered by North West Employers Organisation. The Council is also developing more on-line training so that this is available in a more flexible way.

The Council needs to consider the development needs and resilience of senior officers and ensure that these officers have the required knowledge, skills and experience to deal with the public sector reform agendas. Training and development needs will be considered in annual appraisals.

19. **Establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.**
As well as a constantly updated online version of The Shuttle a hard copy called the Shuttle Extra is now published twice yearly and delivered to homes throughout the borough. Both the hard copy and online versions contain latest news and updates about Regeneration projects, events, achievements and honours, advertising opportunities and information about the Council budget and Council Tax. Automatic updates whenever a new article is published on the Councils website are also available via social media channels. Financial and performance information is also available on the Council's website.

A key commitment of the Corporate Plan is "Your Call", where the Council is committed to working together with residents; businesses and partners, to develop a local solution to local problems. This approach is predominantly delivered through the Your Call campaign, which encourages local residents to come forward with ideas to improve their streets, neighbourhoods and towns, and they are supported by the Council to implement their ideas.

The Council website provides access to Council papers, including Committee agendas, minutes, relevant reports and decisions.

The Council takes the views of all the groups into account when preparing its budgets. In advance of final decisions on the budgets the potential impact on individuals, services and the voluntary and community sector is considered. As each service is reviewed and final recommendations are made EIAs are undertaken.

20. **Enhance the accountability for service delivery and effectiveness of other public service providers.**
The Council is proactive in supporting the development of partnership bodies both with other public sector agencies, like health and the police, and with representation from the business and community sectors.

The LSP is responsible for monitoring the Plan for Prosperity and there is a governance framework in place for the significant partnerships register.

Blackburn with Darwen was one of the first areas in the country to set up a new Health and Wellbeing Board as part of government changes to the NHS. The board, run by Blackburn with Darwen Council, leads on improving the strategic co-ordination of planning and buying local health services, social care for both children and adults and public health services to promote more local control over those services. All organisations working in those areas will, through the board, develop a shared understanding of local need and agree the best strategy to meet that with the funding and resources available.

The Blackburn with Darwen Community Safety Partnership (CSP) has merged with the CSP's of Burnley and Rossendale following agreement by members and the Police and Crime Commissioner of Lancashire. Blackburn with Darwen administers the new Pennine Lancashire Community Safety Board and retains its duty as a Local Authority alongside the Police, Fire Service, Clinical Commissioning Groups, National Probation Service and Community Rehabilitation Company to work together to reduce crime and anti-social behaviour.

The Partnership has grown in size and strength and now includes a wide range of partners from both the statutory and voluntary sector from across the Sub Region. Collectively it is achieving positive outcomes for vulnerable individuals, families and communities.

Beyond the borough the Council continues to work with Councils and partners across Lancashire on a range of work programmes including economic development, housing, skills, environment and health and wellbeing. As part of this work programme the Council is the accountable body for the Lancashire One Public Estate Programme.

Work is also ongoing with colleagues from the NHS, other local authorities, the community and voluntary service and other partners to transform the health and social care system across Pennine Lancashire local delivery partnership under the Together A Healthier Future programme. The programme is part of the Healthier Lancashire and South Cumbria Integrated Care System which is delivering the area's Sustainability and Transformation Plan (STP).

21. **Incorporate good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**
The Council continues to undertake sound governance arrangements with its partners.

Significant partnerships have continued to be identified and assessed since 2012 via the refreshed toolkit which was updated in 2017 following an audit review. The Significant Partnerships Register was taken to Audit & Governance Committee in

January 2019. The register is updated on an annual basis with targeted sampling through the internal audit plan. A further update to the toolkit will be issued in May 2019.

During 2016/17 the Council introduced new shared management arrangements, and associated governance controls, following approval of the new five year partnership agreement with Capita for the development, delivery and modernisation of a range of place-based services, including the Council's Growth Programme. The shared management arrangements ended in March 2018. Staff delivering the core services under the partnership agreement transferred to the Council on 1 January 2019. The call off of specialist services under the partnership agreement still continues, as and when required.

The Council is also the host authority for the Lancashire Police and Crime Panel. The Council provides legal and secretarial advice and support to enable the Panel to carry out the functions and responsibilities set out in the Police Reform and Social Responsibility Act 2011 and the Regulations made under it.

Title	CIPFA Criteria	2017/18 Issue	2018/19 Action taken
1. **Children's Services Financial Position**	1,2,3	The Children's Services budget position continues to face demand pressures in 2018/19 due to the volumes of social work being managed, the nature of cases being received (including higher dependency needs) and increasing costs of placements associated with these. This has led to a need for an increase in social workers to manage demand. Arrangements will continue to maintain awareness and ensure effective budget and case management continues at all levels within the service to monitor and manage demand and budget pressures relating to intervention, prevention and permanence planning to ensure that services and resources are not diverted from elsewhere within the Council.	The budget for 2019/20 has been agreed at Finance Council and to address the ongoing pressures, the portfolio will invest in an alternative placement strategy to re-focus on, and build capacity in, our more cost-effective 'in-house' services. They will continue workforce transformation to strengthen our 'front door' to respond to, and manage, demand for services more effectively. In addition in recognition of extra Government funding for social care the Medium Term Financial Strategy provides for some additional demand in future years within earmarked reserves, should demand increase beyond the level assumed within the portfolio's budget. The two main pressures are in the volume of work being referred into the Social Work Service and secondly sustained pressure on our out of borough budget as a result of the number and complexity of children placed. Effective budget and case management has continued at all levels within the service to monitor and manage demand and budget pressures relating to intervention, prevention and permanence

				planning, to ensure that statutory services to children in need of help and protection and cared for children are prioritised.
2. Highways Inspection Arrangements	1,3,5		Ensure an effective inspection regime is in place in respect of the Highway Network (including in relation to bridges and structures) in accordance with the frequency and standards set out in the Well-maintained Highways Code of Practice (since updated and replaced by the "Well-managed Highway Infrastructure: A code of practice").	The DfT identify the following five major asset groups in their Incentive Fund questionnaire: carriageways, footways & cycle ways, structures, lighting and traffic signals.

The Council's Safety Inspection Procedure for Highways has been revised and updated in accordance with Well Managed Highway Infrastructure: A Code of Practice. It was approved by the Executive member for regeneration on November 2018 and has been published on the Council's website. Adherence to our procedure ensures that the highways are safe for the public and provides a robust defence against third party claims. In addition to this the Council conducts a survey of the structural condition of all carriageways and a skid resistance survey of the classified carriageways.

The Council's entire bridge stock has been inspected in accordance with Well Managed Highway Infrastructure and a forward inspection plan has been developed to ensure these remain safe for use, a programme of remedial work has been identified and discussed with the Executive Member for Regeneration. Inspections of the retaining wall and |

			earthworks stock continues and should be complete by 31/03/2020, some remedial works have been identified. Due to limited budgets and prioritisation, limited electrical testing is carried out on the Council's street lighting stock. Limited structural testing of steel and concrete columns also takes place. There are no regular inspections of traffic signals equipment in place.

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by the work of the members of the Council's Management Board who each sign an annual assurance certificate regarding the effectiveness of the governance arrangements in place, the Head of Audit & Assurance's annual opinion report, and also by comments made by the external auditors and other inspection agencies.

The Council regularly reviews its Constitution and has delegated to the Audit & Governance Committee responsibility for reviewing the effectiveness of the governance framework and for reporting to the Executive Board where it thinks that there are issues that must be considered by the Executive.

The Scrutiny Committees set their own annual work plans and report to the Council both quarterly and annually. These Committees continue to monitor the performance and delivery of the Executive, engaging and challenging through a variety of scrutiny review methodologies, traditional reviews, appreciative and collaborative inquiries. Where appropriate, Members will utilise Task and Finish Groups outside of Committee to scrutinise and work with Officers on a wide range of issues. Overview and Scrutiny arrangements have been reviewed and revised and their effectiveness will be monitored.

The Audit & Governance Committee, in addition to having responsibility for reviewing the Corporate Governance Framework, also has responsibility for reviewing the effectiveness of risk management arrangements. The Committee receives an annual risk management report. The 2018/19 report concluded that "the Council continues to maintain robust and effective risk management processes".

The Standards Committee promotes and maintains high standards of Member conduct and monitors the operation of the Code of Conduct. A new Member's Code of Conduct was approved by Council on 30 August 2012 in accordance with the Localism Act 2011. This included new arrangements for dealing with member complaints. The Committee also examines the training needs of Members relating to the Code of Conduct and if necessary make appropriate recommendations.

The Standards Committee reviews the Member Code of Conduct and Complaints procedures on an annual basis and the latest versions are included as part of the Constitutional updates to Council.

Any matters following investigation, which require a hearing for determination of a potential breach of the code of conduct would be considered by the Hearings Panel (Sub Committee of the Standards Committee) who would make appropriate recommendations.

External inspection and assurance by External Audit during the year:

The 2017/18 Annual Audit Letter issued by the Council's external auditor noted that:

- They issued an unqualified opinion on the Council's 2017/18 financial statements.
- Their opinion confirmed that there were no adjustments to the financial statements impacting on the Statement of Comprehensive Income and Expenditure and the Balance Sheet.
- They made a small number of recommendations to support the Council in strengthening its internal controls. These were agreed with management and will be followed up during the 2018/19 external audit.
- The Council's Annual Governance Statement and Narrative Report were consistent with the financial statements they audited and in line with their knowledge of the Council obtained during the course of their audit.
- They issued an unqualified Value for Money conclusion for 2017/18.
- They were satisfied that in all significant aspects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.
- The work carried out on the Council's Data Collection Tool, in line with group instructions provided by the National Audit Office confirmed that the Council was below the audit threshold. It noted that there were no other matters to report in connection with group audit instructions.

The external auditors also noted the additional powers and duties available under the Local Audit and Accountability Act (2014). They noted that they did not need to exercise any of their additional statutory powers or duties in the course of their audit.

In their progress report to the Audit & Governance Committee in April 2019 the external auditors were able to state, for the year ended 31 March 2019 that there were no issues that they needed to bring to the Committee's attention from the findings of their interim work to date on the financial statement audit. They noted that they had identified one significant Value for Money Risk in relation to financial sustainability and that work on the risk was progressing.

We have been advised of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee / PAG and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

SIGNIFICANT GOVERNANCE ISSUES

A key element of the annual governance review process is also to identify any significant internal control issues. The Council has adopted the approach recommended by CIPFA which has identified what may be considered generally as a significant issue. These criteria are:

1. The issue has/may seriously prejudice or prevent achievement of a principal objective;

2. The issue has/may result in a need to seek additional funding to allow it to be resolved;
3. The issue has/may result in significant diversion of resources from another aspect of the business;
4. The issue has/may lead to a material impact on the accounts;
5. The issue, or its impact, has/may attract significant interest or seriously damaged the reputation of the Council;
6. The issue has/may result in formal action being taken by the Section 151 Officer and/ or the Monitoring Officer;
7. The audit committee, or equivalent, has advised that it should be considered significant for this purpose, or
8. The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

Significant governance issues identified during 2018/19 are outlined in the following table:

Title	CIPFA Criteria	Issue / Actions being taken	Responsible officer(s)
Children's Services Financial Position (brought forward from 2017/18)	1,2,3	Whilst the financial pressures are on-going actions were put in place in 2018/19 to mitigate these. The Children's Services budget position continues to face demand pressures in 2019/20 due to an increase in the volume of work being referred to the Social Work Service and sustained pressure on the out of borough budget due to the number of placements and complexity of needs. The number of social workers with higher than the recommended caseload is also a concern. These issues have led to a need for an increase in social workers to manage demand. The new Director of Children's Services is reviewing caseloads and demand management strategies and an action plan has been developed and reviews of services provided are ongoing to mitigate against demand and financial cost pressures, as far as possible.	Director of Children's Services.
Compliance with GDPR	1,4,5	The Council has not achieved compliance with the minimum requirements of the General Data Protection Regulations 2016 for subject access requests due to the nature of the requests and limited resources available for this area. This has led to a significant backlog of requests. The number of complaints received by the Council relating to this area has increased and cases have been	Director of Digital and Business Change/ Director of Children's Services.

| | | referred to the Information Commissioner's Office.

The risks of further referrals may cause the ICO to undertake a mandatory inspection of our processes which in turn could lead to enforcement action.

There are plans in place to ensure the necessary resource is provided to deal with the backlog and the demand moving forward. These plans include a request for additional resource. | |
|---|---|---|---|

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: …………………………   ………………………………,
          Leader   **Chief Executive**

Date: ……………………   ………………………………,

	TO: Audit & Governance Committee
	FROM: Director HR, Legal & Governance Director of Finance & Customer Services
BLACKBURN *with* **DARWEN** BOROUGH COUNCIL	**DATE:** 25 June 2019

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF BRIEFING PAPER   Audit & Governance Committee Annual Report

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1.   PURPOSE

The draft Audit & Governance Committee Annual Report 2018/19 is attached for consideration and approval (see Appendix A).   This summarises the work undertaken by the Committee has during the year to demonstrate that it has fulfilled its agreed terms of reference.

2.   RECOMMENDATIONS

The Committee is asked to:
- Consider and approve the Committee's Annual Report, including the statement on its effectiveness during 2018/19 and the draft effectiveness self-assessment evaluation; and
- Refer the report to Full Council for endorsement.

3.   BACKGROUND

The CIPFA 'Audit Committees: Practical Guidance for Local Authorities and Police' 2013 edition incorporates CIPFA's Position Statement on the role and function of view of an audit committee in local authorities. This notes that although no single model of committee is prescribed, all should report regularly on their work and at least annually report an assessment of their performance.

4. RATIONALE

The Audit & Governance Committee is a key component of the maintenance of an adequate and effective governance framework. Through its annual report the Committee can demonstrate its effectiveness in fulfilling its role to provide independent assurance regarding the adequacy of risk management, the overall governance and associated control environment, and also scrutiny of the Council's financial and non financial performance to the extent that it affects its exposure to risk and weakens the control environment.

5. KEY ISSUES

Having an effective Committee brings many benefits to the Council, such as:
- 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.

The Committee's activities during 2018/19 were designed to make a positive contribution to the continual improvement of control and governance arrangements across the Council, as well as performing the roles set out for the Committee in the Council's Constitution.

The Committee has had the opportunity to examine and challenge the arrangements for effective governance. The Annual Report indicates the breadth of the Committee's work in ensuring that every aspect of the Council's work should be compliant with standards and transparent to its stakeholders. The reports received by the Committee during 2018/19 indicate that there has been thorough coverage of the Committee's Terms of Reference. In this way, the Annual Report demonstrates the value of the Committee to the Council and public, ensuring that governance is on a sound footing.

Good practice guidance exists for the effective operation of audit committees across the public sector, including the most recent publication by CIPFA noted above. That guidance includes a Good Practice Self-Assessment which was considered by the Committee at its meeting on 15 January 2019. Appendix 2 of the attached report sets out the results of the self-assessment. The guidance also included a self-assessment tool for audit committees to use to evaluate their effectiveness. The results of this assessment are set out in Appendix 3 to the attached report for consideration.

6. POLICY IMPLICATIONS

There are no direct policy implications arising from this report.

7. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

8. LEGAL IMPLICATIONS

There are no direct legal implications from this report.

9. RESOURCE IMPLICATIONS

The resource implications are within the report.

10. EQUALITY AND HEALTH IMPLICATIONS

The decisions to be taken do not change policy and do not require any further

consideration in respect of equality or health issues.

11.   CONSULTATIONS

Chair of the Audit & Governance Committee, Chief Executive, Director of HR, Legal & Governance, Director of Finance & Customer Services, Governance & Democratic Services Manager.

Contact Officer: Colin Ferguson, Head of Audit & Assurance - Ext 5326
Date: 13 June 2019
Background Papers: CIPFA Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition).
Audit Committee – Making it Most Effective (CIPFA Practical Guidance on Audit Committees – Action Plan), approved by Committee on 13 January 2015 and reviewed 15 January 2019.

Blackburn with Darwen Borough Council

Draft
Audit & Governance
Committee
Annual Report
2018/19

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 are sound systems of control and governance which facilitate the effective exercise of the Council's functions and which include 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 directed at improving governance in that 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, in 2007. The Framework, published in 2007, was intended to be used as best practice for developing and maintaining a locally adopted code of governance. It was intended to assist authorities in reviewing the effectiveness of their own governance arrangements by reference to best practice and using self-assessment.

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 applied 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 to ensure that the intended outcomes for stakeholders are defined and achieved, while acting in the public interest at all times, 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 complied with the latest requirements. It was updated again during 2018/19 as part of the review of Constitution, to provide improved clarity and explanation and was approved by full Council in May 2018.

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 1972 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' published by CIPFA. The Council's Audit & Governance Committee has a key role in overseeing and assessing the internal control, risk management and corporate governance arrangements in place and advising 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 increase public confidence in the objectivity and fairness of financial and other reporting. They also provide a high-level focus on assurance and the organisation's arrangements for governance, managing risk, maintaining an effective control environment.

2.2.2. Good practice is contained within CIPFA's document 'Audit Committees – Practical Guidance for Local Authorities and the Police' (2018 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 2018/19 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 guidance for Audit Committees issued by CIPFA. The revised terms of reference were approved by full Council in July 2016 and reaffirmed in May 2018.

2.2.5. The CIPFA guidance 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 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 has been reviewed and updated by Audit & Assurance on behalf of the Committee during 2018/19. It was presented for consideration at the Committee's meeting on 15 January 2019, along with an evaluation of the effectiveness of the Committee completed by Audit &

Assurance on behalf of the Committee, in consultation with the Chair of the Committee, along with a summary of the results of individual members own self-assessments of the Committee's effectiveness. The results of the assessments against the CIPFA best practise and evaluation of effectiveness are included at Appendix 2 and 3 of this report for consideration. The results from the individual members own self assessments showed that there was a belief by the majority of members that the Committee was generally operating effectively, with average scores of satisfactory/partly agree or better for most questions.

2.2.7. The Audit & Governance Committee met four times during the 2018/19 Municipal Year. Timings of the meetings throughout the year are designed to coincide with the governance timetable. The July meeting received the annual opinion and assurance reports, approved the Council's Annual Governance Statement and the draft Statement of Accounts, and Treasury Management Annual Report and received the External Auditor's Findings Report for 2017/18. The October meeting received the External Auditor's Annual Audit Letter for their 2017/18 work and considered the Mid-Year Treasury Management Strategy Review.

2.2.8. The Committee's terms of reference and outline work programme (see Appendices 1 and 4), and associated reports it receives, are 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. Member attendance details are set out in Appendix 4

2.2.9. As well as the assurance provided to the Committee from the key reports received from the Council's External Auditor, the Committee also places reliance on the work carried out by Audit & Assurance in delivering the annual internal audit plan. Assurance is gained throughout the year from considering the quarterly progress reports received. These provide the Committee with an overview of the activity carried out by internal audit during the period, including counter fraud activity, and an overview of all audit reports finalised. Emphasis has been on limited or no assurance reports. Where these opinions are in respect of key or fundamental systems senior officers have been invited to update the members on progress of implementing recommendations from these reports to provide further assurance to the Committee regarding the implementation of agreed actions.

2.2.10. The Committee also receives a full year overview of internal audit work when the Internal Audit Annual Opinion Report is presented, alongside the Annual Counter Fraud Report. The former report provides the Head of Audit opinion on the Council's overall position in relation to the adequacy and effectiveness of risk, governance and internal control systems, based on the work completed by the internal audit team, as required by the Public Sector Internal Audit Standards.

2.2.11. The details of the Committee's work programme for 2018/19 and associated reports received, (see Appendix 4), demonstrate how the Committee has fulfilled its terms of reference during the year and its commitment to monitoring and helping improve the Council's risk, control and governance environments' in the year ahead.

2.2.12. In addition to these meetings an induction session was held for the Committee members prior to their first meeting of the year to explain the purpose of the Committee and their role and responsibilities. The Committee also received treasury management training from the Council's Treasury Management advisors. There has also been mandatory finance training for all members to provide them with an overview of the Local Authority financing regime prior to the Finance Council meeting in February 2018 where the 2019/20 budget was presented for approval

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 & Governance, 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 Customer Services, 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 & Governance leads on constitutional, legal, and human resource issues. The Director of Finance and Customer Services 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.

2.3.3. The Committee is also supported by External Audit colleagues, who attend each meeting to update members on the progress and results of their work, as well as providing regular sector updates for consideration. These highlight key messages from national reports and studies and include questions for consideration by the Committee.

2.3.4. During the year the Committee continued its cycle of corporate risk reviews. Corporate risk owners and/or key contacts for the risk areas have provided briefings to the Committee on a selection of risk register entries. This has included details regarding the background to the risk identified, the risk assessment process and control arrangements in place to manage or mitigate the relevant risk should it occur. This review and challenge process has improved the Committee's oversight and understanding of the likelihood and potential impact of the corporate risks identified by the Council and on the achievement of related corporate priorities.

2.4. Effectiveness of the Audit & Governance Committee

2.4.1. The Committee considers that it has been effective in fulfilling its terms of reference during 2018/19. The details provided in this report and the reports presented and considered by its members during 2018/19 demonstrate that adequate consideration has been given to all the core areas identified to enable the Committee to fulfil its role and responsibilities.

2.4.2. The Committee's terms of reference set out a range of activities that 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. Training opportunities have been made available to members during the year 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 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.

2.4.4. Based on the reports and information presented to the Audit & Governance Committee for consideration during the 2018/19 it is the members view that the Council has, sound financial controls, risk management and governance arrangements in place.

2.4.5. The Committee has had the opportunity to invite those senior officers and managers to account for services or functions where they have considered there to have been significant financial, internal control or governance weaknesses identified. No significant areas of concern were identified where this was required during 2018/19. The members continue to challenge any impairment in stewardship and control of public funds and assets, seeking assurance that prompt and proportionate management actions have been taken. This provides the Council with assurance that effective internal control arrangements were in place during the year and that appropriate action has been taken to address any concerns raised as a result of any of the inspection and assurance processes in place. 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.

2.4.6. The External Auditor's 2018 Audit Findings Report for Blackburn with Darwen Borough Council included an opinion on value for money. The External Auditor was required to carry out sufficient work to be satisfied on whether the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources during the year ended March 2018 and to provide a conclusion on this. In doing this work the main considerations the Auditor focussed on were:

- A detailed review of the updated Medium Term Financial Strategy including an evaluation of the realism of the assumptions underpinning the Council's projections of anticipated future expenditure over the forecast period;

- An assessment of the progress made in realising the targets set in then savings programme; and consideration of contingency planning

implemented by management and elected members to address the risk of shortfalls or slippage against the agreed targets.; and

- The work undertaken by management to update the Medium Term Financial Plan to take account of emerging pressure and changing assumptions.

2.4.7. Based on the results of the work carried out the External Auditor was satisfied that in all significant respects the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended March 2018.

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.
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.
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.
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.
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.

Outline Programme

In order to meet its principal responsibilities during the year the Committee will consider the following reports/activities:

PROGRAMME ACTIVITY:	TERMS OF REFERENCE NUMBER
Governance, Risk and Control	
Annual Statement (AGS)	1,2,3
AGS Progress Report	1,2
Risk Management Annual Report	3,6,7
Internal Audit Opinion Report	3
External Audit VFM Report	4

MAF Update	5
Risk Management Update	6,7
Corporate Health, Safety & Wellbeing Annual Report	3,5,6,7
IA Progress & Outcomes Report	8,9,10
Management Assurance Report	9
Reports from Other Committees or agencies	11
Internal Audit	
Annual Plan	1,2,4
IA Progress & Outcomes Report	3,4,5,7,8
Annual 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
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
Accountability Arrangements	
Committee Annual Report	1,2
Committee Self-assessment	2

The programme itself will develop over time as new statutory responsibilities are introduced and the timetable may vary, for example, as the Council is required to close its accounts earlier each year.

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.

<u>Attendance</u>

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 and Customer Services Director of Finance and Customer Services, 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.

<u>Reporting</u>

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 – GOOD PRACTICE SELF-ASSESSMENT

REF	GOOD PRACTICE QUESTIONS	YES	PARTIAL	NO	ACTION REQUIRED
Audit Committee purpose and governance					
1	Does the authority have a dedicated audit committee?	√			
2	Does the audit committee report directly to full council?	√			
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	√			
4	Is the role and purpose of the audit committee understood and accepted across the authority?	√			
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	√			
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	√			
Functions of the committee					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? ▪ good governance ▪ assurance framework ▪ internal audit ▪ external audit ▪ financial reporting ▪ risk management ▪ value for money or best value ▪ counter-fraud and corruption	√			
8	Is an annual evaluation	√			

REF	GOOD PRACTICE QUESTIONS	YES	PARTIAL	NO	ACTION REQUIRED
	undertaken to assess whether				
	the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?				
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?	√			
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	√			
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	√			
Membership and support					
12	Has an effective audit committee structure and composition of the committee been selected? This should include: ▪ separation from the executive; ▪ an appropriate mix of knowledge and skills among the membership; ▪ a size of committee that is not unwieldy; ▪ where independent non-elected members are used, that they have been appointed using an appropriate process.	√			
13	Does the chair of the committee have appropriate knowledge and skills?	√			
14	Are arrangements in place to support the committee with briefings and training?	√			Consider shorter more focussed meetings and prior up front information
15	Has the membership of the			√	

REF	GOOD PRACTICE QUESTIONS	YES	PARTIAL	NO	ACTION REQUIRED
	committee been assessed against the core knowledge and skills framework and found to be satisfactory?				
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	√			
17	Is adequate secretariat and administrative support to the committee provided?	√			
Effectiveness of the committee					
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			√	The Committee's Annual Report and minutes from its meetings are reported to Council Forum at its meeting in October. This presents an opportunity to obtain feedback from Member colleagues annually.
19	Has the committee evaluated whether and how it is adding value to the organisation?	√			
20	Does the committee have an action plan to improve any areas of weakness?	√			

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 2018/19

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.	Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it. Working with key members to improve their understanding of the AGS and their contribution to it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships.	The Committee reviews the draft AGS prior to approving it and monitors progress of actions to address the significant issues identified in the previous year's AGS. It also reviews the Risk Management Annual Report and annual opinions from Internal Audit (IA) and External Audit which support the AGS. The Committee approves the IA annual audit plan, which classifies audit reviews by assurance area to ensure adequate coverage of risk, governance and control frameworks. It receives a summary of key findings and opinions from individual reviews supporting the overall opinion. Partnership arrangements are not covered by the current terms of reference. However the Committee does receive a report on the Council's Significant Partnerships	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
		Register. The Committee Chair is a member of the Primary Assurance Group, which reviews the AGS and related assurance reports.	
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 IA Progress Reports are presented to the Committee. These include performance indicators relating to the percentage of recommendations implemented and commentary re outstanding 'must' level recommendations. Senior officers attend the Committee meetings on request to update on the progress of actions from key reports as and provide explanations and updates on progress to address significant audit concerns. The Committee reviews the summary of MAF red priority areas of concern. 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.	5
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. Holding risk owners to account for major/strategic risks.	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. The corporate risk register summary identifies risk owners at Director/senior officer level and tracks changes to residual risk scores. Regular reports are presented to Committee on the corporate risk register and risk	5

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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.	management support activity during the year. The Committee carries out a 'deep dive' review of one or more corporate risks with the relevant risk owner or key contact prior to a number of its meetings during the year.	
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.	There is regular reporting of planned and actual coverage by Internal and External Audit. The Committee challenges 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 an in-year review of resources and achievement of plan. IA have reviewed and provided assurance on risk management arrangements in 2015/16.	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 the 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. The External Auditors Audit Findings Report includes commentary on Internal Audit as part of their assessment of financial control arrangements. The Committee reviews the Internal Audit Quality Assurance Improvement Plan. The annual Head of Audit Opinion Report includes an assessment of IA 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	5

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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
		summary of the findings and themes from the Peer review action plan at its April 2016 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.	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. Internal audit progress report includes a summary of MAF red priority areas of concern. 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 Members through PDS, SPT and Executive Board reporting. Internal audit consider performance arrangements as part of any relevant audit and would report on them as part of our progress reporting arrangements. The IA plan also includes specific KPI audits.	4

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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 Auditors Combined Audit Findings and Value for Money 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 *Managing the Risk of Fraud* (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 the Counter Fraud Policy Framework which includes a Fraud Response Plan, Whistleblowing Policy, Anti Money Laundering Policy and Members and Employees' Codes of Conduct. The Internal Audit progress reports include oversight of counter fraud activity and results. The 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 2016/17. The Committee receives the Counter Annual Report as part of the suite of annual reports which is considered prior to approval of the Annual Governance Statement:	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
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	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.	Audit & Governance Committee meetings are held in public with minimal Part 2 items. Agendas and reports are published on Council internet website.

An Annual Audit Committee report is prepared and considered by full Council.

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. | 4 |

2018/19 Member Attendance and Committee Work Programme

Four meetings were held during the year. The following Member attendance was recorded:

Councillor/Date	24 July 2018	16 October 2018	15 January 2019	16 April 2019
Salim Sidat MBE (Chair)	✓	**A**	✓	✓
Jim Casey	✓	**A**	✓	**A**
Kevin Connor	**A**	✓	✓	✓
Vicky McGurk	✓	✓	**A**	✓
Colin Rigby	✓	✓	✓	✓
Ron Whittle	✓	✓	✓	✓

✓ = attended meeting   **A** = sent apologies

Audit & Governance Committee Work Programme 2018/19					
PROGRAMME ACTIVITY:	TERMS OF REF. NUMBER	JULY	OCTOBER	JANUARY	APRIL
Governance, Risk and Control					
Annual Statement (AGS)	1,2,3	√			
AGS Progress Report	1,2			√	
Risk Management Annual Report	3,6,7	√			
Annual Counter Fraud Report	3,9,10	√			
Annual Internal Audit Opinion Report	3,	√			
External Audit Findings and VFM Report	4	√			
External Audit Annual Audit Letter	5		√		
MAF Update	5	√		√	
Risk Management Update	5,6,7		√	√	√
Corporate Annual Report on Health, Safety & Wellbeing	3,5,6,7	√			
IA Progress & Outcomes	8,10	√	√	√	√

Report					
PROGRAMME ACTIVITY:	**TERMS OF REF. NUMBER**	**JULY**	**OCTOBER**	**JANUARY**	**APRIL**
Significant Partnerships Register	5			√	
Reports from Other Committees or agencies	11	As Required	As Required	As Required	As Required
Internal Audit					
Annual Plan & Internal Audit Charter	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		√		
Audit Fee Letter	1,3,4,5		√		
Annual Plan	2,5				√
Progress Report	2		√	√	√
External Audit Findings Report	2,5	√			
Grant Certification Report	2			√	
Value For Money Conclusion	3,5	√	√		
Financial Reporting					
Statement of Accounts	1	√			
External Audit Findings Report	2	√			
External Audit Annual Audit Letter			√		
Treasury Management					
Strategy Report	1,2		√		
Progress Report	1,4	√	√	√	√
Annual Outturn Report	1,3,5	√			
Accountability Arrangements					
Committee Annual Report	1,2	√			
Committee Self-Assessment	2			√	