

Public Document Pack

Audit & Governance Committee

Tuesday, 30th March, 2021

6:30pm

Virtual Meeting

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AGENDA

1. **Minutes of the Meeting held on 12th January 2021.**
Minutes of previous meeting 4 - 9

2. **Declarations of interest**
To receive any declarations of interest in items on the agenda.
DECLARATIONS OF INTEREST FORM 10

3. **External Audit- Annual Audit Letter**
The Council's External Auditors will provide the Committee with the Annual Audit Letter for 2019/20
Agenda Item 3 Ext Audit 2019-20 BwD Annual Audit Letter FINAL 11 - 26

4. **External Audit Fees and Statutory Accounts Audit Deadlines**
The Director of Finance will provide the Committee with a report on the 2019/20 External Audit Fee variations for approval.
Review of Audit Fees March 2021 27 - 30

5. **External Audit- Audit Committee Progress Report**
The Council's External Auditors will provide the committee with an update on their work.
Agenda Item 5 Ext Audit LG Audit Committee Progress Report - Mar 21 31 - 43

6. **Treasury Management Report- December 2020 to February 2021.**

The Head of Financial Services will provide a report on Treasury Management activity, including the approved 2021/22 Treasury Management Strategy.

**Treasury Mgmt Report to Audit and Governance Cttee
Mar 2021 FINAL 44 - 68
Treasury Mgt Strategy Appendix 6 - FINAL**

7. Audit and Assurance -Progress and Outcomes to February 2021

The Head of Audit and Assurance will report on progress and outcomes achieved within Audit and Assurance.

Agenda Item 7 AA Progress Report 28 February 2021 69 - 72

8. Audit and Assurance Plan 2021/22 and Internal Audit Charter

The Head of Audit and Assurance will present the 2021/22 Audit and Assurance Plan and Internal Audit Charter for approval.

**Agenda Item 8 AA Audit Plan 2021.22 Charter 73 - 96
Agenda Item 8 A A Plan 2021.2022 Charter (Appendix 1 Strategic Stmt)
Agenda Item 8 Appendix 2 Final Draft Plan 2021.2022 AG Cttee
Agenda Item 8 A A Plan 2020.21 Charter (Appendix 3 - Audit Charter)**

9. Risk Management- 2020/21 Quarter 3 Review

The Head of Audit and Assurance will provide the Committee with a report on Risk Management.

Agenda Item 9 Risk Management 2020.21 Quarter 3 97 - 100

10. Audit and Governance Committee_ Effectiveness Assessment 2020/21

The Head of Audit and Assurance will report upon the result of the 2020/21 Audit and Governance Committee effectiveness assessment.

**Agenda Item 10 Audit Governance Committee Effectiveness Self Assesment 2020.2021 101 - 118
Agenda Item 10 Audit Gov'nce Cttee Effectiveness 2020.21 Appendix 1 - CIPFA Practical Guidance on Audit Committees
Agenda Item 10 Audit Gov'nce Cttee Effectiveness**

**(Appendix 2) Effectiveness Assessment 2020.2021
Agenda Item 10 Appendix 3 Self assessment Summary
2020.2021**

11. Significant Partnerships Register 2020/21

The Policy and Partnerships Manager will provide the committee with a report on the Significant Partnerships Register for 2020/21

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Appendix 2 - Covid-19 Response Groups	

Date Published: Monday, 22 March 2021
Denise Park, Chief Executive

AUDIT & GOVERNANCE COMMITTEE
Tuesday, 12 January 2021

PRESENT – Councillors Ron Whittle (Chair), Maureen Bateson, Mahfooz Hussain, Andy Kay, Abdul Patel and Neil Slater

OFFICERS – David Fairclough (Director of HR, Governance and Engagement), Louise Mattinson (Director of Finance), Colin Ferguson (Head of Service Audit and Assurance), Simon Ross (Head of Service for Finance), Julie Jewson (Senior Finance Manager), Jody Spencer-Anforth (Finance Manager), Firoza Hafeji (Governance Officer), Gareth Winstanley (Grant Thornton) and John Farrar (Grant Thornton)

ALSO PRESENT – Councillor Vicky McGurk, Executive Member for Finance and Governance.

RESOLUTIONS

23 Welcome and Apologies

The Chair welcomed all present to the meeting and read the notice that outlined the arrangements relating to the virtual meeting.

24 Declaration of Interest

There were no declarations of interest received.

25 Minutes of the Meeting held on 26th November 2020

The Minutes of the meeting held on 26th November 2020 were moved as a correct record.

RESOLVED – That the Minutes of the meetings held on 26th November 2020 be agreed as a correct record.

26 Statement of Accounts Highlights

The Director of Finance, Louise Mattinson and Senior Finance Manager, Julie Jewson delivered a presentation on the Statement of Accounts 2019/20 and outlined the main features, highlighting key facts and figures for consideration by the Committee.

RESOLVED – That the Committee noted the Statement of Accounts.

27 External Audit: Audit Findings Report 2019/20

John Farrar, Engagement Lead, Grant Thornton, presented a report which outlined the key Audit Findings for Blackburn with Darwen Borough Council for the Year ended 31st March 2020.

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. The audit risk assessment was updated to consider the impact of the pandemic on the audit and included

an additional financial statement risk in respect of Covid-19 within the Audit Plan issued on 5th October 2020.

The audit work was completed remotely during July-December and the findings were summarised in the report. Three adjustments to the primary financial statements were made by management resulting in a £4.950M increase in the deficit on provision of services within the Statement of Comprehensive Income and Expenditure. A small number of disclosure adjustments had also been agreed with officers as detailed in the report. One unadjusted mis-statement was identified where the Heritage Assets had been understated in the balance sheet by £1.327M as a result of the register of heritage assets not being updated to reflect recent valuations. Management chose not to make the adjustments as it was not a material change and included it as an action for the future.

Members and Officers made comments and observations of the audit findings and thanks were passed to auditors and finance officers for their assistance during field work.

RESOLVED – That the report be noted.

28 **Statement of Accounts 2019/20**

A report was submitted, which outlined the issues arising from the external audit of the Council's 2019/20 Statement of Accounts, and requested Audit and Governance Committees approval of the audited accounts prior to their publication, as required by the Accounts and Audit Regulations 2015.

The Accounts and Audit Regulations 2015 required that the draft accounts be produced and authorised for issue by the Council's Director of Finance and Customer Service by 21st May each year. Following external audit review, the accounts should be approved by members, having considered the issues raised by the auditors in their Audit Findings Report, prior to publication by the 31st July following the year to which they relate. Due to the impact of COVID-19, regulations were issued to extend the statutory audit deadlines for 2019/20 for all local authorities. The impact for the Council was that the publication date for final, audited, accounts was moved from 21st July to 30th November 2020. This meant that draft accounts were to be approved by 31st August 2020 at the latest. This would enable the Audit and Governance Committee to review and approve the accounts, having considered the issues raised by the auditors in their Audit Findings Report.

The 2019/20 draft Statement of Accounts were certified by the Director of Finance on 2nd July 2020, and subsequently published on the Council's website. The audit of those draft accounts commenced in September 2020 and amendments had been made to the accounts in line with audit findings to date.

The external audit of the accounts was not concluded in time for the accounts to be published by 30th November, in the main due to the additional time required to complete additional audit work regarding the valuation of the Council's land and buildings assets. This was the case for numerous local authorities across the country.

In order to comply with the Accounts and Audit Regulations 2015, a notice had been published on the Council's website stating that the statement of accounts could not currently be published, and confirming that the accounts would be published as soon as reasonably practicable after the receipt of a report from the auditor which contains the auditor's final findings from their audit and the issue of their audit opinion.

The Audit Findings Report, used by the Council's external auditor, Grant Thornton, highlighted the key findings arising from the final accounts audit in order that those charged with Governance may consider the issues prior to their approval of the Statement of Accounts.

A number of adjustments were made to the Statement of Accounts published on 2nd July 2020 in order to correct misstatements and misclassifications and to enhance the Narrative Report and disclosure notes. There was also one unadjusted misstatement included in the Audit Findings Report, in relation to the revaluation of Heritage Assets. These amounts had not been adjusted in the 2019/20 Statement of Accounts as they were immaterial to the results of the Council and its financial position at 31st March 2020, although they will be addressed in the 2020/21 accounts.

RESOLVED – That the Audit and Governance Committee:

1. Note the outcome of the audit of the Council's financial statements and the Value for Money conclusion as presented by Grant Thornton in their Audit Findings Report for 2019/20 (previous agenda item).
2. Approve the Statement of Accounts for 2019/20.
3. Approve the letter of representation from the Director of Finance and Customer Service to the external auditors for which a draft is provided at Appendix 1, with the final version to be signed by the Director of Finance and Customer Service and the Chair of the Audit and Governance Committee at the date of issue of the audit opinion.

29 Treasury Management Report - September to November 2020

The Director of Finance presented the Committee with a report on Treasury Management activity for the period of 1st September 2020 – 30th November 2020. The report summarised the interest rate environment for the period and borrowing and lending transactions undertaken, together with the Council's overall debt position, and the position against Treasury and Prudential Indicators established by the Council.

Members noted the weekly movement in the totals available for investment, both actually to date and projections for the rest of the year. These balances had fluctuated significantly across the period, ranging between £35M and £60M. Investment balances continued to be unusually high during this period, because of funds received from central government. Funds received from central government included both grants received in advance of their usual payment dates and additional funds in respect of extra costs and the distribution of grants to businesses, in relation to the response to the Covid-19 pandemic. It is intended that investment balances will ultimately reduce in future to between £10M and £20M.

Louise Mattinson highlighted that at 30th November, the Council had approximately £59.9M invested, compared to £40.4M at the start of the period. The breakdown of the closing investment balance was shared with the Committee.

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

RESOLVED – That the Committee noted the Treasury Management Report – 2020/21.

30 Audit & Assurance - Progress & Outcomes to November 2020

The Head of Audit & Assurance reported on the achievements and progress made by Audit & Assurance in the period from 1st October 2020 to 30th November 2020.

The Committee were asked to discuss, review and challenge the outcomes achieved to 30th November 2020 against the annual 2020/21 Audit & Assurance Plan, as approved by the Committee on 29th July 2020.

The internal audit function is required to comply with the Public Sector Internal Audit Standards (PSIAS). The PSIAS requires the Head of Internal Audit to communicate any significant governance, risk management and control issues identified to the Audit and Governance Committee during the year. Members were informed that the work completed to date has not identified any significant control or governance issues that would affect the overall control framework in place within the Council to bring to the Committee's attention at this time.

The report also highlighted Counter Fraud Activity and Internal Audits recently undertaken.

Members noted that five internal audits were completed and finalised since the last report to the Committee.

RESOLVED – That the report be noted.

31 Annual Governance Statement - Progress on 2019/20 Actions and Plan for 2020/21

Members were informed on progress of the actions taken to address the significant governance issues identified in the 2019/20 AGS and the planned approach and timetable for producing the 2020/21 Statement.

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

The following significant issues were noted in the 2019/20 AGS:

- Children's Services Financial Position - action brought forward from 2017/18);
- Adult Social Care Commissioning – 2019/20 action; and
- Impact of COVID-19 on the financial position of the Council – 2019/20 action.

Details of the progress made to 30th November for each of these areas was provided in Appendix 1. These showed that appropriate steps had been taken by senior officers and managers in respect of the issues identified and that these were largely in accordance with the expected targets. However, the commentary notes that there was still volatility in Children's Services commissioning and there was the potential for numbers and costs to increase. There was also a level of uncertainty in these areas depending on the impact of the second wave of the pandemic, the winter demand pressures and the possibility of a third wave.

The approach and proposed timetable for 2020/21 were also outlined.

RESOLVED –

- That the progress made to address the significant actions identified in the 2019/20 AGS be reviewed; and
- That the approach/timetable for producing the 2020/21 AGS be noted.

32 Risk Management - 2020/21 Quarter 2 Review

Colin Ferguson summarised the Risk Management report for Quarter 2 in the period from 1st June 2020 to 30th September 2020.

The Committee were asked to:

- Discuss, review and challenge the progress made on the Corporate Risk Register as at the end of Quarter 2 2020/21;
- Note the risk management activity that had occurred during the period; and
- Consider the selection of Corporate Risk for the Committee to undertake a review of its assessment, control and monitoring at its next meeting.

The Corporate Risk Register contained 15 open risks at 30th September 2020.

A summary of the corporate risk details was shared with the Committee which identified that the Corporate Risk 21, the risk the Council was unable to recover its critical functions, core services and income generating functions, during the transition and recovery phases of a COVID-19 outbreak has been closed due to the increase in the rate of Covid-19 infections in the borough, and the move into tier 3 restrictions. Instead Corporate risk 20, relating to the delivery of critical and core services and functions during the response and mitigation phase of the Covid-19 outbreak, has been re-opened.

The top three corporate risks as at 30th September 2020 were shared with Members of the Committee.

Officers have continued to make use of the risk management support that is available from Zurich Municipal as part of the current long term insurance

agreement. As well as a series of webinars, Zurich delivered a Digital Customer Week in November covering a wide range of topics.

Zurich published a wider range of guidance notes during the period which covered topics such as risk control measures for the temporary closure of premises, managing additional homeworking exposure, working from home display screen equipment (DSE) risk assessments, the cyber dimension of the corona virus, guidance on moving from response to recovery, planning for a return to the workplace and guidance for reopening schools.

The Committee then considered a Corporate Risk to look at the next meeting, and agreed that No.15 which related 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 be reviewed.

RESOLVED –

- That the report be noted
- That Corporate Risk No.15 be reviewed at the next meeting

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:

DATE: 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)

The Annual Audit Letter for Blackburn with Darwen Borough Council

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Year ended 31 March 2020
11 February 2021



Agenda Item 3

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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Blackburn with Darwen Borough Council (the Council) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit and Governance Committee as those charged with governance in our Audit Findings Report on the 12th January 2021.

Our work

Materiality

We determined materiality for the audit of the Council's financial statements to be £7,144,000, which was 1.8% of the Council's 2018/19 gross cost of services.

Financial Statements opinion

We gave an unqualified opinion on the Council's financial statements on 4th February 2021.

Whole of Government Accounts (WGA)

We completed work on the Council's consolidation return following guidance issued by the NAO.

Use of statutory powers

We did not identify any matters which required us to exercise our additional statutory powers.

Value for Money arrangements

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on the 4th February 2021.

Certificate

We certified that we have completed the audit of the financial statements of Blackburn with Darwen Borough Council in accordance with the requirements of the Code of Audit Practice on the 4th February 2021.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Executive Summary

Working with the Council

The Outbreak of COVID-19, the subsequent lockdown from March 2020, and the on-going restrictions to enable people to work in a Covid-safe manner, has had a significant effect on the Council's officers and on the audit. Fortunately, the Council were able to move quickly to safe remote working for non-front-line staff, rolling out IT equipment and solutions while maintaining operational control.

We have worked with the Council's management teams, adapting our systems to support remote auditing and while some aspects of the audit have been more time consuming than would normally be the case, we have been able to facilitate virtual audit verification of processes, transactions and balances. We have been able to hold 'Teams' meetings with officers and to attend virtual meetings of the Audit and Governance Committee.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's finance team.

Grant Thornton UK LLP
February 2021

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £7,144,000, which is 1.8% of the Council's 2018/19 gross cost of services. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality of £20,000 for senior officer remuneration.

We set a lower threshold of £357,000, above which we reported errors to the Audit and Governance Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check for consistency with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we obtained was sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and was risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Covid-19</p> <p>The global outbreak of the Covid-19 virus pandemic led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expected current circumstances to have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 2 July 2020. We also:</p> <ul style="list-style-type: none"> • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples included the material uncertainty disclosed by the Council's property valuation expert and actuary; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and pension fund net liability valuations; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; and • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. 	<p>The results of our work concluded that appropriate arrangements had been put in place to manage the COVID 19 situation which included the Council activating its Corporate Business Continuity Plan and emergency planning protocols through the Lancashire Resilience Forum (LRF).</p> <p>Due to the potential impact that Covid-19 had on the value of your land and buildings at 31 March 2020, your valuer disclosed a material valuation uncertainty within their valuers report (in line with VPGA 10 of the RICS Red Book Global). You disclosed this material uncertainty within your disclosure around assumptions made about the future and other major sources of estimation uncertainty. We reflected your disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted a material valuation uncertainty.</p> <p>Similarly, there was also an impact of Covid-19 on the valuation of the Local Government Pension Fund (LGPS) property assets. Lancashire's LGPS accounts included a material uncertainty around the valuation of property assets and the fund auditor included an emphasis of matter in their auditor's report in this regard. Your financial statements disclosures were updated to reflect this and our audit report also contained an "emphasis of matter" paragraph relating to this matter.</p>

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings The Council revalues its land and buildings on a rolling five-yearly programme. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We:</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • wrote to the valuer to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and • tested revaluations made during the year to see if they had been input correctly into the Council's asset register. 	<p>Having challenged the Council's valuer on the information and assumptions applied as part of the 2019/20 valuation process, we were satisfied that the valuation of the Council's land and buildings is materially correct.</p> <p>Disclosures regarding material valuation uncertainty</p> <p>The outbreak of Covid-19 caused uncertainty in property markets. As a result, your valuer included reference to a material uncertainty in their valuation report.</p> <p>The estimation uncertainty was highlighted in your disclosure around assumptions made about the future and other major sources of estimation uncertainty</p> <p>We considered the disclosure was sufficiently detailed to meet the requirements of the accounting standards and that it was important to a readers understanding of the financial statements. As such, we drew attention to the uncertainty through the inclusion of an Emphasis of Matter within the audit report.</p> <p>Based on the work performed to date were satisfied that the value of Property, Plant and Equipment was not materially misstated within the financial statements.</p>

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Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of net pension liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£265 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the pension fund net liability was not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement; • reviewed of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuations; • undertook procedures to confirm the reasonableness of the actuarial assumptions made; and • checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>We were aware that the Pension Fund Auditor was planning to include an emphasis of matter in their audit report drawing attention to a material valuation uncertainty relating to the Fund's real estate portfolio. Your financial statements disclosures were updated to reflect this and our audit report also contained an "emphasis of matter" paragraph relating to this matter.</p> <p>Subsequent to the publication of the draft financial statements, the proposed remedy to the McCloud judgement was published for consultation. The Actuary notified management that their approach when calculating the past service cost in respect of McCloud/Sargeant in the 2018/19 pension liabilities and the current service cost in respect of McCloud/Sargeant in the 2019/20 accounts was in line with the eligibility criteria set out in the published consultation and that the calculations of additional liabilities and service costs were in line with those proposed in the consultation. Your financial statement disclosures were updated to refer to this.</p> <p>We were satisfied that the value of the pension fund liability was not materially misstated within the financial statements.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we :</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk unusual journals; tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>Our audit work did not identified any evidence of management over-ride of controls.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on the 4th February 2021.

Preparation of the financial statements

The Council presented us with draft financial statements in July in accordance within the agreed timescale, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit and Governance Committee on 12th January 2021.

In addition to the key audit risks reported above, we identified the following issues during our audit that we have asked the Council's management to address for the next financial year:

20 There is a need to ensure that when Heritage assets are revalued all the relevant supporting information is passed to the Finance Section so that their records can be updated in a timely manner. Where there has been significant movement in asset values the Council should consider obtaining further valuations for similar types of heritage assets.

- The Council should undertake an exercise to ensure that the fixed asset register is complete, accurate and up to date.
- A small number of adjustments were made to the 2019/20 financial statements in respect of the accounting treatments for the conversion of a school to academy status, a revaluation gain and surplus asset revaluations.

Annual Governance Statement and Narrative Report

We were also required to review the Annual Governance Statement and Narrative Report. These were published on your website as part of the draft Statement of Accounts inline with the national deadline.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work in line with instructions provided by the NAO. We issued an assurance statement which confirmed the Council was below the audit threshold.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Blackburn with Darwen Borough Council in accordance with the requirements of the Code of Audit Practice on the 4th February 2021.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March 2020.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial Sustainability</p> <p>The Council faced increasing financial pressures and in year budget monitoring reports highlighted a number of directorates with significant overspends. In addition, the Revenue Budget report for 2019/20 indicated the need to address cost pressures and a budget gap of £8.2m in 2019/20.</p> <p>We reviewed the arrangements that are in place for the regular monitoring of the in year financial position and assessed how the future financial challenges including the need to deliver savings are being addressed.</p>	<p>As part of our work we reviewed the December 2019 budget monitoring report and March 2020 outturn report which showed that the reports set out the current forecasted net outturn expenditure position by portfolio along with details of the actual revenue expenditure in relation to controllable budgets, with narrative around the reasons for any under or overspends against budget.</p> <p>Separate quarterly reports are also produced on the capital programme including a summary of new capital schemes approved. Any significant areas of expenditure slippage are summarised and there is informative narrative provided.</p> <p>Other financial information is provided on a quarterly basis within the reports including detail on the latest debtors and creditors position, along with a summary of borrowings and investments.</p> <p>The outturn financial performance for 2019/20 showed an overspend against portfolio budgets of £5.312 million at 31st March 2020 which was funded through the Council's reserves.</p> <p>The overall level of usable reserves is £41.647m, including £7.2m General Reserves, £28.6m earmarked reserves and £5.8m capital grants unapplied. This compared with total usable reserves in 18/19 of £40.1m</p> <p>The 2020/21 Budget and MTFS 2020-2023 approved by Finance Council in February 2020 set a balanced budget for the year based on the assumptions made at that time. Since then, the Covid-19 pandemic has created a significant shock to the economy and resulted in significant, unplanned expenditure and income losses for the Council, which has been reported to the Executive Board and Council Forum.</p> <p>Work will continue over the coming months to monitor and forecast the costs and savings associated with both the pandemic and any other emerging budget pressures. In the meantime, arrangements are in place to scrutinise all existing expenditure plans and Executive Members and Directors are working to develop potential savings options for consideration.</p> <p>The Council has risen to the challenge of the Covid-19 pandemic and put in place arrangements to manage it including working closely with the Lancashire Resilience Forum (LRF).</p> <p>Given the recent government announcements around additional financial support to councils whilst there remains some very significant challenges ahead the Council is equipped to deal with these.</p>	<p>We concluded that there are appropriate arrangements in place for the in year reporting and monitoring of the financial position.</p>

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Implementation of regulator Recommendations</p> <p>The Council has been subject to a number of inspections and focused visits by external inspectors during 2019/20. It is essential that recommendations are acted upon in a timely manner to ensure quality services are delivered.</p> <p>We will review the arrangements the Council has implemented to ensure recommendations raised by inspectors are appropriately considered and addressed</p>	<p>Two inspection reports/ letters had been issued to the Council during 2019/20 relating to a focused visit into Children’s Services (March 20) and a joint inspection to judge the effectiveness of the area in implementing the disability and special educational needs reforms as set out in the Children and Families Act 2014. (SEND inspection). A series of findings/recommendations arose from both inspections.</p> <p>Our review of the arrangements undertaken to address the issues raised from both inspections showed that a number of actions had occurred and evidence provided which demonstrated the Council had taken seriously the findings from the inspections. Actions to address points raised included development of action plans, targeted training, revision of strategies, advice for staff and creation of specific documents to record how key decisions are made.</p>	<p>Based on our review we concluded that the Council had put in place appropriate arrangements to ensure recommendations raised by the inspectors were appropriately considered and addressed.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Reports issued

Report	Date issued
Audit Plan	October 2020
Audit Findings Report	December 2020
Annual Audit Letter	February 2021

Fees

	Planned £	Actual fees £	2018/19 fees £
Statutory audit	90,186	90,186	79,186
Additional Fee		18,037	10,000
Total fees	90,186	108,223	89,186

Audit fee variation

As outlined in our audit plan, the 2019-20 fee assumed that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Fee variations are subject to PSAA approval.

Area	Reason	Fee proposed £
PSAA Scale Fee		79,186
Variation per Audit Plan	As reported in the Audit Plan, we adjusted the PSAA scale fee for raising the bar work to meet new requirements of the FRC, additional work to be carried out on Property, Plant and Equipment valuation and pensions liability valuation, new standards and developments, and initial estimate for additional work due to Covid-19.	11,000
Revised Scale Fee per Audit Plan		90,186
Impact of Covid-19	The impact of Covid-19 has led to an increase in work we have to complete and the time it takes to complete this work due to revisiting planning, increased risk around management's assumption and estimates, more detailed work on financial resilience, and remote working.	18,037
Total		108,223

A. Reports issued and fees continued

Fees for non-audit services

Service	Fees £
Audit related services	
Certification of Housing Benefit Claim	10,450
Certification of Teachers Pension Return	5,700
Total	16,150
Non-Audit related services	
None	Nil

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

BRIEFING PAPER



REPORT to : Audit and Governance Committee

LEAD OFFICER: Director of Finance

DATE: 30th March 2021

WARD/S AFFECTED: All

External Audit Fees and Statutory Accounts Audit Deadlines

1. PURPOSE

To provide an update on the latest position with regard to External Audit Fees for 2019/20, 2020/21 and 2021/22 and also to update in respect of developments in the audit regulation timetable for 2020/21.

2. RECOMMENDATIONS

It is recommended that Audit and Governance Committee;

1. note the contents of the report and;
2. approve the final External Audit Fee for 2019/20 of £108,223.

3. BACKGROUND AND KEY ISSUES

Members will recall that several papers were considered at the Committee meeting of 29th July 2020 in respect of External Audit fees as follows;

3.1 Finalisation of Audit Fees 2018/19

Agreement and approval of the final variations to the External Audit fee for 2018/19 following independent review by Public Sector Appointments Ltd (PSAA) further to the dispute we raised with them in respect of the fee variations proposed by Grant Thornton.

The fee agreed for 2018/19 was £79,186 base fee plus £10,000 of agreed variations – a total of £89,186.

3.2 Audit Fees and additional work 2019/20

The July papers set out the details of the additional work that External Audit were required to carry out on various areas in the conduct of their audit, and provided a breakdown of the *likely* overall fee of £90,186 comprising; a base fee of £79,186 plus £11,000 of variations for:

- £2,500 - Increased challenge and depth of work
- £3,000 – audit of Property, Plant and Equipment
- £3,000 – audit of Pensions

- £1,500 – new standards and developments
- £1,000 - local issue – Comprehensive Income and Expenditure Statement (CIES) restatement

(Some of the variations are the same as the variations in 2018/19, e.g. Property Plant, Equipment and pensions, however some are different).

Since July, the global Covid-19 pandemic has continued to create further turbulence impacting on all aspects of the economy including the public sector. This has had significant repercussions for the delivery of audits, audit-related issues.

1. MHCLG did act to ease these pressures by providing more flexibility in the 2019/20 accounts preparation and auditing timetable by temporarily revising the Accounts and Audit Regulations. This extended the period by which an authority had to publish its draft financial statements to 31st August, with the revised date for publishing audited accounts pushed back to 30th November 2020.

As with the significant majority of authorities across the country, we too were unable to meet this deadline, although the accounts were subsequently approved at the Audit and Governance meeting on 12th January 2021, and signed off on 4th February 2021.

2. As is noted in the report from Grant Thornton on the Agenda of this meeting, the impact of Covid-19 has led to an increase in work they have had to complete, and in the time it takes to complete this work due to revisiting planning, increased risk around management's assumption and estimates, more detailed work on financial resilience, and remote working – in addition to the base fee of £79,186 and the £11,000 of variations, they are now estimating that a further charge of £18,037 is required (bringing the total external audit fee to £108,223) to cover areas including;

- **Revisiting planning** – they have needed to revisit their planning and refresh risk assessments, materiality and testing levels. This has, in many cases, driven additional areas of audit work.
- **Management's assumptions and estimates** – the pandemic has led to increased uncertainty over many estimates including property, pension and other investment valuations. Many of these valuations have been impacted by the reduction in economic activity and Grant Thornton have been required to understand and challenge the assumptions applied by management.
- **Financial resilience assessment** – Grant Thornton have been required to consider the financial resilience of all of their audited bodies. Their experience indicated that Covid-19 has impacted on the financial resilience of all local government bodies, some critically. This has increased the amount of work that they have needed to undertake on 'going concern' and 'value for money' (financial sustainability), in some instances referencing the financial resilience of the organisation in their reports, ranging from just drawing the reader's attention to the organisation's own disclosures in their audit report, through to making use of statutory reporting powers.
- **Remote working** – the most significant impact in terms of delivery has been the move to remote working (for both their teams and ours). Issues are understandable and arise from the availability of the relevant information and/or the availability of relevant staff (due to shielding, being diverted to other essential functions, or other additional Covid related demands). In many instances the delays are caused by the inability of the auditors to sit with the council officers to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.

Given the issues we experienced and the dispute we raised in respect of fee variations for the 2018/19 audit, as agreed, over the course of the 2019/20 Grant Thornton have kept us alerted to pressures they have experienced that could lead to a potential increase in costs and fee variations. They brought to our attention the fact that across their local government audits they had been experiencing significant cost pressures as a result of the longer timescales involved in conducting and concluding audits in the current environment.

Grant Thornton, along with the other local government auditors, have been discussing the issue with PSAA over the course of the year and have noted that these issues are similar to those experienced in the commercial sector and NHS. In both sectors there was a recognition that audits would take longer, with commercial audit deadlines being extended by 4 months and the NHS deadline by a month. At the same time, the Financial Reporting Council also issued guidance to auditors setting out its expectation that audit standards had to remain high, and of the additional work that they required across all audits.

In Grant Thornton's experience the issues highlighted have increased the time taken on audits by an average of 25%, which they understand from discussions with the Institute of Chartered Accountants in England and Wales, is similar to other audit firms. Whilst they have stated that they have tried to mitigate rising costs as far as possible, for example travel time and costs have reduced and they have tried to absorb some of the remaining overrun themselves, it has not proved possible to absorb all of this, hence the variations of £11,000 and the request for additional fees due to Covid of £18,037.

These fees are still subject to approval by PSAA in line with PSAA's normal process.

3.3 Fee scale for 2020/21

A letter was also presented to the July meeting from PSAA which notified the Council of the 2020/21 scale fee of £79,186; however the letter noted that the final audit fee is unlikely to remain at this level because of a variety of change factors, the impact of which could not be accurately or reliably estimated at that stage.

The letter noted that all fee variations require PSAA approval before they can be invoiced.

3.4 Government response to the Redmond Review – changes in audit deadlines for 20/21 and 21/22 accounting years and additional funding

On 9 March 2021, in response to the Independent review of Local Authority Financial reporting and external audit (the Redmond Review), the Government laid regulations that will amend the draft and final accounting deadlines for principal councils, police and fire bodies. The Accounts and Audit (amendment) Regulations 2021 (SI no 2021/263) will come into force on 31 March 2021. The impact of this is;

- the deadline for the completion of external audits will be put back to September 30th for two years for both the audit of the statutory accounts for 2020/21 and for 2021/22. The regulations will amend the draft and final accounts publication deadlines from 1 June and 31 July respectively, to 1 August and 30 September for the next two accounting years; the position will then be reviewed at that time.
- the regulations also include a new requirement for all local bodies to post a notice on their website if they fail to publish their draft accounts by 1 August 2021.

As part of the response, the government also announced in the Local Government Financial Settlement that they would provide £15 million to authorities in 2021/22 to pay for additional costs arising from new reporting requirements recommended by the Redmond review, and for expected increases in audit fees driven by additional audit requirements from the new National Audit Office code of practice – at the time of writing this report, we have not received our allocation of this funding.

The Government is still considering whether structural changes are required to the procurement and regulatory arrangements for local audit and will make a decision on that in 2021.

4. POLICY IMPLICATIONS

None

5. FINANCIAL IMPLICATIONS

Provision has been made within the budget for the annual cost of the external audit fee based on the rates initially confirmed by PSAA.

The costs of any increase in fee above this level will result in an overspend unless offset in full by the additional £15million of funding announced by the Chancellor in his budget of 3rd March 2021 to assist with the increase in the cost of audit, for which we await to hear of the allocation for Blackburn with Darwen.

6. LEGAL IMPLICATIONS

None

7. 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.

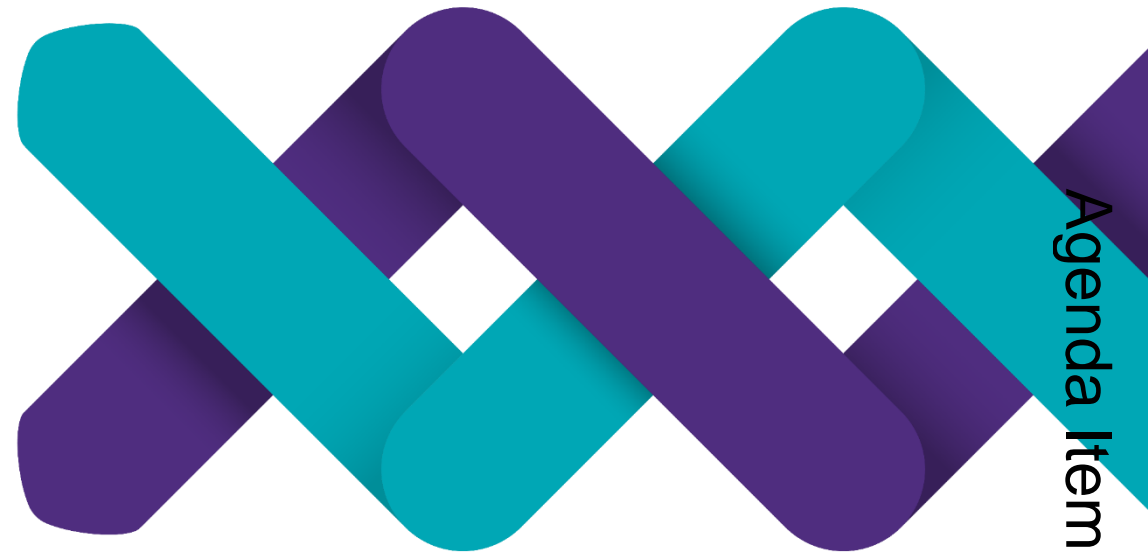
VERSION: 1

CONTACT OFFICER:	Louise Mattinson - Director of Finance
DATE:	March 2021
BACKGROUND PAPERS:	N/A

Audit Progress Report and Sector Update

Blackburn with Darwen Borough Council
Year ending 31 March 2020/2021

31 March 2021



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Introduction

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This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at March 2021

Financial Statements Audit

2020/21

We have now begun to look to the 2020/21 financial year and started our planning processes for the audit.

We have:

- continued to have regular discussions with management to inform our risk assessment for the 2020/21 financial and value for money audits;
- shared the management assessment questions with management and explained the additional documentation required on estimates;
- discussed with management the additional requirements for the value for money work;
- made requests for key documents to assist us in undertaking our audit planning;
- we are in the process of updating our systems documentation and planning requirements.

We will continue to:

- review committee papers and latest financial and operational performance reports
- consider any reports from regulators regarding your clinical / operational effectiveness.

We expect to issue our audit plan summarising our approach to key risks on the audit in June 2021.

Value for Money

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness.
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach.
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Further detail on the NAO's revised approach to VFM work can be found here: <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2019/12/AGN-03-Auditors-Work-on-Value-for-Money-Arrangements.pdf>

The new Code of Audit Practice issued by the NAO can be found here: https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

Progress at March 2021 (Cont.)

Other areas

We meet regularly with Finance Officers throughout the year as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 and 2019/20 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes and those as a result of the new VFM code on both the cost and timing of audits. We will continue to discuss this with your s151 Officer including proposed variations to the Scale Fee set by PSAA Limited in due course.

As a firm, we are absolutely committed to meeting the expectations of the FRC and NAO with regard to audit quality and local government financial reporting and our work on VFM.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
Audit Findings Report The Audit Findings Report summarises the findings of our audit of your financial statements and our VFM work	November 2020	December 2020
Auditors Report This is the opinion on your financial statements, annual governance statement and value for money conclusion.	November 2020	February 2021
Annual Audit Letter This letter communicates the key issues arising from our work.	December 2020	February 2021
2020/21 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2020/21 financial statements and a Conclusion on the Council's Value for Money arrangements.	June 2021	TBC
Audit Findings Report The Audit Findings Report will be reported to the September Audit Committee.	September 2021	TBC
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	September 2021	TBC
Annual Audit Letter This letter communicates the key issues arising from our work.	October 2021	TBC

Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below :

Public Sector

Local
government

The Redmond Review

The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – “The Redmond Review” was published on 8 September.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority’s annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes “A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process.”

Key recommendations in the report include:

- A new regulator - the Office of Local Audit and Regulation (OLAR) to replace the Financial Reporting Council’s (FRC) role and that of Public Sector Auditor Appointments (PSAA)
- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

The OLAR would manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

The current roles and responsibilities relating to local audit discharged by the Public Sector Audit Appointments (PSAA); Institute of Chartered Accountants in England and Wales (ICAEW); FRC; and The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

Code of Audit Practice and revised approach to Value for Money audit work - National Audit Office

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money.

Value for Money - Key changes

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The new approach to VfM re-focuses the work of local auditors to:

- Promote more timely reporting of significant issues to local bodies
- Provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas
- Provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness
- Provide clearer recommendations to help local bodies improve their arrangements.

Implications of the changes

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful, and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor's Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

The following are the main implications in terms of audit delivery:

- The Auditor's Annual Report will need to be published at the same time as the Auditor's Report on the Financial Statements.
- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.
- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

The Code can be accessed here:

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

Local government reorganisation in two-tier shire counties – County Councils’ Network

The County Councils’ Network (CCN) has published new independent evidence on the implications of local government reorganisation in two-tier shire counties ahead of the publication of the government’s ‘devolution and local recovery’ white paper.

The report identifies considerations relating to:

- the costs associated with disaggregation;
- what this might mean in terms of risk and resilience of service provision;
- how service performance might be impacted;
- what it could mean for the place agenda; and
- issues arising from the response to Covid-19.

The report also sets out the financial implications of four unitary scenarios:

- Establishing one unitary authority in every two-tier area in England.
- Establishing two new unitary authorities in every two-tier area in England.
- Establishing three new unitary authorities in every two-tier area in England.
- Establishing two new unitary authorities and a children’s trust in every two-tier area in England.

CNN note “With councils in shire counties facing billions in rising costs for care services, alongside financial deficits caused by the Coronavirus pandemic, the study from PricewaterhouseCoopers (PwC) shows merging district and county councils in each area into a single unitary council could save £2.94bn over five years nationally.”

CNN go on to comment “The report concludes a single unitary in each area would reduce complexity and give communities a single unified voice to government. It would provide a clear point of contact for residents, businesses and a platform to ‘maximise’ the benefits of strategic economic growth and housing policy; integral to the ‘levelling-up’ agenda and securing devolution.

However, the report shows replacing county and districts with two unitary authorities in each area would reduce the financial benefit by two-thirds to £1bn over five years, with three unitary authorities delivering a net loss of £340m over the same period. A fourth scenario of a two-unitary and children’s trust model in each county would deliver a net five year saving of £269m.

Alongside a minimum £1.9bn in additional costs from splitting county council services, the report outlines the establishment of multiple unitary authorities in each area creates the risk of disruption to the safeguarding of vulnerable children, while ‘instability’ in care markets could impact on the quality and availability of support packages and care home placements.”



The full report can be obtained from the County Councils’ Network website:

<https://www.countycouncilsnetwork.org.uk/new-analysis-reveals-that-single-unitary-councils-could-deliver-3bn-saving-over-five-years-and-maximise-the-benefits-of-economic-growth-and-housing-policy/>

Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Assurance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of the Council and Pension Scheme we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings (Council)
- Depreciation (Council)
- Year end provisions and accruals (Council)
- PFI liability (Council)
- Valuation of defined benefit net pension fund liabilities (Council and Scheme)
- Fair value estimates
- Valuation of level 2 and level 3 investments (Scheme)
- Valuation of direct property (Scheme)

The Council and Scheme's Information systems

In respect of the Council's and Scheme's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the council and pension scheme uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate; and
- There are adequate controls in place at the Council and Scheme (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate, and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to include:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

How can you help

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquiries are completed by management and confirmed by those charged with governance at an Audit Committee meeting. For our 2020/21 audit we will be making additional enquiries on your accounting estimates in a similar way (which will cover the areas highlighted above). We would appreciate a prompt response to these enquiries in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540-Revised-December-2018-final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540-Revised-December-2018-final.pdf)



BRIEFING PAPER

REPORT to : Audit and Governance Committee

LEAD OFFICER: Director of Finance

DATE: 30th March 2021

WARD/S AFFECTED: All

TREASURY MANAGEMENT REPORT – 2020/21

Based on monitoring information for the period 1st December – 28th February 2021

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, and the Treasury Management Strategy for 2021/22, appended to this report.

3. BACKGROUND

3.1 The Treasury Management Strategy for 2020/21, approved at Executive Board in March 2020, 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 Bank Rate has remained steady at 0.1% during the period.

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 have fluctuated across the period, ranging between £55 M and £75 M. Investment balances continued to be unusually high during this period, because of funds received from central government. Funds received from central government included both grants received in advance of their usual payment dates and additional funds in respect of extra costs and the distribution of grants to businesses, in relation to the response to the COVID-19 pandemic. It is intended that investment balances will ultimately reduce in future to between £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 MMF holdings continued to decrease over the period, to around 0.02% by the end of the period. Bank deposit account rates have remained steady over the period, all now paying 0.01%.

Deposit rates on the UK Government’s Debt Management Account Deposit Facility (DMADF) deposits have fluctuated over the period, ranging between 0.01% and -0.08%.

For limited periods, funds were also placed with the Government’s Debt Management Account Deposit Facility (at 0.01%). The other fixed term investments made were:

Start Date	End Date	Counterparty	Amount £	Rate
09-Jun-20	2 days notice	Thurrock Metropolitan Borough Council	£5,000,000	0.40%
27-Nov-20	27-Jan-21	Central Bedfordshire Council	£5,000,000	0.03%
01-Dec-20	01-Mar-21	Surrey County Council	£5,000,000	0.03%
26-Jan-21	31-Mar-21	London Borough of Islington Council	£5,000,000	0.02%
15-Jan-21	15-Apr-21	Cornwall Council	£5,000,000	0.05%
19-Jan-21	19-Apr-21	Royal Borough of Windsor and Maidenhead	£5,000,000	0.04%
22-Jan-21	22-Apr-21	Flintshire County Council	£5,000,000	0.03%

At 28th February, the Council had approximately £55.4 M invested, compared to £59.9 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 0.05%.

For comparison, benchmark LIBID (London Interbank Bid) rates were:

- (a) 1 month lending – fairly stable over the period, averaging -0.09%
- (b) 3 month lending – fairly stable over the period, averaging -0.08%

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. A HM Treasury consultation on lowering PWLB rates concluded in July 2020 and the outcome announced at the end of November 2020, resulting in an immediate 1% reduction in the PWLB rates, for those authorities with no intention to buy investment assets primarily for yield.

The cost of short-term borrowing, based on loans from other councils, have remained fairly stable during the period. Interest rates on loans from 3 months out to a year were priced at low rates between 0.02% to 0.30% by the end of the period.

The Council continues using short-term borrowing, with balances having remained consistent during the period, but should we need to borrow over the longer term this may be more expensive. Should the need arise, we will review the options available.

It is expected that interest rates will remain low for the foreseeable future.

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 February, there was a decrease in short-term borrowing of £8M, as loans of £48M were repaid and £40M of new loans were taken (listed below).

New loans taken in the period				
Start Date	End Date	Counterparty	Amount £	Rate
19/01/2021	19/10/2021	St Helens Council	5,000,000	0.45%
27/01/2021	27/10/2021	Lincolnshire County Council	5,000,000	0.45%
14/12/2020	13/12/2021	South Derbyshire District Council	5,000,000	0.30%
23/12/2020	23/07/2021	Derbyshire County Council Pension Fund	5,000,000	0.30%
19/01/2021	19/08/2021	Derbyshire County Council Pension Fund	5,000,000	0.30%
01/02/2021	01/09/2021	Oxfordshire County Council	5,000,000	0.30%
19/02/2021	18/02/2022	West of England Combined Authority	5,000,000	0.40%
28/01/2021	28/07/2021	Crawley Borough Council	5,000,000	0.20%
			40,000,000	

Future deals already agreed by end of period				
Start Date	End Date	Counterparty	Amount £	Rate
19/03/2021	18/03/2022	West of England Combined Authority	5,000,000	0.40%
26/08/2021	25/08/2022	North Tyneside Council	5,000,000	0.20%

4.5 Current debt outstanding -

	30 th November 2020		28 th February 2021	
	£'000	£'000	£'000	£'000
TEMPORARY DEBT				
Less than 3 months		48,000		6,000
Greater than 3 months (full duration)		<u>33,250</u>		<u>67,250</u>
		81,250		73,250

LONGER TERM DEBT			
Bonds	18,000	18,000	
PWLB	129,535	129,535	
Stock & Other Minor Loans	263	262	
			147,798
			147,797
Lancashire Council County – Transferred Debt	14,007		13,724
Recognition of Debt re PFI Arrangements	62,206		61,754
TOTAL DEBT		305,261	296,525
LESS: TEMPORARY LENDING			
Fixed Term	(37,000)		(33,750)
Instant Access	(22,993)		(21,688)
NET DEBT		245,268	241,087

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) £129.5M 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 1.7% 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 2.4%.

(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.

4.6 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.

With regard to the movement in the key indicator, **Total Borrowing against the Authorised Borrowing Limit**, this is shown as the first graph in Appendix 4. Total borrowing at 28th February 2021 was £296.5M, which is below both our Operational Boundary (£360.8M) and our Authorised Borrowing Limit (£370.8M) for 2020/21.

This year we have remained within both our Operational Boundary – which is set for management guidance - and 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 fund marginal changes in its debt. This remains under review, with regular updates from the Council's treasury management advisors, Arlingclose.

Interest Risk Exposures

Our **Variable Interest Rate Exposure** (see second graph at Appendix 4) ended the period at £30.8M, against the **limit** set for this year of £116.4M.

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 £134.8M, against the **limit** of £267.2M. 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.

4.7 Treasury Management Strategy for 2021/22

The Council's proposed Treasury Management Strategy and Treasury Management Indicators for 2021/22 were submitted to Executive Board on 11th March 2021.

The draft content of the strategy was summarised in an appendix to the report presented at the January 2021 Audit and Governance Committee. The final strategy content remains largely similar to the previous year, taking into account the amendments made during the 2020/21 Treasury Management Strategy Mid-Year Review, approved by Executive Board on 12th November 2020.

Details of the approved strategy are included in Appendix 6.

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

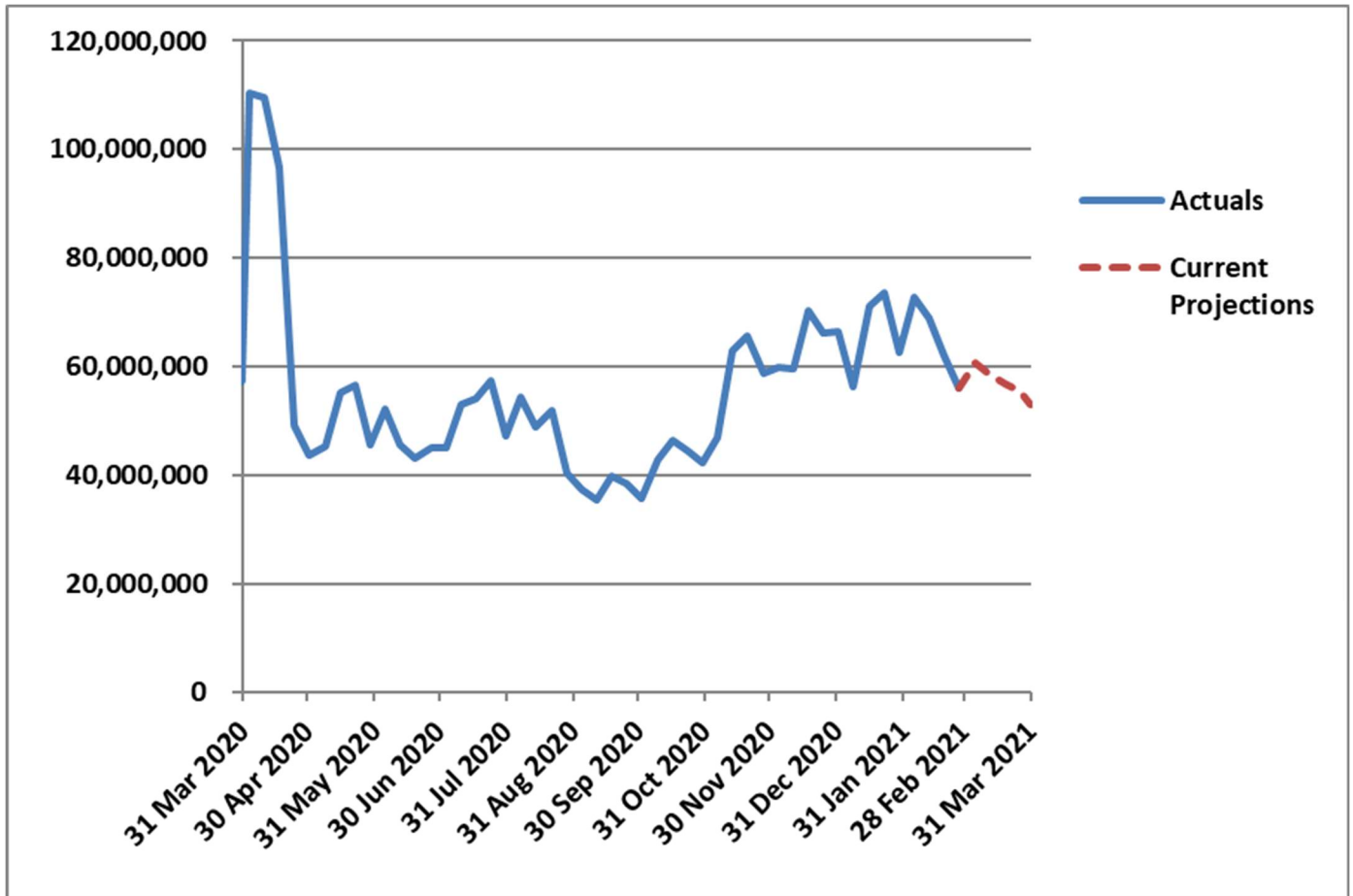
None

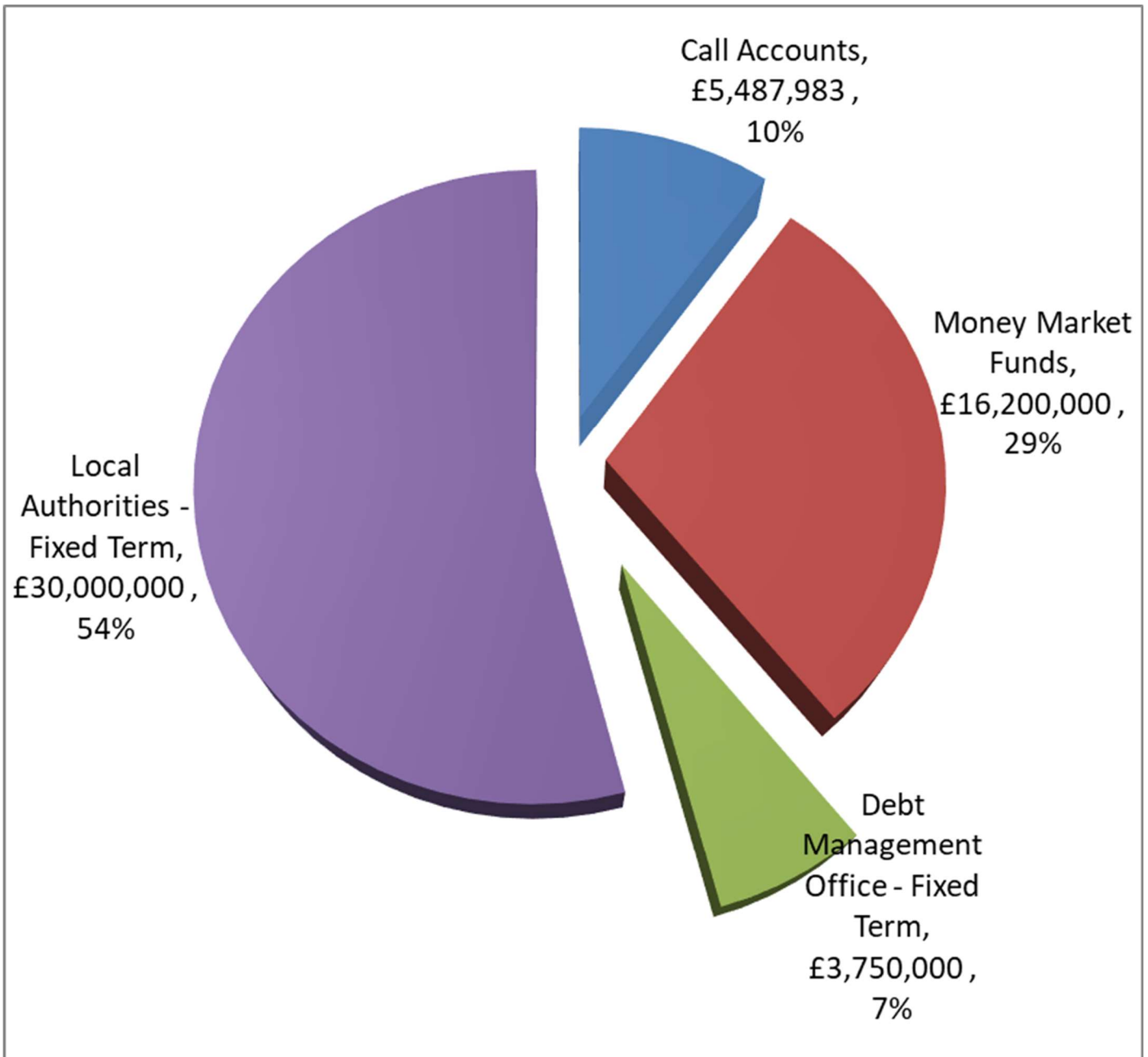
10. STATEMENT OF COMPLIANCE

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.

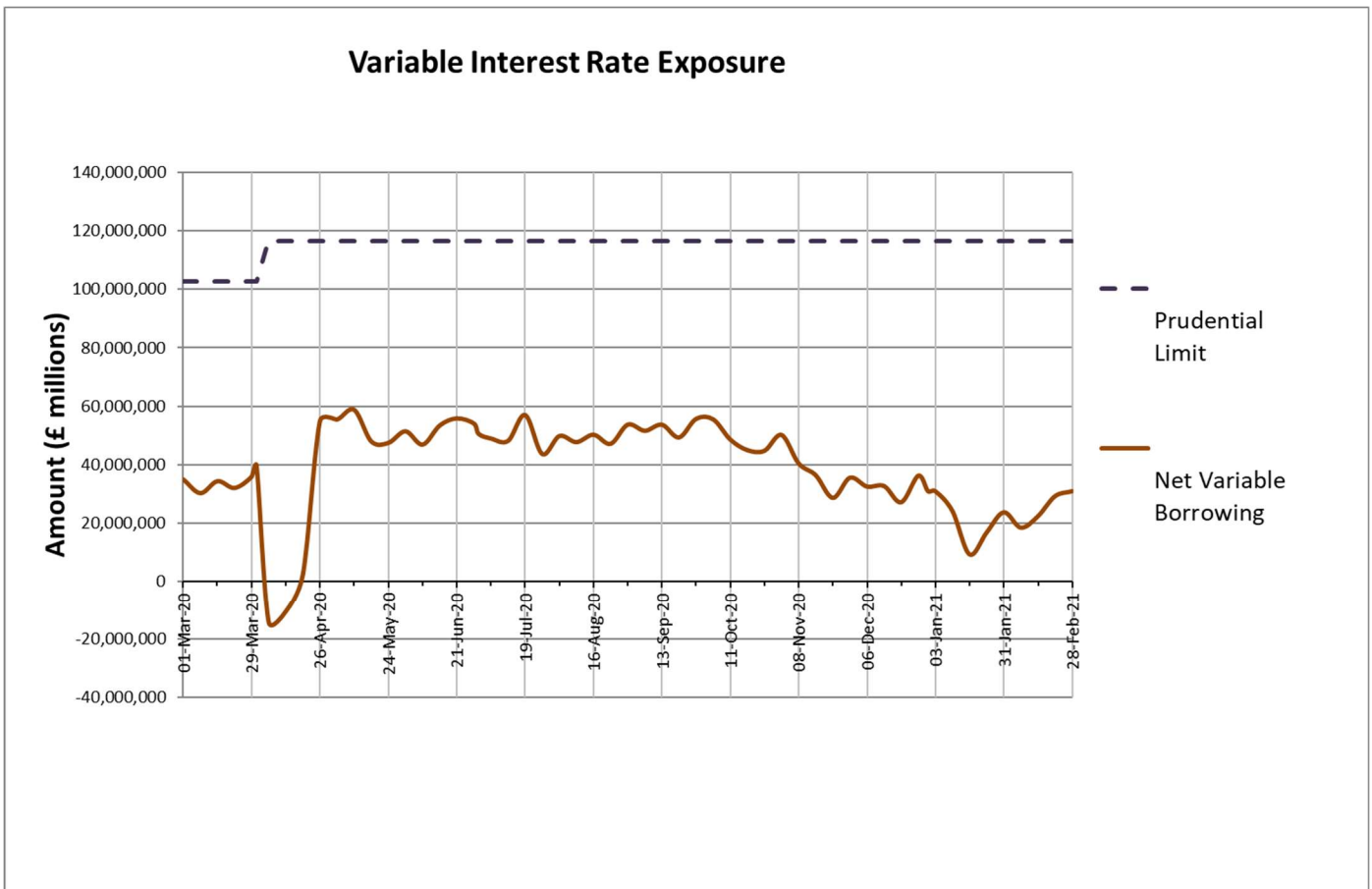
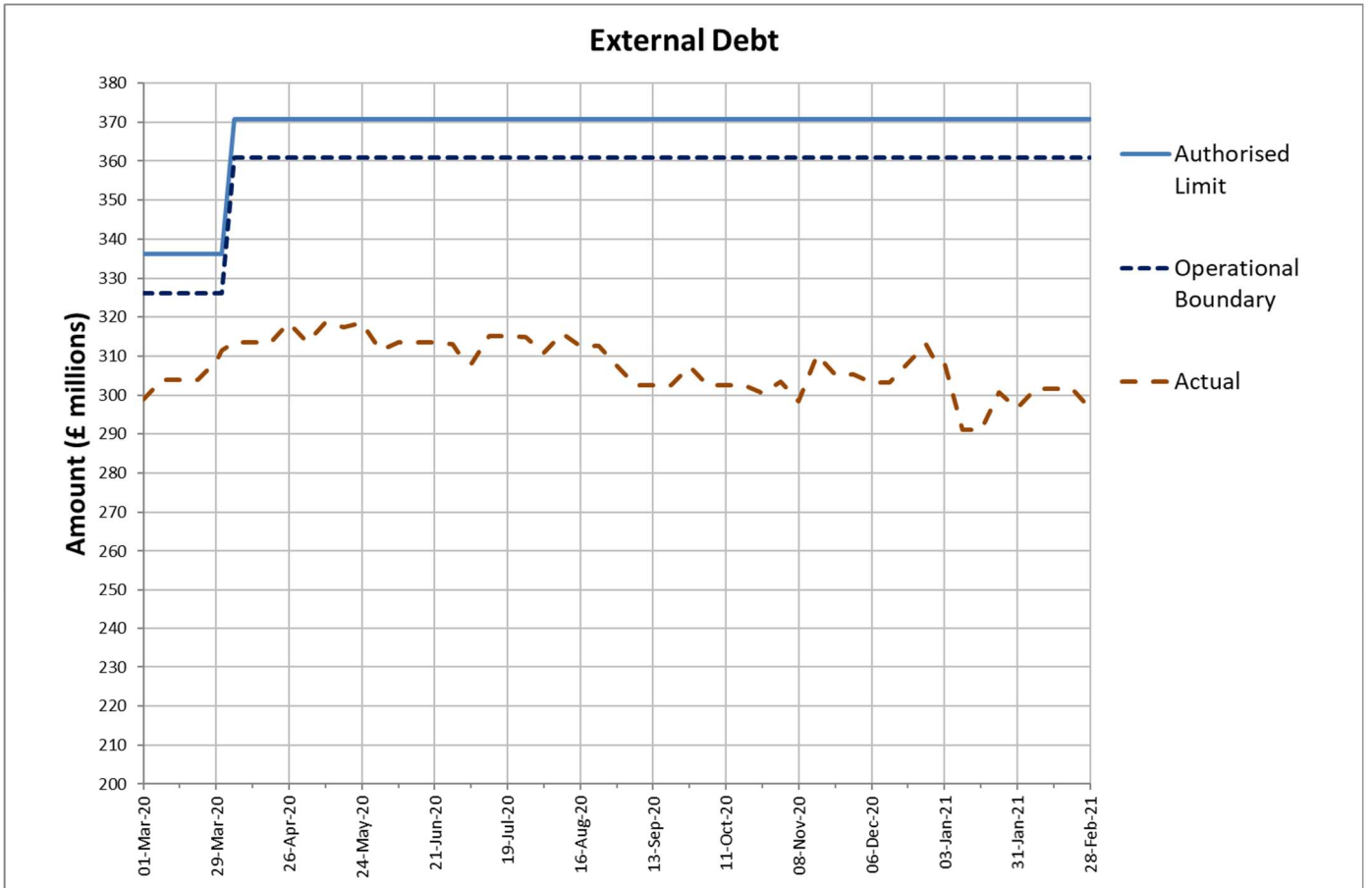
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CONTACT OFFICER:	Jody Spencer-Anforth – Finance Manager	extn 507748
	Louise Mattinson - Director of Finance	extn 5600
DATE:	March 2021	
BACKGROUND PAPERS:	CIPFA Guidance - CLG Investment Guidance - Council Treasury Management Strategy approved by Executive Board 12 th March 2020 - Council Treasury Management Strategy for 2021/221 approved by Executive Board 11 th March 2021	





	Indicator 2020/21	As Approved Feb/Mar 20			Current Monitoring			Commentary
	Estimated Capital Expenditure	£40M			£26M			
	Estimated Total Capital Financing Requirement at End of Year	£307.3M (incl projections re LCC debt £15.0M and accumulated PFI/lease debt £69.3M)			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.			
	Estimated Ratio of Financing Costs to Net Revenue Stream	13.68% (Main Programme Capital Spend)						
Page 52	Outturn External Debt Prudential Indicators	LCC Debt	15.0M		Borrowing to Date	£M		LCC debt and BSF PFI debt will both fall across the year, as debt payments are made
		PFI Elements (no lease)	69.3M		LCC Debt	13.7		
		Remaining Elements	276.5M		PFI Elements	61.8		
		Operational Boundary	360.8M		BwD	221.0		
		Authorised Borrowing Limit	370.8M		Total	296.5		
	Variable Interest Rate Exposure	£116.4M			Exposure to Date	£30.8M		Limit not breached during the year
	Fixed Interest Rate Exposure	£267.2M			Exposure to Date	£134.8M		Limit not breached during the year
	Prudential Limits for Maturity Structure of Borrowing				Actual Maturity Structure to Date			
		Lower Limit	Upper Limit	Period (Years)	Period (Years)	£M	%	
		0%	50%	<1	<1	85.5	39%	
		0%	30%	1-2	1-2	3.5	2%	
		0%	30%	2-5	2-5	26.9	12%	
		0%	30%	5-10	5-10	28.3	13%	
		25%	95%	>10	>10	76.8	35%	
				Total	221.0	100%		
	Total Investments for Longer than 364 Days	£7M			No Long Term Investments Made			



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 than 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 indicator 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

A Money Market Fund is a 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).

TREASURY MANAGEMENT STRATEGY 2021/22

1 Introduction

- 1.1 The Authority both borrows and invests substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy.
- 1.2 Treasury risk management for local authorities is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires each authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.3 Investments held for service purposes or for commercial profit are considered in a different report, the Capital Strategy.
- 1.4 Should the assumptions on which this report is based change significantly, it may be necessary to seek approval to a revised Treasury Management Strategy. Such circumstances could include, for example, a large unexpected change in interest rates, or in the Authority's capital programme or in the level of investments made or borrowing required.

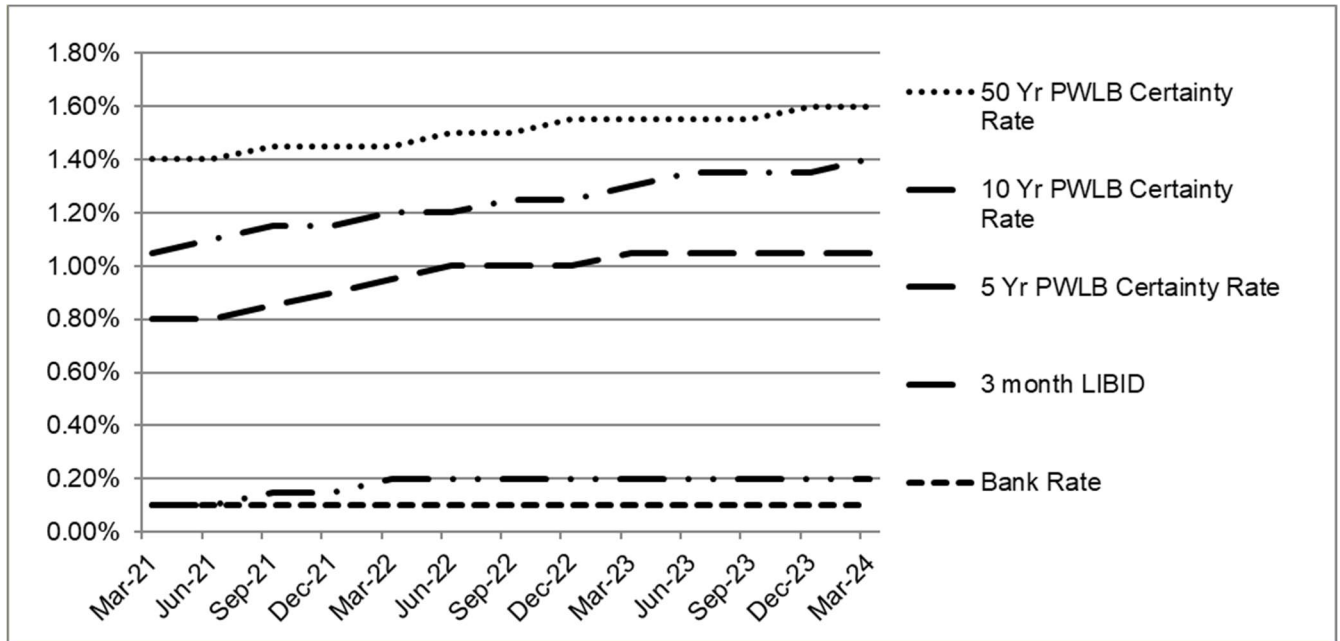
2 Economic Context, Credit Outlook and Interest Rates

- 2.1 The impact on the UK from coronavirus, lockdown measures, the rollout of vaccines, as well as the new trading arrangements with the European Union (EU), will remain major influences on the Authority's treasury management strategy for 2021/22.
- 2.2 The Bank of England (BoE) maintained Bank Rate at 0.10% in December 2020 and Quantitative Easing programme at £895 billion having extended it by £150 billion in the previous month. The Monetary Policy Committee (MPC) voted unanimously for both, but no mention was made of the potential future use of negative interest rates. In the November Monetary Policy Report (MPR) forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast. By the time of the December MPC announcement, a COVID-19 vaccine was approved for use, which the Bank noted would reduce some of the downside risks to the economic outlook outlined in the November MPR.
- 2.3 UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month. Core inflation, which excludes the more volatile components, fell to 1.1% from 1.5%. The most recent labour market data for the three months to October 2020 showed the unemployment rate rose to 4.9% while the employment rate fell to 75.2%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In October, the headline 3-month average annual growth rate for wages were 2.7% for total pay and 2.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up by 1.9% while regular pay was up 2.1%.

- 2.4 GDP growth rebounded by 16.0% in Q3 2020 having fallen by -18.8% in the second quarter, with the annual rate rising to -8.6% from -20.8%. All sectors rose quarter-on-quarter, with dramatic gains in construction (41.2%), followed by services and production (both 14.7%). Monthly GDP estimates have shown the economic recovery slowing and remains well below its pre-pandemic peak. Looking ahead, the BoE's November MPR forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.
- 2.5 GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in November, the fourth successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time but expanded its monetary stimulus in December 2020, increasing the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.
- 2.6 The US economy contracted at an annualised rate of 31.4% in Q2 2020 and then rebounded by 33.4% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.
- 2.7 Former vice-president Joe Biden won the 2020 US presidential election. Mr Biden is making tackling coronavirus his immediate priority and will also be reversing several executive orders signed by his predecessor and take the US back into the Paris climate accord and the World Health Organization.
- 2.8 The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.
- 2.9 Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.
- 2.10 The Authority's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the first quarter of 2024. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the new EU trading arrangements. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold and maintained this position in December. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.
- 2.11 Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.60% and 0.90% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.
- 2.12 The Council's latest interest rate forecast, reflecting advice from Arlingclose, is shown below.

The PWLB rates relate to potential long-term borrowing, and the LIBID (London Interbank Bid Rate) to short-term borrowing and investment.

This is a realistic view of potential rates, however it must be recognised that downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period comes to an end.



For the purpose of setting the budget for 2021/22, it was assumed that:

- any new investments would be at low rates, averaging around 0.05%,
- short-term borrowing would be available at an average of around 0.75% and
- new long-term loans would be available, if required, at rates around 1.50%.

3 Borrowing Strategy

3.1 At the end of December 2020 the Council held around £308.1M of borrowing:

Table 1: Existing Debt and Investment Portfolio Position

	£m
Short-Term Debt – maturing 20/21	41.0
Short-Term Debt – maturing 21/22	43.3
Long-Term Debt	147.8
Lancashire County Council (LCC) Debt	14.0
Debt re PFI Arrangements	62.1
Gross Borrowings	308.1
This was offset by investments of:	66.4
Net Borrowing (gross borrowing less investments)	241.7
Net Borrowing (if LCC and PFI debt are excluded)	165.6

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

the accumulated need to borrow **to finance capital spend** (not funded from grants, etc.)

LESS the accumulated Minimum Revenue Provision (MRP) charges already made - councils must make a prudent MRP charge in their accounts, to finance their debt –

LESS any capital receipts applied to finance outstanding debt.

The CFR tends to increase if capital spend financed from borrowing exceeds MRP.

3.3 Forecast changes in CFR and borrowing needs are shown in the table below:

Table 2: Balance Sheet Summary and Forecast

	31.3.20 Actual £m	31.3.21 Estimate £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m
General Fund CFR	300.7	299.3	301.5	295.0	291.8
Less: CFR re Other debt liabilities *	-84.8	-84.5	-84.2	-83.8	-83.4
Loans CFR	215.9	214.8	217.3	211.2	208.4
Less: External borrowing **	-149.9	-145.7	-141.8	-138.2	-134.9
Internal borrowing	66.0	69.1	75.5	73.0	73.5
Less: Usable reserves ***	-41.6	-58.7	-53.2	-50.2	-48.2
Plus/Minus: Working capital	2.2	16.6	-6.4	-6.7	10.9
Remaining Net borrowing NEED	26.5	27.1	16.0	16.1	36.3

Net borrowing NEED addressed by	
Short Term borrowing	84.0 78.3
Treasury Investments	-57.5 -51.2

* CFR regarding PFI liabilities and transferred debt that form part of the Council's total debt

** only loans to which the Council is committed over the longer term

*** includes schools balances and grants received in advance of need

The Council's usable reserves and working capital allow less borrowing to be taken than would otherwise be required. This is sometimes termed internal borrowing.

The Council's "Loans CFR" initially increases, due to the levels of prudential borrowing under its Capital Programme plans. Thereafter, unless the level of prudential borrowing is increased beyond current plans, it will start to fall in later years, as the level of MRP being made would then be larger than the increase in CFR resulting from additional spend financed from borrowing.

3.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that total debt should be lower than the highest forecast CFR over the next three years. The Council expects to comply with this recommendation during 2021/22.

3.5 The authority will continue to need to take borrowing in support of funding its capital programme. The chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required.

3.6 Given the significant cuts to public expenditure and in particular to local government funding, the proposed borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates

currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. By doing so, the Council can reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

- 3.7 The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 3.8 The Authority has previously raised much of its long-term borrowing from the PWLB, but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; if the Council was to undertake such activities, alternative long term funding options would need to be explored. It is likely that this would take longer to arrange, and the process would require additional resources to complete. The interest rates at which such borrowing could be obtained are uncertain but may be at rates higher than those currently available from the PWLB.
- 3.9 One alternative option is that the Council may arrange forward starting loans during 2020/21, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. The authority will continue to maintain a flexible approach to borrowing.
- 3.10 In addition, the Council may take further short-term loans to cover cash flow requirements.
- 3.11 The approved sources of long-term and short-term borrowing will be:
- Public Works Loan Board (PWLB) and any successor body
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - any other UK public sector body
 - UK public and private sector pension funds (except the Lancashire County Council Fund)
 - capital market bond investors
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Authority has previously raised much of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, which may be available at more favourable rates.

- 3.12 **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.
- 3.13 The Council still has £13M of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £8M of these LOBOs have options which may be exercised during 2021/22, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority may take the option to repay LOBO loans at no cost if it has the opportunity to do so. It is not currently expected that the Council will take any further LOBO loans - however in order to allow for some flexibility, the Council will limit its total exposure to LOBO loans to £25M.
- 3.14 The UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. Blackburn with Darwen BC was one of a number of local authorities investing in the Agency to help to establish it. It issues bonds on the capital markets and lends the proceeds to local authorities.

This is a more complicated source of finance than the PWLB for two reasons:

- (a) borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and
- (b) there will be a lead time of several months between committing to borrow and knowing the interest rate payable.

Any decision to borrow from the Municipal Bonds Agency will be subject to a separate report to Executive Board.

4 Treasury Investment Strategy

- 4.1 On a day-to-day basis the Council can hold significant surplus funds representing income received in advance of expenditure requirements, in addition to balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged from £20 million to £110 million, reflecting in particular the profiles of capital spending, grant funding, short-term borrowing levels and long-term debt repayments. Treasury investment levels are expected to reduce over the forthcoming year.
- 4.2 Both the CIPFA Code and the MHCLG Guidance require the Council to invest its funds prudently, and to have regard to the **security** and **liquidity** of its investments before seeking the highest rate of return, or **yield**. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving low investment income. Where balances are expected to be invested for more than one year, the Council will try, whilst balancing the above, to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
- 4.3 The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

- 4.4 The Council uses a cash flow model to determine the period for which funds may prudently be committed. The forecast is compiled on a prudent basis, to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Furthermore, a prudent level of funds is maintained in 'instant access' investments, to cover most likely eventualities. However to mitigate risk further, it is possible to borrow funds to cover short-term needs.
- 4.5 The Authority will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.
- 4.6 Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to diversify into secure higher yielding asset classes during 2021/22. This is especially the case for amounts estimated to be available for longer-term investment. All of the Authority's surplus cash is currently invested in short-term unsecured bank deposits and money market funds along with fixed term deposits with other local authorities and the Debt Management Office (DMO). This diversification will represent a change in strategy over the coming year, however the security of the investments will be the primary consideration in line with the measures outlined below.
- 4.7 In order to prioritise the security of investments, the Council sets limits on the amounts placed with different institutions and as to the duration of the investment. This is to maintain a diversified investment portfolio and to align amounts and durations of investments to the perceived risks associated with different counterparties.
- 4.8 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.
- 4.9 The Council uses credit ratings from all the three main rating agencies (Fitch Ratings Ltd, Moody's Investors Service Ltd and Standard & Poor's Financial Services LLC) to assess the risk of loss of investments. The lowest available credit rating will be used to determine credit quality. In order to make the limits straightforward to manage, limits are based on the Long-term ratings, as these ratings are those that address credit risk directly. Long-term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade.

The ratings are obtained and monitored by the Council's Treasury Advisers, Arlingclose, who will notify the Council of changes as they occur.

- 4.10 Credit ratings are a significant factor in assessing the creditworthiness of organisations however the Council understands that they are not perfect predictors of investment default. Full regard will be given to other available information on the credit quality of banks and building societies, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the specified criteria.

4.11 Investment limits are applied at the point at which new investments are made. They are set at cautious levels, allowing for the fact that circumstances may change while investments run their course

It is proposed that if the investment criteria for a counterparty are no longer met, then:

- no new investments will be made,
- any existing investments that can be recalled at no cost will be recalled and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

4.12 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”), so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Where a credit rating agency awards a different rating to a particular class of investment instrument as opposed to the credit rating of the counter-party as a whole, the Council will base its investment decisions on the instrument credit rating rather than the counterparty credit rating.

4.13 Treasury Investment Criteria for 2021/22

The proposed criteria are at essentially the same levels as were agreed for last year. It is proposed that the Council may invest its surplus funds with any of the counterparty types in the table immediately below, subject to the cash and time limits shown and to other limits also set out successively below.

Approved Investment Counterparties	Time Limit	Cash Limit	Sector Limit
The UK Government	50 years	Unlimited	N/A
Local Authorities* & Other Government Entities	364 days	£5M each	Unlimited
<i>* as defined in the Local Government Act 2003</i>			
Banks and Building Societies – Secured			
long-term credit ratings no lower than AA- (or equivalent)	364 days	£5M each	Unlimited
long-term credit ratings no lower than AA (or equivalent)	364 days	£4M each	
long-term credit ratings no lower than A- (or equivalent)	364 days	£3M each	
Banks and Building Societies – Unsecured			
long-term credit ratings no lower than AA- (or equivalent)	9 months	£5M each	Banks – Unlimited
long-term credit ratings no lower than AA (or equivalent)	6 months	£4M each	Building societies - £6M in total
long-term credit ratings no lower than A- (or equivalent)	4 months	£3M each	
The Council’s current account banker – provided long-term credit rating no lower than BBB- (or equivalent)	next day	£3M each	
Corporates or Registered Providers with long-term credit ratings no lower than A- (or equivalent)	4 months	£3M each	£5M in total
Money Market Funds			
long-term credit ratings no lower than A- (or equivalent)	N/A	£5M each	Unlimited
unrated or long-term credit ratings under A- (or equivalent)	N/A	£4M each	
Strategic Pooled Funds and Real Estate Investment Trusts (incl. money market funds)			
long-term credit ratings no lower than A- (or equivalent)	N/A	£5M each	£10m in total
unrated or long-term credit ratings under A- (or equivalent)	N/A	£4M each	

Other Investment Limits	Cash Limits
Any group or organisation under the same ownership	Group or overall limit same as would be set for parent company
Foreign Countries – limited to those with sovereign credit rating of AA+ or better (from all agencies)	£5M each
UK investments will not be limited by the UK’s sovereign credit rating	
Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.	

4.14 **Government:** Loans to, and bonds and bills issued or guaranteed by, national government, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

4.15 **Secured investments:** Investments secured on the borrower’s assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

4.16 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Unsecured investments with banks rated below A- (but no lower than BBB-) will be restricted to overnight deposits with the Council’s Current Account bank, if applicable. A high level of monitoring of the credit-worthiness of the Current Account banker will be maintained if its ratings fall this low and this option will not be taken up if there are concerns.

In addition to investment balances, the Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be monitored and minimised, so far as practicable. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

4.17 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the government and, as providers of public services, they retain a likelihood of receiving government support if needed.

4.18 **Corporates:** this covers loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent.

- 4.19 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 4.20 **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- 4.21 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

4.22 **Strategy for 2021/22**

Cash flow surpluses can be considered as falling into three categories -

- (a) **Short-term funds** that are required to meet cash flows occurring in the next month or so, and for which the preservation of capital and liquidity is therefore of paramount importance. Generating investment returns is of limited concern here, although should not be ignored. Instant access AAA-rated money market funds and bank deposit accounts will be the main methods used to manage short-term cash.
- (b) **Medium-term funds** that may be required in the next one to twelve months will be managed concentrating on security, with less importance attached to liquidity but a slightly higher emphasis on yield. The majority of investments in this period will be in the form of fixed term deposits with banks and building societies. A spread of counterparties and maturity dates will be maintained to maximise the diversification of credit and interest rate risks.
- (c) **Long-term funds** that are not required to meet any liquidity need and can be invested with a greater emphasis on achieving higher returns. Security remains fundamental however, as any losses from defaults will impact on the total return. Liquidity is of lesser concern, although it should still be possible to sell investments with due notice if large cash commitments arise unexpectedly. This is where a wider range of instruments, including structured deposits, certificates of deposit, gilts, corporate bonds and pooled funds in bond, equity and property funds, which could be used to diversify the portfolio.

The overall Investment Strategy will be to prioritise security of funds and maintain a mix of short-term (largely instant access) and medium-term investments to generate investment income as market conditions permit. As the Council expects to have funds available for long-term investment, the Council will consider its options for such funds, including potential investment in strategic pooled funds.

With short-term interest rates still significantly lower than long-term rates, due consideration will also be given to continuing to use surplus funds to defer making long-term borrowing or even make early repayments of long-term borrowing. In addition to the savings on the interest

rate differential, this strategy will also reduce the Council's exposure to credit risk and interest rate risk. In the context of the borrowing strategy, it is likely that most investments will continue to be in instant access and short-term deposits, to manage the Council's liquidity.

The counterparty limits set out above, do allow for a wider range of investment opportunities to be taken up than have been used by the Council to date. Should the circumstances arise under which this would be appropriate, this would allow an increased diversification of the overall portfolio and in some instances, increase the security of investments made. The take up of any new investment opportunities will be closely managed by Officers in the Treasury Management Group, following advice given by the Council's Treasury Management Advisers.

5 Budget Implications

5.1 Excluding PFI costs (which are offset by Government grant funding), the budget for debt interest payable in 2021/22 is £6.5 million (including the interest element of payments to LCC for debt managed on our behalf), reflecting:

- (a) £5.9 million interest payable, at an average interest rate of around 3.7%, on the long-term debt portfolio (forecast to average £154 million over the year),
- (b) up to £0.6 million for short-term borrowing, at interest rates averaging 0.75%.

Projected investment income in 2021/22 is around £15,000, based on an average investment portfolio of circa £23 million, and interest rates averaging 0.05%.

If actual levels of investments and borrowing and/or actual interest rates differ from those forecast, performance against budget will be correspondingly different.

6 Using Derivatives

6.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

6.2 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

6.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

6.4 In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

7 Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators:

Refinancing Risk - Maturity Structure of Borrowing

This indicator is set to control the Council's exposure to refinancing risk - i.e. to prevent too much debt maturing at any one time, with a risk the Council will have to refinance at the rates then prevailing. The limits for up to 24 months continue to be relaxed to allow for a higher level of short-term borrowing.

The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	50%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	30%	0%
10 years and above	95%	25%

This indicator applies to the financial years 2021/22, 2022/23, and 2023/24, from the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. Where there is a prospect that a LOBO may be called, this has been reflected in setting these limits.

Principal Sums Invested for Periods Longer than a Year

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2021/22 £M	2022/23 £M	2023/24 £M
Limit on principal invested beyond year end	7.0	5.0	3.0

The Indicators above are "standard" Treasury Management Indicators that are generally adopted by local authorities, in line with individual circumstances. These indicators have not directly addressed the key treasury priorities of Security and Liquidity, though these issues are already closely tracked throughout the year. However, working in conjunction with the Council's Treasury Advisers, options for the formal monitoring of performance in regard to these priorities remain under consideration.

Interest Rate Risk

CIPFA has withdrawn the previous recommendation for standard indicators for Upper Limits on Fixed and Variable Interest Rate Risk. Nonetheless, this Council recognises that it must have regard to the risk that fluctuations in interest rates could create an unexpected burden on its finances, and will therefore continue to monitor its exposure to Fixed and Variable Interest Rate Risk. In addition, without setting a formal limit, this Council will also monitor, on an ongoing basis, the potential impact of a 1% change in interest rates on its current borrowing and investment portfolio.

The upper limits on fixed and variable rate interest rate exposures, expressed as an amount of net principal borrowed will be:

	2021/22 £M	2022/23 £M	2023/24 £M
Upper limit on Fixed Interest rate exposures	245.3	227.4	212.6
Upper limit on Variable Interest rate exposures	108.6	100.1	93.1

8 Other Matters

Markets in Financial Instruments Directive (MiFID)

The Authority has opted up to professional client status with its providers of financial services, including advisers, brokers and some fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Director of Finance believes this to be the most appropriate status.

9 Other Options Considered

The MHCLG Investment Guidance and the CIPFA Code of Practice do not prescribe any particular treasury management strategy for local authorities to adopt.

Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

The Director of Finance, having consulted with the Executive Member for Finance and Governance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness.



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 30 March 2021

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: **Audit & Assurance - Progress and Outcomes to 28 February 2021**

1. PURPOSE

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 December 2020 to 28 February 2021.

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 28 February 2021 against the annual 2020/21 Audit & Assurance Plan, as approved by the Committee on 29 July 2020.

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 work completed to date has not identified any significant governance, risk management or control issues to bring to the Committee's attention at this time. However, the Committee should consider the information provided in the following sections regarding the work carried out during the period and the summary of issues in respect of the limited assurance audit noted.

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:

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

areas of responsibility throughout the year.

5. KEY ISSUES

Outcomes achieved in the year to 28 February 2021:

Counter Fraud Activity

National Fraud Initiative (NFI)

A total of 5,835 data matches were received from the Cabinet Office in January as part of the 2020/21 National Fraud Initiative exercise (NFI 2020/21), across various Council datasets. An initial sift of these matches is currently taking place to ensure that follow up action is taken where appropriate. To date, 129 matches have been processed and a further 32 investigations are ongoing. Five errors have been identified to date, resulting in savings of £7,878 and arrangements are in place to recover this money from the individuals concerned. The table below illustrates main area of activity and the savings that have been identified so far.

Summary of Results

Area	No. of Errors	Value (£)
Benefits (Housing/Council Tax Support)	5	£7,878
TOTAL	5	£7,878

Other investigations

Audit & Assurance staff are continuing to liaise with the Police in the case of a suspected client fraud.

In addition, Audit & Assurance staff are in the process of finalising a review into the contract management issues following a whistle-blowing complaint by a member of the public to the Director of HR, Governance & Engagement.

Internal Audit

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

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Payroll Core System	Adequate	Adequate	5
Bereavement Services Billing Income & Collection	Adequate	Substantial	3
Car Parking & Bus lane Enforcement Income	Substantial	Substantial	1

Procedures for Market Stall Leases	Adequate	Limited	13
St Cuthbert's CE	Adequate	Adequate	16

A brief commentary on the audit assignment where we have provided a part limited assurance opinion is set out below.

Procedures for Market Stall Leases: The agreed objective was to review the adequacy and effectiveness of the procedures in place for agreeing and processing the letting of market stalls. Adequate assurance was provided for the control environment and limited assurance has been provided for compliance with controls.

Recommendations were made to ensure that copies of signed leases were available for all stalls and to escalate any delays in obtaining a signed lease from a stallholder to a senior officer promptly. Other recommendations made included strengthening the controls and procedures relating to the reconciliation and billing of service charge costs.

Current internal audit reviews

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

- Ofsted Inspection Framework;
- Building Control Performance Standards;
- Section 17 Payments/Financial Support for Families;
- Commercial Property Rental;
- Creditors;
- Corporate Appointee;
- Governance Arrangements;
- Planning Enforcement; and
- Mileage Payments/Staff Expenses.

In addition to the above on-going reviews, two Audit & Assurance staff have been temporarily redeployed during the period to provide support to the Revenues & Benefits team to process Test & Trace support payment applications.

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 2020/21	Q3 2020/21
1. Delivery of Priority 1 Audits (Annual)	100%	100%	N/A
2. Planned Audits Completed Within Budget	90%	60%	57%
3. Final Reports Issued Within Deadline	90%	100%	100%
4. Follow Ups Undertaken Within Deadline	90%	83%	73%
5. Recommendations Implemented	90%	90%	100%
6. Client Satisfaction	75%	100%	100%

7. Compliance with PSIAS (Annual)	95%	95%	N/A
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We have provided a brief commentary on the measure where performance in the period has fallen below the agreed target:

2. Planned Assignments Completed Within Budget

Two of the five audits (40%) completed in the period were over budget. Additional time was required to complete the Bereavement Services and Parking & Bus Lane Enforcement Income audit reviews as audit staff carried these out remotely due to the pandemic restrictions. This was the first time these areas had been audited. Additional time was required for background work and planning, as well as completion of remote testing and finalisation of the report with the Department in order to ensure that the audit work was carried out in accordance with the agreed scope and met the required standards.

4. Follow Ups Undertaken Within Deadline

There was a delay in issuing one of the follow-ups that was due during the period due to staff absence. This was issued immediately on the return of the staff member.

6. POLICY IMPLICATIONS

The 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: 19 March 2021

Background Papers: Audit & Assurance Plan 2020/21, approved by the Audit & Governance Committee on 29 July 2020.



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 30 March 2021

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT Audit & Assurance Plan 2021/22 and Internal Audit Charter

1. PURPOSE

To inform Members of the planned Audit & Assurance work for the forthcoming year.

2. RECOMMENDATIONS

The Committee is asked to:

- approve the 2021/22 Audit & Assurance Plan (as set out in Appendices 1 and 2);
- approve the Internal Audit Charter (as set out in Appendix 3)
- 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.

3. BACKGROUND

Under the Accounts and Audit Regulations 2015 the Council “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 (PSIASs)”. The PSIASs require the Head of Audit & Assurance to develop a risk based audit plan taking into account the requirement to produce an annual internal audit opinion. The plan must explain how internal audit’s resource requirements have been assessed.

The PSIAS also require an internal audit charter to be in place. The charter should set out the purpose, authority and responsibility of internal audit. They require the Head of Audit & Assurance to review the charter periodically. However the final approval resides with the Audit & Governance Committee. The Charter has been reviewed and up-dated to reflect recent changes in the senior management job titles. No other changes have been identified as being required since the Charter was last approved in July 2020.

4. RATIONALE

The Plan and Charter define the scope and the rationale of the approach

being followed. They allow Audit & Assurance, independently, to provide assurance to managers, the Chief Executive, the Section 151 Officer and other stakeholders about the effectiveness of controls and the management of risk. They also enable Audit and Assurance to assist this Committee with its responsibility to oversee the effectiveness of governance arrangements in the Council and in its partnerships through the reporting arrangements in place.

5. KEY ISSUES

The Plan:

The Plan defines the scope and reasoning behind the approach being adopted. Overall, the objectives are:

- to fulfil Audit & Assurance's own statutory obligations;
- to provide assurance, support and advice to Directors on matters under their control;
- to support the Section 151 Officer's statutory obligations to maintain an adequate and effective audit of the Council's accounting records and its systems of internal control;
- to assist the Audit & Governance Committee in gaining independent assurance on the Council's risk management, governance and control arrangements;
- to report compliance with the PSIAS; and
- to contribute to the development of corporate standards as part of the Resources Directorate.

The Plan itself, as in previous years, is risk-based and the audit methodology is essentially risk-based auditing.

Consultations:

The Plan, as a whole, is also a product of consultations with Directors and their Management Teams, and the Corporate Leadership Team, which were undertaken in February/March. Later in 2021/22 further consultations will be held to ensure that the Plan continues to meet the stated objectives. Any significant changes to reflect new developments, changes to priorities and/or resources will be reported to this Committee.

Ongoing consultations will take place with Directors and Heads of Service during 2021/22 to ensure that specific Terms of Reference are prepared for each planned audit to reflect the detailed key risks relevant to each area.

Resources:

Audit & Assurance has had to make adjustments to its staffing establishment to meet the demands currently placed upon the Council. The audit resources currently available are considered sufficient to deliver an effective Audit Plan.

The planned resources for the internal audit function for this year are 711 work-days. In addition, there are 721 work-days for Risk Management (55 days), Counter Fraud (52 days), Insurance and Financial Support/Other (614 days).

Internal Audit Charter:

The Internal Audit Charter is a requirement of the PSIAS, which became mandatory from 1 April 2013. The Charter was last re-approved at the Audit &

Governance Committee meeting in July 2020. The Charter has been reviewed and up-dated to reflect recent changes in the senior management job titles. No other changes are deemed necessary for 2020/21.

6. POLICY IMPLICATIONS

This report begins the process that leads to the Annual Governance Statement for the new financial year. This process 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

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

9. RESOURCE IMPLICATIONS

There are no additional 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

Corporate Leadership Team

Contact Officer:	Colin Ferguson, Head of Audit & Assurance - Ext: 5326
Date:	18 March 2021
Background Papers:	Audit & Assurance Planning papers; Risk Registers; 2020/21 Audit & Assurance Plan, Strategic Statement and Internal Audit Charter.

Strategic Statement Supporting 2021/22 Audit & Assurance Plan

1. **Introduction & Purpose**

1.1 Under the Accounts and Audit Regulations 2015 the Council is required to have an effective internal audit in place to evaluate the effectiveness of its risk management, control and governance processes, taking into account compliance with the Public Sector Internal Audit Standards (PSIAS).

1.2 The PSIAS define Internal Auditing as:

'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.'

1.3 The PSIAS require the Head of Audit & Assurance to prepare an annual risk-based internal audit plan, which takes into account the requirement to produce an annual internal audit opinion of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion statement is one of the key contributors to the Annual Governance Statement which the Chief Executive and Leader are required to sign off each year alongside the final accounts.

1.4 The annual programme of audit work, as defined within this annual audit plan, is the basis on which the Head of Audit & Assurance forms the required annual audit opinion.

2. **Scope and Independence**

2.1 In line with the requirements of the PSIAS, the Head of Audit & Assurance is responsible for the effective review of all aspects of risk, governance and internal control throughout the full range of the Council's activities.

2.2 Audit and Assurance will remain independent of the activities that it audits to ensure internal auditors perform their duties in accordance with the statutory guidance, and relevant codes of ethics, and to ensure impartial, objective and effective professional judgements. Internal auditors have no operational responsibilities within the Council. Audit & Assurance staff have right of access to all information and records held by the Council which may be necessary in carrying out their work and may seek explanations on any matters from any officer or Member of the Council without fear or favour.

3. **Standards and Ethics**

3.1 All internal audit work will be delivered in line with the requirements of the PSIAS.

3.2 The PSIAS contain a mandatory Code of Ethics for all internal auditors in UK public sector organisations. Individual members of the internal audit staff within Audit & Assurance are also bound by the codes of ethics of their respective professional institutes. They are also required annually to declare that they comply with the Council's Code of Ethics for Internal Audit and that they have no conflicts of interest.

4. Internal Audit Planning Strategy

4.1 The key principles of Audit & Assurance's approach to audit planning are:

- to deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations (2015).
- to meet the requirements of the PSIAS (2017) by producing a risk based audit plan that takes into account the Council's organisational strategies, objectives, risks and priorities.
- to focus assurance effort on the most important issues for the Council, by assessing critical business processes and principal risks, at both strategic and operational levels.
- to support the Directors of Finance and HR, Governance & Engagement in fulfilling their obligations as the Council's Section 151 and Monitoring Officers respectively.
- to liaise with the external auditor, Grant Thornton, to coordinate the approach and scope of work so that they can place reliance on the work of Audit & Assurance in delivering their own programme of work, where appropriate.
- to add value and support senior management in providing effective internal controls and identifying opportunities for improving value for money and promoting organisational improvement.
- to consult with key stakeholders to ensure provision of an appropriate level of assurance within the available resource, accepting that not all requests can or will be met.
- to provide sufficient flexibility to allow the plan to evolve to meet any significant emerging risks during the year and to respond where appropriate to management requests for assistance, advice and consultancy.

5. Internal Audit Planning Methodology

5.1 The approach to audit planning for 2021/22 has been a risk based approach in line with the requirements of the PSIAS and has been prepared following consultation with senior management to establish the key risks areas faced across the Council. Consideration has also been given to the areas identified within the Corporate & Departmental Risk Registers, the Departmental Management Accountability Framework Dashboard Reports, and from a review of the outcomes of previous audits, together with cumulative audit knowledge and experience. Potential audit areas (the Audit Universe) have been identified and risk assessed against the following criteria:

- Materiality;
- Legal, Political and Reputational risk;
- Management priority;
- Internal Control, governance and previously identified issues;
- System stability; and
- Time since previous audit review.

5.2 The annual plan is produced from the Audit Universe and prioritised (Level 1-6) to the level of risk associated with each issue. The priorities have been determined as follows:

- Priority 1 (highest): A corporate risk, strategic governance or fundamental control review, not subject to a recent satisfactory audit

review (adequate/substantial assurance opinion) within the previous 12 months; or a grant claim certification, which must be endorsed by internal audit to comply with the funding requirements of central government departments. (Red)

- Priority 2: A significant departmental risk, governance, control or improvement issue identified by Directors and/or their departmental management teams not subject to a recent satisfactory audit review (adequate/substantial assurance opinion) within the previous 12 months. (Yellow)
- Priority 3: A significant departmental risk, governance or control issue identified from a review of corporate/departmental risk registers, MAF returns or Council minutes not subject to a recent satisfactory audit review (adequate/substantial assurance opinion) within the previous 12 months. (Green)
- Priority 4: Other departmental risk, governance or control issue not subject to a recent satisfactory audit review (adequate/substantial assurance opinion) within the previous 2 years. (Pink)
- Priority 5: Other departmental risk, governance or control issue not subject to a recent satisfactory audit review (adequate/substantial assurance opinion) within the previous 3 years. (Mauve)
- Priority 6 (lowest): Departmental risk, governance or control issue removed, no longer applicable or not auditable. (White).

5.3 In addition, during the planning meetings with Directors consideration was given to areas for inclusion in the plan (Priority A*) where internal audit could provide added value developing our approach from traditional 'policeman' to one of 'educated friend'. This would provide scrutiny and challenge to activities and ensure that adequate controls are in place to meet the objectives for the activity identified. This work would support senior management in ensuring effective internal controls exist whilst identifying opportunities for improving value for money using our risk-based approach.

5.4 Only the priority 1, 2, and 3 reviews identified are able to be delivered in the 2021/22 Internal Audit Plan due to the limited Audit & Assurance staff resources available. It is important that there is ability to flex and adapt the annual plan during the course of the year. The plan priorities will be reviewed with Directors during the course of the coming year to assess the impact of any changes to risk profiles, identify new or emerging issues and agree any changes to priorities.

6. Key Challenges & Opportunities

6.1 Transformation of services and budget pressures throughout the Council continues to result in significant challenges and changes to the control framework, and risks can increase as skilled and experienced staff leave the organisation or when new and innovative ways of working are developed and implemented. We need to be aware of the challenges that face the Council and maintain awareness of these risks as they emerge. The audit plan has been developed to provide assurance that basic risk, governance and control arrangements continue to operate effectively, minimising the risks of misappropriation, loss and error and to ensure that key risks are identified and adequately managed or mitigated.

- 6.2 To add value, Audit & Assurance needs to take into account the key changes and issues affecting the Council. The specific challenges and opportunities facing the Council at the current time have been considered as part of the planning strategy. The following areas are considered to have a high strategic risk and have been included in the plan. Work on these areas will contribute to the Council's assurance requirements.

Welfare Reform and the Impact of Covid:

- 6.3 The impact of Welfare Reform is expected to continue through 2021/22. The main risks associated with this are the set up and administration of the different strands of the reforms as well as the potential adverse impact on beneficiaries, leading to increased demand for services from residents. The Audit Plan includes time for proactive and reactive counter fraud initiatives and counter fraud activity to demonstrate the implementation of the Counter Fraud Strategy 2016/21 through the review of fraud risk registers. The Audit Plan also provides for a review of arrangements in place relating to supported living and Housing Needs and the homeless.

Local Government Finance

- 6.4 Under the Localism Act 2011 proposals for local business rate retention came into effect from April 2013. Since then the Government has been reporting its intention to fundamentally change the way councils are funded. . A commitment to implement a new Business Rates Retention (BRR) model has been given for several years. In the September 2019 Spending Review the Government confirmed that it would aim to implement a 75% BRR model in 2021/22 to provide further time to work with the sector on options for delivering the review of relative needs and resources, and in reforming and improving the business rates retention system, including addressing such issues as backdated appeals on local authority income. Due to the impact of Covid-19, this target date has slipped again and there is still uncertainty as to what the model will look like, how it will operate and from what date it will be effective. Further information is expected to be provided on the future direction of travel in this area as the new financial year progresses. Provision has been included in the plan to provide assurance on the system and controls in place to calculate and collect business rate income.

Health Reform

- 6.5 Central government is continuing to signal greater integration between health and social care in order to find ways to tackle unsustainable increases in service demand in this area. However, the publication of the Green Paper on adult social care was shelved and a White Paper was expected in the autumn. In March 2017, the Government announced that it would issue a Green Paper on Social Care for public consultation. Although the Prime Minister said in January 2020 that he would bring forward a plan for social care 'within the year', for implementation within this parliament, i.e. over the next 5 years, the pandemic has meant that this has been further delayed.
- 6.6 The Government has widely acknowledged that the increase in demand in this area, over the years is unsustainable and that greater integration between health and social care is essential to addressing this. The Covid-19 crisis has only served to lay bare the magnitude of the problem and it remains one of the most pressing issues for Government to address over the coming year.

- 6.7 Internal audit reviews are included in the plan to cover the transitional arrangements for children moving to adult social care, adult social care assessments and case management, personalised budgets and adults' social care income collection arrangements.

Education Reform

- 6.8 There have been changes in national legislation over recent years, which have given schools increased freedoms, which will potentially impact on the business model for the existing educational support services offered by the Council. The Government also started the first stages for the introduction of a new national funding formula (NFF) for schools, which will mean that all schools will receive a consistent and fair share of the schools budget. This was expected to be fully implemented for 2020/21. However, this has not been the case and it is likely that that application of the full NFF methodology will become compulsory for the 2025/26 financial year. Reviews of the Council's maintained schools will continue to provide assurance that the school budgets are being adequately and effectively managed.

Growth Agenda

- 6.9 The Council remains committed to delivering a more prosperous Borough and recognises that only by delivering higher rates of economic growth, whilst improving opportunities and the quality of life for residents, will the Borough's future be secured and sustained. The audit work for 2019/20 included a review of the LSP Growth Programme forecasting and governance framework. An adequate opinion was provided for both the control environment and compliance with the controls identified. The 2021/22 plan includes provision to provide assurance regarding the governance arrangements in place to monitor and deliver the Darwen Town Deal if the Council's funding bid is successful.

7. Categories of Internal Audit Work

- 7.1 The overall opinion on the Council's control framework is derived from a range of Audit & Assurance work over a number of areas. The work of the service is broadly categorised as follows:
- Planning – a risk based internal audit plan will be created on an annual basis, which will incorporate key risk areas within the Council, in line with strategic and operational risk registers, and the Council's Risk Management Policy.
 - Risk-based system audits – one of the main ways that Audit & Assurance will form a view on the overall control system is by carrying out reviews of the component systems and processes (e.g. using process maps that identify risks and controls; drafting system notes) established within respective business entities. These are commonly known as risk-based system audits and will allow Audit & Assurance to assess the effectiveness of internal controls within each system in managing business risks, enabling a view to be formed on whether reliance can be placed on the relevant system. This approach will enable resources to be used in an efficient way, whilst maximising the benefit that can be derived from it.
 - Compliance / regularity / establishment / school audits – these audits are intended to assess if systems are operating properly in practice. They are typically site-based (establishment) and focus on the

propriety, accuracy and completion of transactions made. The term 'site' includes departments, services or devolved units. The audits may focus on specific systems or cover transactions in all major systems (not necessarily just financial systems). This will also provide information and evidence about the extent, in practice, of compliance with organisational policies, procedures and relevant legislation.

- Key Control Testing – a variation on compliance audit but focusing on a small number of material or 'key' controls that provide assurance on the completeness and adequacy of the Council's accounts. This can provide the basis for external audit to place reliance on the work of Audit & Assurance.
- Procurement – This will use the risk-based methodology to assess compliance with the Council's corporate procurement strategy and the Constitution, with reference, in particular, to major contracts.
- Service Reviews / Value for Money – these reviews will use the risk-based methodology, working often in a multi-departmental team, to review specific processes. Value for money will be a consideration in both these and more general audit reviews.
- Control Risk Self-Assessment – facilitating the review by services of their own risks and controls in a structured way, for example, via questionnaires or workshops. This can service both the requirements for assurance or as consultancy.
- Systems Development Audit – phased review of developing plans and designs for new systems and processes aimed at identifying potential weaknesses in control during the development stage, thus minimising the need for re-working.
- Counter Fraud – preventing, detecting and investigating fraud and corruption is, ultimately, a responsibility of management – as part of management's general responsibility for the integrity of the Council's activities. Most cases of fraud and corruption exploit the same weaknesses in systems that, in other circumstances, might have led to nothing more than a mistake. Internal audit will assist management by:
 - verifying management's arrangements for ensuring systems are secure against fraud and corruption and report on any weaknesses;
 - investigate, using the fraud response plan, cases where there is evidence of fraud and irregularity;
 - when requested, undertake investigations into suspected or alleged fraud or corruption. These will be conducted in accordance with statutory requirements, e.g. Police and Criminal Evidence Act, Regulation of Investigatory Powers Act, Data Protection Act, by appropriately trained staff;
 - review weaknesses revealed by instances of proven fraud or corruption, including review of National Fraud Initiative (NFI) data matches to ensure that appropriate action is taken to strengthen internal control arrangements;
 - verify that the risk of fraud and corruption is specifically considered in the Council's overall risk management process; and
 - develop counter fraud awareness and understanding of fraud risk.
- ICT Audit – specialist review of the control of hardware, software and the ICT environment to evaluate fitness for purpose and security of the

ICT environment. These reviews will be conducted by in house staff being trained in the technical IT aspects.

- Consultancy – Audit & Assurance can also provide independent and objective services, including consultancy and fraud-related work. These services apply the professional skills of Audit & Assurance through a systematic and disciplined approach and may contribute to the opinion, which Internal Audit provides on the control environment.
- Follow up audits – these are designed to test the implementation and effectiveness of previous audit recommendations.
- Evidence – all audit findings, conclusions and recommendations will be evidenced on file. Relevant details on which findings and recommendations are based will also be supported by evidence held on file within the Internal Audit section.
- Use of Technology – Internal Audit will employ relevant technology where appropriate when testing systems and when producing working papers and reports. Additionally Internal Auditors will be alert to IT risk in relations to technology utilised within systems under review.

8. Reporting Arrangements

8.1 At the conclusion of each audit assignment, a draft report is issued to the appropriate manager within the Council. A management action plan is included within the report, which summarises the recommendations arising. Management should agree these actions, allocating responsibilities and timescales for implementation.

8.2 Recommendations included in the report are classified as follows:

Must Critical in that failure to address the issue or progress the work will lead to one of the following occurring: loss, fraud, impropriety, poor value for money or failure to achieve against organisational objectives. Examples include failure to comply with legislation or organisational policy or procedures. *Remedial action must be taken immediately.*

Should Not critical but failure to address the issue or progress the work could impact on operational objectives and should be a concern to senior management. *Prompt specific action should be taken.*

Consider Areas that individually have no major impact on achieving objectives or on the work programme, but where combined with others could have an effect at the process level which could give cause for concern. *Specific remedial action is desirable.*

8.3 For the risk, control and governance audit reviews that support the Head of Audit & Assurance’s annual audit opinion the final report will provide an assurance level. This will be measured to cover (i) the control environment following an assessment of internal controls identified and (ii) compliance following testing to measure application of those controls. The levels of assurance provided in the audit report are as follows:

Assurance Level	Control Environment	Compliance
Substantial	There are minimal control weaknesses, which present very low risk to the control	The control environment has substantially operated as intended although some minor

	environment.	errors have been detected.
Adequate	There are some control weaknesses, which present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
Limited	There are significant control weaknesses, which present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
No	There are fundamental control weaknesses, which present an unacceptable risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

- 8.4 For the consultancy reviews, where Audit & Assurance is providing independent advice and support to departments during the implementation of new systems and procedures an opinion may be provided, which reflects progress on these developments. This opinion may contribute to the Head of Audit & Assurance's annual audit opinion.
- 8.5 A final report containing management responses to any issues identified is subsequently distributed to:
- The Director responsible for the area reviewed;
 - The Director of Finance (Section 151 Officer);
 - The Chief Executive (Limited Assurance Reports Only); and
 - Grant Thornton (the Council's external auditor) (All Reports).

9. Monitoring Arrangements.

- 9.1 The Audit & Assurance Plan will be monitored via weekly progress meetings of the Audit & Assurance management team, regular meetings with the Director of Finance and external audit. Periodic updates will also be provided to the Directorate Management Teams along with individual reports to relevant Senior Managers.
- 9.2 The plan reflects the assurance need, however, it is recognised that priorities may be subject to change. In addition to the contingency that is available, we accept that there may be a need to amend our planned audits during the year so that we continue to reflect the priorities and risks of the Council. We will discuss minor changes with the Director of Finance. Any significant matters that impact upon completion of the plan or require substantial changes will be reported to Management Board and to the Audit & Governance Committee.
- 9.3 Report recommendations from individual audits are followed up to ensure they have been implemented as agreed. This arrangement allows progress against the plan to be discussed, management actions confirmed, and ensures audit resources are directed towards priority areas. It is the responsibility of management to ensure that all agreed actions arising from

an audit report are implemented in accordance with the timetable agreed in the management action plan included in the audit report.

9.4 Where we issue a *limited* or *no* assurance report we will undertake “standard” follow-ups after 3 months. For all other assurance reports, we will undertake a “standard” follow up after 6 months. 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.

9.5 In addition, summaries of finalised Audit & Assurance reports are presented to each Audit & Governance Committee meeting to provide an update of audit progress and coverage and to outline the key issues arising from this work. This also includes information on the implementation of agreed recommendations.

9.6 The performance of Audit & Assurance will be measured against a suite of performance measures and reported on a quarterly basis to Audit & Governance Committee through the progress & outcomes report. The defined targets are:

Achievement:

- a) delivery of priority 1 audit plan topics: 100%
- b) percentage of planned assignments completed within budget: 90%
- c) percentage of final reports agreed within deadline: 90%
- d) follow ups undertaken within deadline: 90%

Quality:

- a) percentage of agreed recommendations implemented: 90%
- b) percentage of client’s satisfied with the Service : 75%
- c) percentage compliance with PSIAS: 95%.

9.7 The extent of audit work performed during the year, managers’ acceptance of audit recommendations and the subsequent improvements in controls and processes enable a formal opinion to be prepared by the Head of Audit & Assurance as to the quality of the overall internal control environment. This formal opinion will be presented to members within the Annual Internal Audit Report and this formal opinion feeds directly into the Annual Governance Statement.

10. Audit & Assurance Resources

10.1 As at 1 April 2021 Audit & Assurance had a staffing structure devoted to the delivery of the Audit & Assurance Plan, which comprises of 5.4 full-time equivalent (FTE) posts:

- 1 Head of Audit & Assurance (0.70 FTE)
- 2 Principal Internal Auditors (2.0 FTE)
- 2 Internal Auditors (2.0 FTE)
- 1 Apprentice (0.7 FTE)

10.2 The qualifications, experience and specialisms of the staff occupying the current staffing structure are as follows:

Name	Qualifications	Experience	Specialism
Colin Ferguson Head of A & A	ACCA	37 years	Strategic Risk & Governance Audit

Chris O' Halloran Principal Internal Auditor	PIIA	11 years	Counter Fraud Contract Audit
Andrew Tordoff Principal Internal Auditor	HND in Accounting Foundation Diploma in Business Analysis	21 years	IT Audit Risk & Governance Audit
Catherine Bibby Internal Auditor	Honours Degree/ AAT Part Qualified	7 years	Risk & Governance Audit
Abbie Duncan	AAT Part Qualified	18 months	Risk & Governance Audit
Sarah Ali Apprentice	Degree and Post Graduate Certificate	19 months	Risk & Governance Audit

ACCA - Association of Chartered Certified Accountants

CIPFA - Chartered Institute of Public Finance & Accountancy

PIIA - Practitioner of the Institute of Internal Auditors

IIA - Institute of Internal Auditors

AAT - Association of Accounting Technicians

HND - Higher National Diploma (equivalent to 2 years at University)

- 10.3 Currently, this establishment is regarded as adequate for the Council's needs in ensuring that it meets the requirements of the Accounts and Audit Regulations. However, there will often be significant changes affecting either what the Council does or how it arranges delivery to fulfil its statutory obligations. The impact on the Audit & Assurance function of such changes will be reviewed, each year, so that Members can assess the adequacy of its resource needs.
- 10.4 Staff training (both induction and professional) will continue to be a major factor in the Team's Business Plan in 2021/22. In particular, ensuring that the standards demanded by the PSIAS are maintained. The competency framework has been developed in the Audit & Assurance Manual so that all staff can be assessed periodically against a pre-defined standard and training needs identified. There is a training plan that is linked to both performance appraisals and the Team's own development needs. The professional training that has been proposed for inclusion in the Finance & Customer Services Department's training plan is as follows:

Name	Professional Training	2021/22 Commitment
Catherine Bibby	IIA Internal Auditor Practitioner Apprenticeship	20 days
Abbie Duncan	Final AAT levels or appropriate AAT or relevant accounting Apprenticeship	15 Days
Sarah Ali	AAT	50 days

10.5 A resource calculation was undertaken to determine the number of days available for the various types of audit work. The resource calculation is shown below, with 2020/21 figures for comparison.

Category	2021/22	2020/21
Total available days	2,086	1,909
Deduct: annual leave, sickness & bank holidays.	(329)	(302)
Deduct: non-productive time (management meetings, team meetings, attendance at external meetings, training, planning etc.)	(325)	(318)
Deduct: non-audit time (counter fraud, insurance/risk, financial support etc.)	(721)	(554)
Days available for Audit & Assurance reviews	711	735

10.6 The days available for Audit & Assurance reviews have been allocated to the priority 1, 2, and 3 audit planning levels (see section 5.2, above) for the following corporate and departmental areas (See Appendix 3).

Audit & Assurance - Draft Audit Proposals 2021/22	Classification	Priority	21/22 Audit days
Adults			
Transitional Arrangements : Children to Adult Care	Risk	2	10
Client case management systems including Access Controls	Risk	2	15
Homelessness/Supported Living/Housing Needs Cross Cutting review - Impact of Universal Credit	Risk	2	15
Personalised budgets/Direct payments	Control	2	10
Adults Social Care Income - Identification, Debt Management and Recovery	Control	3	10
Disabled Facilities Grant	Control	3	10
Sub Total			70
Children's Services & Education			
Inspection Readiness - Preparedness for inspection of LA under the Children's Social Care Framework	Risk/Governance	1	10
Protocol ICS System	Risk	2	10
Commissioning/Contract Management	Control	2	15
Audits of Schools Finance systems	Control	3	75
Transitional Arrangements : Children to Adult Care	Risk	3	5
Finance Transactional Team	Control	3	10
Adoptions - Regional contract	Control	3	10
Sub Total			135
Public Health & Wellbeing			
Sports England Grant - Pennine Lancashire Pilot Moved from E&L 2019/20	Governance	1	10
Use/management, monitoring and reporting of Covid 19 Grant Funding received	Control	2	10
Social Determinants of Health Fund/Public Health Internal Spend - Governance	Governance	2	10
Contract Monitoring (PH Contracts commissioned via CAPS)	Control	3	10
Sub Total			40
Digital & Customer Services			
Failure to prevent data loss (Information Governance)/ Compliance with GDPR	Risk	2	10
Software licencing	Control	2	10
Partnership Scrutiny/Accountability	Governance	2	10
NNDR	Control	2	15
Equality Impact Assessments	Risk	3	10
PC Inventory Controls	Control	3	10
Sub Total			65
Growth & Development			
Local Transport Capital Funding/LTP Grant Certification Requirement	Control	1	5
Bus Subsidy Grant	Control	1	5
Local Discretionary CV-19 Grant Payments to Businesses	Control	1	10
Follow up implementation of agreed actions arising from EZE limited assurance review	Control	1	5
Town Fund (Darwen) and Other Grant Funding Projects	Governance	2	10
Asset Management System - Corporate and Commercial Portfolio Landlord /tenants Responsibilities	Control	2	10
Property Statutory Inspection Processes	Risk	2	10
Sub Total			55
Environment & Operations			
Highways maintenance - procurement and contracting arrangements re highways external spend.	Control	2	15
Arrangements for inspection of highways and property retaining walls and structures supporting and/or adjacent to highway.	Risk	2	15
Transport Procurement/Fleet Management - implementing the fleet vehicle replacement programme.	Risk	3	10
HMO Licencing/Selective Licencing/ Housing Standards Inspection Arrangements	Control	3	5
Unable to complete statutory inspections on premises in the borough and not fulfilling statutory responsibilities. Public Protection	Risk	3	10
Sub Total			55
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HR, Legal & Engagement			

Audit & Assurance - Draft Audit Proposals 2021/22	Classification	Priority	21/22 Audit days
Police & Crime Commissioner Grant	Control	1	4
Payroll - Core system/Failure of HR & payroll system incl staff & Mgr. self service.	Control	1	15
Off payroll engagement (IR35)	Control	2	10
Arrangements for appointing and paying Legal Counsel	Control	2	10
Elections	Risk	2	10
RIPA processes	Control	2	10
Resource Link System Replacement	Control	2	10
Corporate Governance, Ethical Framework, Scheme of Delegation and Departmental governance arrangements	Governance	2	10
Service to schools	Control	3	10
HR Contract Procurement and Management	Control	3	10
Sub Total			99
Finance			
Budgetary Setting and Control / Failure to deliver a balanced budget and MTFS	Risk	1	10
Retail Hospitality & Leisure and SBR Grant Payments	Control	1	15
Creditors/E-Procurement	Control	2	10
Main Accounting System - including account reconciliation's	Control	2	10
Income Recording & Collection (non Sundry Debtors)	Control	2	15
Civica Asset management module	Control	3	10
Treasury/Cash flow management/Major loss incurred regarding investment and/or borrowing.	Control	3	10
Sub Total			80
Other Audit Work			
Review of Financial Regulations, SFIs, etc.	Governance	2	3
2020/21 Work in progress	Governance	1	40
Follow up work	Governance	1	10
Audit Committee	Governance	1	10
Liaison with external audit	Other	1	2
Audit Committee Annual Report/Evaluation	Governance	1	4
HoIA Annual Report	Governance	1	4
PSIAS Peer Review		1	4
A & A Client liaison/Queries	Other	2	10
A & A Client liaison/DMT attendance	Other	2	5
A & A Client liaison/Project Groups	Other	2	5
Contingency	Other	2	15
Sub Total			112
Other Risk & Governance Work			
Annual Gov Statement	Governance	1	10
MAF Process Review	Governance	2	4
MAF and MAF Challenges	Governance	1	10
Risk Management Support	Risk	1	5
Road Risk Mgmt Group	Risk	1	5
Review/Monitor Corporate Risks	Risk	1	5
Review Monitor Departmental Risks	Risk	1	10
Business Continuity Champions Meetings	Risk	1	2
Risk Annual Plan/Report	Risk	2	4
Sub Total			55
Other Fraud Work			
National Fraud Initiative (NFI)	Governance	1	10
Review of Counter Fraud Strategy	Control	1	4
Counter Fraud Annual Plan/Report	Governance	1	2
Proactive Fraud Testing	Governance	2	10
Reactive investigations	Governance	2	20
Review/Monitor Fraud Risk Register	Control	2	2
Fraud awareness and whistle blowing initiatives	Control	2	4
Sub Total			52
Total Planned Audit days 2021/22			818

Blackburn with Darwen Borough Council



Internal Audit Charter

**Audit & Assurance
Finance Department**

Latest Approval: Audit Committee 16 July 2020

Background

The Public Sector Internal Audit Standards (the PSIAS), provide a consolidated approach to the function of internal auditing across the whole of the public sector enabling continuity, sound corporate governance and transparency. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) standards, and also additional requirements and interpretations for the UK public sector.

The purpose of this Internal Audit Charter is to define internal audit's purpose, authority and responsibility in accordance with the requirements of the PSIAS. These are consistent with the Internal Audit Mission, which is set out below. It establishes internal audit's position, as performed by Audit & Assurance within the Council, and reporting lines, authorises access to records, personnel and physical property relevant to the performance of audit work, and defines the scope of internal audit activities.

This Charter also covers the arrangements for the appointment of the Head of Audit, & Assurance and internal audit staff, and identifies the nature of professionalism, skills and experience required.

The Internal Audit Mission

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Definition

The Audit & Assurance team has adopted the following definition of internal auditing from the PSIAS. Internal auditing 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.

The PSIAS require that the internal audit charter defines the terms 'board' and 'senior management' in relation to the work of internal audit. For the purposes of internal audit work, the 'board' refers to the Council's Audit & Governance Committee which has delegated responsibility for overseeing the work of internal audit. Senior management is defined as the Chief Executive and Directors.

Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively. The Head of Audit & Assurance is responsible for ensuring that internal auditors, as well as the internal audit activity, demonstrate achievement of the Core Principles. Failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it should be in achieving internal audit Mission. The internal audit activity must achieve the following Core Principles:

- Demonstrate integrity.
- Demonstrate competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.

- Is appropriately positioned and adequately resourced.
- Demonstrate quality and continuous improvement.
- Communicate effectively.
- Provide risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promote organisational improvement.

Standards

Internal audit is a statutory service in the context of the Accounts and Audit (England) Regulations 2015, which require authorities to ensure that they have a sound system of internal control which:

- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- ensures that the financial and operational management of the authority is effective; and
- includes effective arrangements for the management of risk.
- The Accounts and Audit Regulations 2015 also state that: “a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management control and governance processes, taking into account public sector internal auditing standards or guidance.”

The internal audit function is required to comply with the PSIAS. The Relevant Internal Audit Standard Setters, which includes the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of local government, adopted the common set of PSIAS from 1 April 2013. Compliance with the Standards is subject to an on-going quality assurance and improvement programme (QAIP), developed and implemented, in line with the Standards. This Programme will cover all aspects of the internal audit activity and includes a self-assessment on a regular basis and an external assessment which must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. Results of quality reviews shall be reported to the Audit & Governance Committee by the Head of Audit & Assurance.

Responsibilities and Objectives of Internal Audit

Internal audit is responsible for establishing procedures and applying the required resources to ensure that the service conforms to the Mission Statement, Definition of Internal Auditing and the Standards. The members of the internal audit team must demonstrate conformance with the PSIAS Core Principles, Code of Ethics and the Standards. In addition, all internal audit staff are also required to adhere to the Code of ethics of their professional bodies where appropriate.

The Head of Audit & Assurance must deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. This is the ‘assurance role’ for internal audit.

Internal audit may also provide an independent and objective consultancy service, which is advisory in nature and generally performed at the specific request of the organisation. The aim of the consultancy service is to help line management improve the Council’s risk

management, governance and internal control. This is the 'Consultancy' role for internal audit and contributes towards the overall opinion.

Responsibilities of the Council

The Council is responsible for ensuring that internal audit is provided with all necessary assistance and support to ensure that it meets the required standards. The Director of Finance (Section 151 Officer) will make appropriate arrangements for the provision of an internal audit service. This will include the formal adoption of this Charter by the Audit & Governance Committee and the adoption of corresponding elements in the Financial Procedure Rules.

The Council will ensure it has taken all necessary steps to provide internal audit with information on its objectives, risks, and controls to allow the proper execution of the audit strategy and adherence to internal audit standards. This will include notifying internal audit of any significant changes in key control systems which may affect the internal audit plan. The Council, through the Chief Executive, Director of Finance and other relevant managers, will respond promptly to audit plans, reports and recommendations. Responsibility for monitoring and ensuring the implementation of agreed recommendations rests with the Council.

Independence and Objectivity of Internal Audit

The internal audit activity must be independent and internal auditors must be objective in performing their work. Audit & Assurance have adopted the PSIAS definition of independence. This is defined as the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. The Financial Procedure Rules recognise the organisational independence of the internal audit function as performed by Audit and Assurance. Although structurally part of the Finance Department and reporting, initially, to the Director of Finance, who has line management responsibilities for the team, to achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity the Head of Audit, & Assurance has direct reporting, and other, access to the Chief Executive and the Audit & Governance Committee. Additionally the internal audit function as performed by Audit & Assurance will have, as far as possible, little or no non-audit responsibilities.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditors' judgment. Internal auditors are required to declare any potential conflict of interest. Where internal auditors have a perceived conflict of interest in undertaking a particular piece of work, this will be managed through the internal audit planning, management and supervisory process.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Audit & Assurance also manages the functions of risk management and insurance. When audits covering these functions are undertaken they will be led by a Principal Internal Auditor, with draft reports being issued to the Principal Insurance Officer for a management response. The Head of Audit & Assurance will take no part in this process.

The Head of Audit & Assurance will confirm to the Audit & Governance Committee at least annually, the organisational independence of the internal audit activity.

Head of Audit & Assurance

The Head of Audit & Assurance will be appointed by the Council and will have sufficient skill, experience and competencies to work with the Executive Team and the Audit & Governance Committee and influence the risk management, governance and internal control of the Council. The Head of Audit & Assurance is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS. In addition to internal audit skills, the Head of Audit & Assurance will specify any other professional skills that may be needed by the internal audit team. The Head of Audit & Assurance will hold a full, professional accountancy qualification, defined as a member of one of the Consultative Committee of Accountancy Bodies (CCAB), Chartered Member, Institute of Internal Auditors (CMIIA) or equivalent professional accountancy membership and adhere to professional values and the Code of Ethics.

Relationships

The Head of Audit & Assurance reports directly to the Director of Finance. The Head of Audit & Assurance, or an appropriate representative of the internal audit team, shall attend meetings of the Audit & Governance Committee unless, exceptionally, the Committee decides that they should be excluded from either the whole meeting or for particular agenda items.

The Head of Audit & Assurance shall have an independent right of access to the Chair of the Audit & Governance Committee. In exceptional circumstances, where normal reporting channels may be seen to impinge on the objectivity of the audit, the Head of Audit & Assurance may report directly to the Chair of the Audit & Governance Committee.

Internal Audit and External Audit will agree a protocol for co-operation which will make optimum use of the available audit resources.

Scope of Internal Audit

The Head of Audit & Assurance should develop and maintain a strategy for providing the Director of Finance economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the Council's risk management, governance and internal control arrangements. The annual internal audit plan will be risk based, prepared in consultation with Departmental Management Teams and presented to the Audit & Governance Committee for approval. The Head of Audit & Assurance opinions are a key element of the framework of assurance the Chief Executive and the Leader of the Council need to inform the completion of the Annual Governance Statement (AGS).

The Head of Audit & Assurance will communicate the impact of resource limitations and significant interim changes to senior management and the Audit & Governance Committee.

Opinion Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach that is aligned with all of the strategies, objectives and risks to the Council.

Governance

Internal audit must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- promoting appropriate ethics and values within the organisation;
- ensuring effective organisational performance management and accountability;
- communicating risk and control information to appropriate areas of the organisation; and,
- co-ordinating the activities of and communicating information among the Audit & Governance Committee, external and internal auditors and management.

Risk Management

Internal audit must evaluate the effectiveness and contribute to the improvement of risk management processes by assessing:

- organisational objectives support and align with the organisation's mission;
- significant risks are identified and assessed;
- appropriate risk responses are selected that align risks with the organisation's risk appetite; and
- relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

Internal Control

Internal audit must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- achievement of the organisation's strategic objectives;
- reliability and integrity of financial and operational information;
- economical, effective and efficient use of resources;
- effectiveness and efficiency of operations and programmes;
- safeguarding of the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity corruption or bribery; and
- compliance with laws, regulations, policies, procedures and contracts.

Internal Audit use a risk based planning system designed to proactively identify audits to address any emerging and developing risks on an ongoing and 'future focussed' basis.

Internal audit will promote and contribute to continuous ongoing improvements in systems across the Council by identifying and recommending best practice actions following audit work completed.

Where key systems are being operated on behalf of the Council or where key partnerships are in place the Head of Audit & Assurance must ensure arrangements are in place to form an opinion on their effectiveness.

Where the Council operates systems on behalf of other bodies, the Head of Audit & Assurance must be consulted on the audit arrangements proposed or in place.

It is management's responsibility to ensure the provision for relevant audit rights of access in any contract or Service Level Agreement the Council enters into, either as provider or commissioner of the service.

Non-Opinion Work

Internal audit may provide, at the request of management, a consultancy service which evaluates the policies, procedures and operations put in place by management. A specific contingency should be made in the internal audit plan to allow for management requests and consultancy work.

The Head of Audit & Assurance must consider the effect on the opinion work before accepting consultancy work or management requests over and above the contingency allowed for in the internal audit plan. In the event that the proposed work may jeopardise the delivery of the internal audit opinion, the Head of Audit & Assurance must advise the Director of Finance before commencing the work. The Head of Audit & Assurance must consider how the consultancy work contributes towards the overall opinion.

Fraud

Managing the risk of fraud is the responsibility of line management. The Director of Finance has specific responsibilities in relation to the detection and investigation of fraud and may request internal audit to assist with the investigation of suspected fraud or corruption. The relationship between the Head of Audit & Assurance, the Director of Finance, and HR, Governance & Engagement staff has been set out in a fraud response plan that has been agreed by all parties. Internal audit should be notified of all suspected or detected fraud, corruption or impropriety, to inform their opinion on the control environment and their audit plan.

Whilst it is not a primary role of internal audit activity to detect fraud, it does have a role in providing an independent assurance on the effectiveness of the processes put in place by management to manage the risk of fraud. Internal audit can do additional work, although it cannot be prejudicial to this primary role. Typical activities may include:

- investigating the cause of fraud;
- responding to whistleblowers;
- considering fraud in every audit;
- making recommendations to improve processes; and
- review fraud prevention controls and detection processes put in place by management.

Reporting

The Head of Audit & Assurance will agree reporting arrangements with the Section 151 Officer which will include procedures for the:

- distribution and timing of draft audit reports;
- Council's responsibilities in respect of responding to draft audit reports;
- distribution of finalised audit reports;
- follow up by internal audit of agreed recommendations; and
- escalation of recommendations where management responses are judged inadequate in relation to the identified risks.

The Head of Audit & Assurance will present a formal report annually to the Chief Executive, Director of Finance and the Audit & Governance Committee giving an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management, and internal control. The report will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit & Governance Committee. The annual report will state any areas of non-conformance with PSIAS and will be timed to support the production of the Council's Annual Governance Statement. Reports of progress against the planned work will be presented to the Audit & Governance Committee on a regular basis during the year.

Internal Audit Access Rights

The Financial Procedure Rules (B2) state that the Director of Finance or his/her authorised representative (interpreted to be any Audit & Assurance internal audit officers) shall have authority, without necessarily giving prior notice, to:

- access at all reasonable times to any Council premises or land;
- require any officer or member to produce any cash, stores or any other Council property under his/her control;
- require from any officer or member access to all records, documents, vouchers and correspondence relating in any way to both the financial or other transactions of the Council and the development of processes or activities within the Council or its partners, including documents of a confidential nature;
- require and receive such information and explanations he or she considers necessary concerning any matter under examination.

Where the Council works in partnership with other organisations, the role of internal audit will be defined on an individual basis. Where internal audit undertakes work on behalf of any other organisations, this will be determined in conjunction with the organisation's Board and in consultation with the Director of Finance to ensure that appropriate audit resources are available to provide assurance over the Council's activities.

Internal Audit Resources

Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its objectives and standards. Leadership will be provided by qualified accountants experienced in the field of audit, and support will be provided by qualified or experienced auditors, accounting technicians or trainees preparing to become qualified auditors, accountants or technicians. Auditors need to be properly trained to fulfil their responsibilities, and should maintain their professional competence through an appropriate ongoing development programme. The Head of Audit & Assurance is responsible for appointing Internal Audit staff and will ensure that appointments are made to achieve the correct mix of qualifications, experience and audit skills.

If the Head of Audit & Assurance or the Audit & Governance Committee consider that the level of audit resources or the terms of reference in any way limit the scope of internal audit, or prejudice the ability of internal audit to deliver a service consistent with the Definition of Internal Auditing and the Standards, they should advise the Chief Executive and the Director of Finance accordingly.

Review

The Internal Audit Charter will be reviewed and reported to the Audit & Governance Committee at least every two years.



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 30 March 2021

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Risk Management – 2020/21 Quarter 3 Review

1. PURPOSE

To provide the Committee with details of the risk management activity that has taken place in the period from 1 October 2020 to 31 December 2020.

2. RECOMMENDATIONS

The Committee is asked to:

- Discuss, review and challenge the progress made on the Corporate Risk Register as at the end of Quarter 3 2020/21;
- Note the risk management activity that has occurred during the period.

3. BACKGROUND

The Council recognises that risk management is not simply a compliance issue, but rather it is a process to help ensure the successful delivery of the Council's Corporate Plan priorities and objectives. Effective risk management arrangements should be embedded in the Council's culture and decision making processes as well as being an inherent part of the operational and financial management arrangements operating within the Council. Risk management helps to demonstrate openness, integrity and accountability in all of the Council's activities.

4. RATIONALE

The Audit & Governance Committee terms of reference require it to review progress on risk management at least annually and to promote risk management throughout the Council. The Corporate Risk Management Strategy & Framework requires that the Audit & Governance Committee will receive regular reports setting out progress against corporate risk management action plans. This report satisfies both these requirements.

5. KEY ISSUES AND RISKS

The Corporate Risk Register contained 15 open risks at 31 December 2020. A summary of the corporate risk details is set out in Appendix 1 of this report. As at 31 December 2020 the Council's top corporate risks were:

- Risk 1 - Failure to deliver a balance budget and Medium Term Financial Strategy, which may result in a Government Commission taking control of the Council's finances;
- Risk 14 - A high profile serious or critical safeguarding case that is known to the Council services, in light of Covid-19 working arrangements; and
- Risk 20 - The ability of the Council to recover its critical functions, core services and income generation during the response and mitigation phases of a Covid-19 outbreak due to high staff absences and a failure of effective business continuity arrangements.

As part of the Council's Risk Management process we review and monitor the Corporate Risks on a regular basis to ensure that we have appropriate, properly assessed corporate risks identified going forward. The Corporate Leadership Team review the risk details as part of the Management Accountability Framework reporting arrangements, as well as the on-going review and update of the risks by the designated risk owners and key contacts.

We have also continued to use the risk management support that is available as part of the current long term insurance agreement that the Council has with Zurich Municipal. We have also continued to liaise with departments and our underwriter to respond to policy related queries relating to a variety of topics including Covid related matters as well as to arrange additional insurance cover where required.

Zurich has also published a wider range of risk management guidance during the pandemic. These have covered topics such as risk control measures for the temporary closure of premises, managing additional homeworking exposure, working from home display screen equipment (DSE) risk assessments, the cyber dimension of the corona virus, guidance on moving from response to recovery, planning for a return to the workplace and guidance for reopening schools. A series of risk insight podcasts have also been made available to Zurich customers to provide support through the period. Links to these resources have been circulated to relevant colleagues.

6. POLICY IMPLICATIONS

There are no policy implications arising from this report.

7. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

8. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

9. RESOURCE IMPLICATIONS

There are no direct resource implications arising from this report.

10. EQUALITY AND HEALTH IMPLICATION

There are no equality or health implications arising from this report.

11. **CONSULTATIONS**

The Corporate Risk Register has been reviewed by Risk Owners and Key Contacts, and has been agreed by Management Board.

Contact Officer: Colin Ferguson Head of Audit & Assurance – Ext: 5326

Date: 15 March 2021

Background Papers: Corporate Risk Management Strategy 2015/2020,
2019/20 Annual Risk Management Report (including
Quarter 4 Review)



Summary Risk Register

Update

Create

Insert

Directorate: _____

Department: Corporate Risk Register

Service: _____

Quarter and Year: Quarter 3 - 2020/21

Date of last review: 30-Sep-20

Date: 31-Dec-20

Date of next review: 31-Mar-21

Risk Nr	Risk Description	Date Raised	Strength of Existing Controls	Inherent			Residual			Target			Risk Owner(s)	Key Contact(s)	Risk Status	Last Risk Review Dat	Previous Residual			Change in Score
				L	I	Risk Rating	L	I	Risk Rating	L	I	Risk Rating					L	I	Risk Rating	
1	Failure to deliver a balanced budget and Medium Term Financial Strategy may result in a Government Commission taking control of the authority's finances	26-Jan-15	Good	5	5	HIGH	3	5	HIGH	1	2	LOW	Louise Mattinson	Simon Ross, Zoe Evans	Open	29-May-20	3	5	HIGH	-
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, Dwayne Lowe	Open	20-Apr-20	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	19-Nov-19	2	3	LOW	-
5	There is a risk that governance and decision making arrangements fail	25-May-11	Good	2	4	MEDIUM	2	2	LOW	1	1	LOW	David Fairclough	Asad Laher	Open	28-Sep-17	2	2	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	Denise Park	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	Denise Park	David Fairclough, Paul Fleming, Rachel Hutchinson, Sarah Riley	Open	11.05.2020	2	4	MEDIUM	-
10	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	16-Jul-19	3	4	MEDIUM	-
11	Due to the breakdown of community relations or a deterioration of community cohesion, 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	3	3	MEDIUM	-
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	3	3	MEDIUM	2	2	LOW	Paul Fleming	Sarah Critchley	Open	06-Mar-20	3	3	MEDIUM	-
14	High profile serious/critical safeguarding incident/case that is known to Council services in light of Covid-19 working arrangements	20-Aug-13	Fair	4	5	HIGH	4	5	HIGH	3	5	HIGH	Sayyed Osman (DASS) / Jayne Ivory (DCS)	Paul Lee	Open	05-May-20	4	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	3	3	MEDIUM	-
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	27-Jan-20	3	4	MEDIUM	-
18	Insufficient budget for service delivery if MTF5 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	28-Apr-20	3	4	MEDIUM	-
20	The Council is unable to deliver its critical and core services and functions during the response and mitigation phase of a COVID-19 outbreak, due to high staff absences and a failure of effective business continuity management.	28-Feb-20	Fair	5	5	HIGH	4	4	HIGH	1	3	LOW	Dominic Harrison (Public Health element)/ Paul Fleming (Resilience & Emergency Planning Service)	Gifford Kerr & Rachel Hutchinson	Open	21-Apr-20	4	4	HIGH	-

Summary of closed risks

- 3 IT Infrastructure (Resilience) - OTH. The risk is now incorporated into the Business Continuity risk above.
- 6 Failure to deliver the management, workforce and organisational objectives for workforce reviews within the agreed budget. Risk closed following discussion at Mgmt Board 12 June 2019. May require re-opening again during 2019/20 depending on budget pressures
- 8 Failure to contribute effectively to economic growth within Blackburn with Darwen. Risk merged with Risk 18
- 12 The Council does not effectively capitalise on potential opportunities to improve housing quality or build more houses in the Borough to maximise the income available from the new homes bonus and increased council tax. Risk merged into Risk 18
- 16 Failure to deliver a robust Medium Term Financial Strategy (MTFS) with adequate reserves to meet unforeseen circumstances and with the resource capacity to deliver statutory services. Merged with Risk 1
- 19 EU Exit - Risk of inadequate planning/preparedness at a national & local level for a "no deal" exit from the EU arrangements on the 29.03, 12.04, 31.10.19. Risk retained but closed temporarily until end of December 2020.
- 21 The Council is unable to deliver its critical and core services and functions during the transition and recovery phase of a COVID-19 outbreak, due to high staff absences and a failure of effective business continuity management.



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 30 March 2021

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Audit & Governance Committee – Effectiveness Self - Assessment

1. PURPOSE

1.1 This report presents the results of the annual assessment of compliance of the Audit & Governance Committee against recognised best practise recommended by CIPFA as well as a summary of Committee members' own self-assessments. The results of the various assessments are set out in appendices 1, 2 and 3 to this report.

2. RECOMMENDATIONS

2.1 Committee members are asked to review and approve the following, as appropriate evidence to confirm the Committee's effectiveness:

- the Audit & Governance Committee's position when compared to the CIPFA good practice checklist (Appendix 1) and the additional actions noted;
- the Evaluation of Effectiveness of the Audit & Governance Committee, produced by the Head of Audit & Assurance on behalf of the Chair of the Committee (Appendix 2); and,
- the summary results from the individual Committee member self-assessments of the overall effectiveness of the Committee (Appendix 3).

3. BACKGROUND

3.1 Audit Committees in local authorities are necessary to satisfy the wider requirements for sound financial management, which are set out in the Local Government Act 1972 and the Accounts & Audit Regulations 2015. The Chief Financial Officer (CFO) is responsible for discharging this sound financial management requirement. To be truly effective the CFO also requires an effective Audit Committee to provide appropriate support and challenge.

3.2 In 2018 CIPFA published its document, 'Audit Committees: Practical Guidance for Local Authorities and Police 2018'. This replaced the previous 2013 Position Statement. The main changes are highlighted in

bold in this report. The guidance includes the two checklists that are included at appendices 1 and 2 to this report. These checklists set out the results of the internal assessment for the Committee's consideration in order to conclude on the Committee's performance and effectiveness and identify any areas where development may be needed.

- 3.3 The CIPFA Guidance notes that there have been a number of significant developments in governance and audit practice since 2013 that have emphasised the importance of an audit committee. Key developments include:
- the new Delivering Good Governance in Local Government Framework (CIPFA/Solace, 2016);
 - updates to the Public Sector Internal Audit Standards in 2016 and 2017; and
 - the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).
- 3.4 The Position Statement emphasises the importance of audit committees being in place in all principal local authorities and police bodies. It notes the purpose of audit committees as follows:
- Audit committees are a key component of an Authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management; and
 - The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 3.5 The Position Statement sets out the core functions of an audit committee along with possible wider functions that a committee can undertake. It notes that organisations should adopt a model that establishes the committee as independent and effective and advises that the Committee should:
- act as the principal non-executive, advisory function supporting those charged with governance;
 - in local authorities, be independent of both the executive and the scrutiny functions **and include an independent member where not already required to do so by legislation;**
 - have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups; and
 - be **directly** accountable to the Authority's governing body (Full Council).
- 3.6 The Position Statement notes the role of the Chief Financial Officer (CFO) and that officer's overarching responsibility for discharging the requirement for sound financial management. The Role of the Chief

Financial Officer in Local Government (CIPFA, 2016) emphasises the importance of having an effective audit committee to support the CFO. The CFO in a local authority must lead the promotion and delivery by the whole Authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The Position Statement also notes that an essential role for the audit committee is to oversee Internal Audit, helping to ensure that it is adequate and effective. Both these elements are also set out in the Public Sector Internal Audit Standards (PSIAS) and the supporting Local Government Application Note (LGAN).

3.7 The Guidance sets out the core functions of an audit committee and includes a model terms of reference for the committee. The core functions include the following areas:

- **Good governance and the Annual Governance Statement (AGS)** – be satisfied that the Authority’s assurance statements, including the AGS, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the Authority’s objectives. **Support initiatives to identify and evaluate key areas of assurance.**
- **Internal Audit** - oversee its independence, objectivity, performance and professionalism; support the effectiveness of the Internal Audit process and promote the effective use of Internal Audit within the assurance framework in the following ways:
 - receive confirmation of the organisational independence of the Internal Audit activity;
 - approve and periodically review any safeguards put in place to limit impairments to independence and objectivity where the Head of Internal Audit has been asked to undertake any additional roles/responsibilities outside of internal auditing;
 - receiving communications from the Head of Internal Audit on Internal Audit’s performance relative to its plan and other matters; and
 - giving approval to Internal Audit for any significant additional consulting services not already included in the audit plan, prior to Internal Audit accepting an engagement.
- **Risk management** - consider the effectiveness of the Authority’s risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations.
- **Control environment** - monitor the effectiveness, including arrangements for ensuring value for money, **supporting standards and ethics** and for managing the Authority’s exposure to the risks of fraud and corruption.
- **External Audit** - consider the reports and recommendations of External Audit and inspection agencies and their implications for governance, risk management or control. The guidance includes advice around appointment of auditors following the change in

appointment procedures for English authorities with the closure of the Audit Commission and the introduction of new local audit arrangements under the Local Audit and Accountability Act 2014.

The audit committee's role in relation to the external audit process has three principal aspects:

- providing assurance that the external auditor team maintains independence following its appointment;
- receiving and considering the work of external audit; and
- supporting the quality and effectiveness of the external audit process.

The audit committee should seek information from the external auditor on its policies and processes for maintaining independence and monitoring compliance. It should also satisfy itself that no issues with compliance with the ethical standard have been raised by the contract monitoring undertaken by Public Sector Audit Appointments (PSAA), the appointing body, or the auditor panel (in England) or from audit quality reviews by the Financial Reporting Council. With regard to non-audit services, audit committees should monitor the approval of non-audit work and, in England, take into account the oversight of either PSAA or the auditor panel as appropriate.

- **Effective relationships** - support the relationships between external and Internal Audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- **Financial statements** - review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit. ***The guidance highlights the revised reporting timetable and includes:*** Understanding Local Authority Financial Statements (CIPFA/LASAAC, 2016) which includes a checklist of questions to ask about a local authority's statements that audit committee members may find particularly helpful. In keeping with its role as an advisory body, the audit committee should review the financial statements prior to approval.
- **Partnership governance and collaboration agreements** – where an organisation of which the Authority is a partner does not have its own audit committee, then the audit committee could be nominated to undertake this role. This is most likely to be the audit committee of the accountable body in order to support the CFO (Page 24 of the Position Statement).

New Core Function Area – Governance and Ethical Values (Page 24 of the Position Statement)

- 3.8 Public sector entities are accountable not only for how much they spend but also for the ways they use the resources with which they have been entrusted. This is at the heart of Principle A of the Framework: *“Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.”* With its core role in supporting good governance, support for the ethical framework of the authority is also important for the audit committee. In addition, public sector organisations

have an overarching mission to serve the public interest in adhering to the requirements of legislation and government policies. This makes it essential that the entire entity can demonstrate the integrity of all its actions and has mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels. As part of its review of governance arrangements, the audit committee should be satisfied that there are adequate arrangements to achieve this.

- 3.9 All authorities should have regard to the Seven Principles of Public Life, known as the Nolan Principles. To promote high standards of conduct, the Committee on Standards in Public Life has recommended that: Ethical standards issues should be included as regular items on board agendas or formally delegated to audit and risk committees for referral to the board as appropriate. Risks associated with poor standards should be included in risk assessments, and, where appropriate, risk registers. Mitigating strategies should be developed and monitored. As part of the annual governance review, the audit committee should consider how effectively the Seven Principles of Public Life are supported.
- 3.10 Whistleblowing arrangements support the development of ethical conduct and greater transparency, and also help authorities ensure compliance with the Public Interest Disclosure Act 1998. As part of the audit committee's oversight of the governance framework and assurances underpinning the AGS, the audit committee may wish to review the effectiveness of the whistleblowing arrangements.
- 3.11 The summary questionnaire results included in Appendix 3 are based on a self-assessment questionnaire used by Audit Committees in neighbouring authorities. This provides members with an alternative basis for assessing the Committee's effectiveness. The questions asked are aimed at exploring and considering other areas for assessing effectiveness compared to the more technical areas identified by CIPFA. Individual Committee member have answered these questions.
- 3.12 The details included at Appendix 3 provide a summary of the responses received from the Councillors who have been members of the Committee during the Municipal Year. This also includes a comparison with the results from the previous year. The overall results show that there is a belief by the members that the Committee is operating effectively, with average scores of satisfactory/partly agree or better for most questions.

4. RATIONALE

- 4.1 An Audit Committee is a key component of a Council's governance framework. An Audit Committee that fulfils its recommended role and function can effectively review the Council's corporate governance framework. The recommended guidance on the role and functions of an Audit Committee is provided by CIPFA.

5. KEY ISSUES AND RISKS

- 5.1 CIPFA's guidance sets out its view of the Audit Committees in relation to governance, risk management and internal control. CIPFA's Good Practice Checklist, which was appended to the Guidance, is an updated version of the Checklist included in the 2013 Guidance. The Head of

Audit & Assurance has completed this on behalf of the Committee. This shows that the Council's Audit & Governance Committee arrangements are largely compliant with the recommended guidance. The only area where full compliance cannot be provided is:

- Question 19: The Audit & Governance Committee has not obtained feedback from others interacting or relying on its work.

However, the Committee's Annual Report is presented to Full Council for consideration, along with the minutes from the previous year's meetings.. This presents an opportunity to obtain feedback from Councillor colleagues at least annually.

- 5.2 The evaluation of effectiveness document (Appendix 2) has been completed by the Head of Audit & Assurance. The previous version was appended to the Audit & Governance Committee's annual report considered by this Committee on 29 July 2020. It notes the additional challenge of corporate risks that the Committee now carries out on a regular basis, and the senior officer attendance at its meetings to update Members on progress of agreed actions from key reports. It also notes that the Committee also receives a Counter Fraud Annual Report.
- 5.3 Across five areas the score was evaluated at 4 out of a possible 5, demonstrating: "clear evidence from some sources that the Committee is actively and effectively supporting improvement across some aspects of this area". For the remaining four areas evaluated, the assessed score was 5, demonstrating: "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".

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

The Accounts and Audit (England) Regulations 2015 state that the Council must ensure that it has a sound system of internal control that:

- (i) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (ii) ensures that the financial and operational management of the authority is effective; and
- (iii) includes effective arrangements for the management of risk. The Audit & Governance Committee has been designated as the committee charged with ensuring the on-going effectiveness of the Council's overall governance arrangements.

9. RESOURCE IMPLICATIONS

There are no direct resource implications arising from this report.

10. EQUALITY AND HEALTH IMPLICATION

There are no equality implications arising from this report.

11. CONSULTATIONS

Contact Officer: Colin Ferguson, Head of Audit & Assurance – Ext: 5326
Date: 17 March 2021
Background Papers: Audit & Governance Committee – Effectiveness Assessment, reported to Audit Committee on 14 January 2020
Audit Committee – Annual Report, reported to Audit & Governance Committee on 29 July 2020.

REF	GOOD PRACTICE QUESTIONS	YES	PARTIAL	NO	ACTION REQUIRED
<i>Audit Committee purpose and governance</i>					
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?	√			
<i>Functions of the committee</i>					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? <ul style="list-style-type: none"> ▪ good governance. ▪ assurance framework, including partnerships and collaboration arrangements, ▪ internal audit. ▪ external audit. ▪ financial reporting. ▪ risk management. ▪ value for money or best value. ▪ counter-fraud and corruption. ▪ supporting the ethical framework 	√			
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	√			
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?	√			

REF	GOOD PRACTICE QUESTIONS	YES	PARTIAL	NO	ACTION REQUIRED
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: <ul style="list-style-type: none"> ▪ separation from the executive. ▪ an appropriate mix of knowledge and skills among the membership. ▪ a size of committee that is not unwieldy. ▪ consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement). 	√			
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the Full council or as appropriate for the organisation?				Not applicable.
14	Does the chair of the committee have appropriate knowledge and skills?	√			
15	Are arrangements in place to support the committee with briefings and training?	√			
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	√			
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	√			
18	Is adequate secretariat and administrative support to the committee provided?	√			
Effectiveness of the committee					
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			√	No formal feedback but Committee members may receive feedback from member colleagues at Group meetings or on other occasions. The Committee's Annual Report and minutes from meetings are presented to Full Council.

REF	GOOD PRACTICE QUESTIONS	YES	PARTIAL	NO	ACTION REQUIRED
20	Are meetings effective with a good level of discussion and engagement from all the members?	√			
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	√			
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	√			
23	Has the committee evaluated whether and how it is adding value to the organisation?	√			
24	Does the committee have an action plan to improve any areas of weakness?	√			
25	Does the committee publish an annual report to account for its performance and explain its work?	√			

Evaluating the Effectiveness of the Audit & Governance 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 & Governance Committee Effectiveness Assessment

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Promoting the principles of good governance and their application to decision making.	<p>Supporting the development of a local code of corporate governance.</p> <p>Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it.</p> <p>Working with key members to improve their understanding of the AGS and their contribution to it.</p> <p>Supporting reviews/audits of governance arrangements.</p> <p>Participating in self-assessments of governance arrangements.</p> <p>Working with partner audit committees to review governance arrangements in partnerships.</p>	<p>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.</p> <p>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.</p> <p>The Committee's terms of reference includes the review of the governance and assurance arrangements for significant partnerships or collaborations. The Committee also receives an annual report on the Council's</p>	4

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
		<p>Significant Partnerships Register.</p> <p>The Committee Chair is a member of the Primary Assurance Group, which reviews the AGS and related assurance reports.</p>	
<p>Contributing to the development of an effective control environment.</p>	<p>Actively monitoring the implementation of recommendations from auditors.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Raising significant concerns over controls with appropriate senior managers.</p>	<p>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.</p> <p>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.</p> <p>The Committee reviews the summary of Management Accountability Framework (MAF) red priority areas of concern.</p> <p>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.</p>	5
<p>Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.</p>	<p>Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking.</p> <p>Monitoring improvements.</p> <p>Holding risk owners to account for major/strategic risks.</p>	<p>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.</p> <p>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</p>	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
		<p>Committee on the corporate risk register and risk management support activity during the year, including the details of the risk management support provided by Zurich Municipal.</p> <p>The Committee carries out a ‘deep dive’ review of one or more corporate risks with the relevant risk owner or key contact at its meetings during the year.</p>	
<p>Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.</p>	<p>Specifying its assurance needs, identifying gaps or overlaps in assurance.</p> <p>Seeking to streamline assurance gathering and reporting.</p> <p>Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.</p>	<p>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.</p> <p>IA reviewed and provided assurance on risk management arrangements in 2015/16.</p>	4
<p>Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.</p>	<p>Reviewing the internal audit charter and functional reporting arrangements.</p> <p>Assessing the effectiveness of internal audit arrangements providing constructive challenge and supporting improvements.</p> <p>Actively supporting the quality assurance and improvement.</p>	<p>The Head of Audit & Assurance has right of access to and regular briefings for the Chair of the Audit & Governance Committee.</p> <p>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.</p> <p>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</p>	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
		<p>of IA compliance with Public Service Internal Audit Standards and received the overall opinion and a summary of the findings and themes from the Peer review action plan at its April meeting 2016.</p> <p>Arrangements are in place for the next peer review to be carried out in July 2021.</p>	
<p>Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.</p>	<p>Reviewing how the governance arrangements support the achievement of sustainable outcomes</p> <p>Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</p> <p>Reviewing the effectiveness of performance management arrangements.</p>	<p>Work on this area is included in Internal and External Audit plans on a risk assessment basis. IA reviews are classified under one of the three headings in the plan and the annual report. Plans include reviews of key capital and revenue projects. Additional ad hoc work is carried out during the year on request from Directors.</p> <p>Internal audit progress reports include a summary of MAF red priority areas of concern.</p> <p>Performance management is not specifically identified in the Committee Terms of Reference. There are other processes in place within the Council's governance structure, which provide scrutiny and challenge for this area, as part of the Corporate Plan Scorecard monitoring arrangements, to hold Chief Officers and managers to account on a regular basis, such as Management Board and the PAM reporting process as well as Members through PDS, SPT and Executive Board reporting.</p> <p>Internal audit consider performance arrangements as part of any relevant audit and would report on them as part of our progress reporting arrangements.</p> <p>The IA plan also includes specific Key Performance Indicator audits.</p>	4

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Supporting the development of robust arrangements for ensuring value for money.	<p>Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee.</p> <p>Considering how performance in value for money is evaluated as part of the AGS.</p>	<p>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 Auditor's Audit Findings Report. This includes a section on value for money and an overall conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>	4
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<p>Reviewing arrangements against the standards set out in Code of Practice on managing the Risk of Fraud (CIPFA 2014).</p> <p>Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</p> <p>Assessing the effectiveness of ethical governance arrangements for both staff and members.</p>	<p>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.</p> <p>The Internal Audit progress reports include oversight of counter fraud activity and results.</p> <p>The Committee consider and approve the annual fraud risk assessment as part of the External Auditor's enquiries of those charged with governance.</p> <p>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:</p>	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
<p>Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.</p>	<p>Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English.</p> <p>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.</p> <p>Publishing and annual report from the committee.</p>	<p>Audit & Governance Committee meetings are held in public with minimal Part 2 items. Agendas and reports are published on Council internet website.</p> <p>An Annual Audit Committee report is prepared and considered by full Council.</p> <p>Council Committee agendas, reports and minutes are also available on the internet via the Council website along with Executive Members' and Officer decisions.</p>	<p>4</p>

Assessment scores:

- 1-Hardly ever/Poor/Definitely disagree
- 2- Occasionally/Inadequately/Partly disagree
- 3 - Most of the time/Satisfactory/Partly agree
- 4 - All of the time/Good/Definitely agree
- N/A - Not applicable

CORE AREAS OF KNOWLEDGE	2020/21 Average	2019/20 Average	2018/19 Average	2017/18 Average	Difference between 2020/21 and 2019/20 averages
1 Members with appropriate skills and experience					
The A&G Committee should comprise members with an appropriate mix of skills and experience, including some relevant financial experience.	3.5	3.7	3.2	3.8	-0.2
2 Clear terms of reference					
There are clear, up to date terms of reference, with clarity as to the Committee's role in relation to the Council and other Committees	3.5	3.7	3.7	3.8	-0.2
3 Structured and appropriate annual agenda					
There is a structured annual agenda of matters to be covered, with focus on the right areas.	3.5	4.0	3.5	3.8	-0.5
4 Sufficient number of meetings and access to resources					
The number and length of meetings and access to resources is sufficient to allow the Committee fully to discharge its duties.	2.5	4.0	3.2	3.5	-1.5
5 Concise, relevant and timely information					
The A&G Committee papers are concise, relevant and permit timely resolution of the issues raised	2.5	3.7	2.8	3.0	-1.2
6 The right people are invited to attend and present at meetings					
Senior officers and others are asked to present on issues as appropriate.	3.5	4.0	3.2	3.8	-0.5
7 Attendance and contribution to meetings					
All A&G Committee members attend and actively contribute at meetings	2.0	2.7	2.6	3.3	-0.7
8 Sufficient time and commitment to undertake responsibilities					
As an A&G Committee member I have sufficient time and commitment to fulfil my responsibilities	3.0	4.0	2.5	3.5	-1.0
9 On-going personal development					
A&G Committee members have access to on-going development activities to update their skills and knowledge.	3.0	4.0	3.2	3.8	-1.0
10 Understanding the Council's business					
The A&G Committee has a good understanding of the different risks inherent in the council's business activities.	3.5	3.3	3.0	3.3	0.2
11 Focus on appropriate areas					
The A&G Committee focuses on the right questions and is effective in avoiding minutia	3.0	3.7	3.2	3.2	-0.7
12 Understanding of how assurance is gained					
The A&G Committee understands the relationship between the various sources of assurance available to it.	3.0	3.3	3.3	3.2	-0.3
13 Quality of interaction with external audit					
The A&G Committee actively engages with the external auditors regarding the scope of their work and audit findings.	3.5	3.7	3.2	3.2	-0.2
14 Quality of interaction with internal audit					
The A&G Committee demonstrates an appropriate degree of involvement in the work of internal audit and its findings.	3.0	4.0	3.0	3.3	-1.0
15 Frank, open working relationship with senior officers					
A&G Committee members have a frank and open relationship with senior officers, whilst avoiding the temptation to act as officers.	3.5	4.0	3.0	3.7	-0.5
16 Open channels of communication					
The A&G Committee has open channels of communication with officers and other members to keep it aware of topical/regulatory issues.	3.0	4.0	3.0	3.5	-1.0
17 Rigour of debate					
A&G Committee meetings encourage a high quality of debate with robust and probing discussions.	3.0	3.7	2.8	3.5	-0.7

18 Reaction to bad news					
The A&G Committee responds positively and constructively to bad news to encourage future transparency.	3.0	3.3	3.0	3.0	-0.3
19 Perceived to have a positive impact					
There is an appropriate balance between the monitoring role and the Committee acting as an "influencer for good".	3.0	3.7	2.6	3.3	-0.7
20 Quality of chairmanship					
The Chair promotes effective and efficient meetings	3.5	3.3	3.3	3.3	0.2



TO: Audit & Governance Committee

FROM: Policy and Partnerships Manager

DATE: 30th March 2021

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Significant Partnerships Register 2020/21

1. PURPOSE

To provide Members with an update on the Significant Partnerships Register for 2020/21 (see appendix 1). The Register identifies all the significant partnerships the local authority is involved in as per the Audit & Governance Committee's Terms of Reference.

2. RECOMMENDATIONS

The Audit & Governance Committee is asked to:

1. Review and approve the significant partnerships submitted for inclusion in the 2020/21 register

3. BACKGROUND

The Significant Partnerships Register was developed to determine what partnerships exist across the Council and of these, which ones would class as 'significant' (as defined by the Council's Code of Corporate Governance). The Register provides an annual opportunity to ensure that partnerships throughout the local authority are well governed and that appropriate oversight is in place.

4. RATIONALE

The Significant Partnerships Register is updated on an annual basis to review and assess partnerships to ensure that they continue to be relevant, offer value for money and that the intended outcomes are being achieved. Membership of partnerships is reviewed regularly within departments to ensure resources (assets, staff and financial) are utilised to maximum benefit.

5. KEY ISSUES

The Significant Partnerships Register 2020/21 has been updated with new partnerships, some of which have been created to support the Council's and Lancashire Resilience Forum's response to the COVID-19 pandemic. The nature of the pandemic has resulted in over twenty-five groups being involved in the response (see appendix 2). Whilst not all of these groups are new or can be classified as significant partnerships, it highlights the breadth of partners involved in the response.

The following partnerships have been added to the Register this year:

1. Local Outbreak Engagement Board – This is a strategic engagement forum created to provide oversight of the BWD Covid response arrangements.

2. Health Protection Board – The Board has been developed to provide assurance to Elected Members, Chief Executives and national bodies, as required on the Blackburn with Darwen Covid 19 response arrangements. It also provides assurance to the LRF Strategic Commissioning Group on the functioning and arrangements of the Pan-Lancashire COVID19 response hub.
3. Barnfield Blackburn Ltd - The Company was set up for the purposes of acquiring the Milking Lane site, preparing the site for development and disposing of land parcels to 3rd parties for development.

The complete updated Register is attached as appendix A.

The Register is likely to be included in the Audit and Assurance annual audit schedule for 2021/22 and particular focus will be given to newly established partnerships.

6. POLICY IMPLICATIONS

There are no policy implications arising from this report.

7. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

8. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

9. RESOURCE IMPLICATIONS

There are no resource implications arising from this report.

10. EQUALITY AND HEALTH IMPLICATION

There are no equality implications arising from this report.

11. CONSULTATIONS

Individual Directors approve each entry on the register and the information within the related framework. Entries without a Director's signature are not accepted.

Contact Officer:	Mohsin Mulla (ext. 5525)
Date:	15 th March 2021
Background Papers:	Significant Partnerships Register (Appendix 1) Covid-19 Response Groups (Appendix 2)

Adults & Prevention

Department	Service area	Name of partnership	Purpose of partnership	Lead officer	Date established
Adults & Prevention	Commissioning	Joint Commissioning Recommendations Group	To provide the planning, implementation and governance framework for integrated commissioning between the Council and Clinical Commissioning Group (CCG), as set out by the Health and Wellbeing Board, CCG Governing Body and the Council Executive Board.	Sayyed Osman	01 May 2013
Adults & Prevention	Community Safety	Pennine Lancashire Community Safety Partnership Board	To comply with the requirements of the Crime and Disorder Act; providing strategic governance in relation to the prevention and detection of crime and anti-social behaviour.	Paul Lee / Mark Aspin	1st October 2016
Adults & Prevention	Integrated Care	Local Integrated Care Partnership	To enable Adult Social Care, Neighbourhood Teams, Health and the Voluntary Sector to efficiently work together to achieve better health, wellbeing and quality of life outcomes for our residents .The partnership has responsibility for delivering and improving shared health and care goals and providing the overarching framework within which partnership arrangements at the district and neighbourhood levels operate.	Katherine White	June 2018
Adults & Prevention	Safeguarding	Local Safeguarding Adult's Board	Lead strategic group for safeguarding vulnerable adults	Paul Lee / Dawn Walmsley	01 April 2010

Chief Executive's

Department	Service area	Name of partnership	Purpose of partnership	Lead officer	Date established
Chief Executive's	Health	Pennine Lancashire Transformation programme – Together a Healthier Future	Local delivery area to integrate health and care. Made up of East Lancashire CCG, BwD CCG, ELHT, LCFT, BwD Council, district councils in Pennine Lancashire and LCC. We support and attend a number of groups: System Leaders Forum, Transformation Steering Group, Finance and Investment Group, Communications and Engagement and Workforce and Leadership.	Dominic Harrison	2016
Chief Executive's	Policy & Research	Lancashire Public Service Board	To provide an effective working partnership for Local Government and the public sector in Lancashire to deliver a cohesive work programme including identifying opportunities for efficiency savings, supporting vulnerable people, future workforce planning and co-location/shared services.	Alison Schmid	6th February 2017
Chief Executive's	Policy & Research	Lancashire Enterprise Partnership	Collaboration of Leaders from business, universities and local councils who direct economic growth and drive job creation.	Martin Kelly	Steering Group 2000 Board 2008
Chief Executive's	Policy & Research	Growth Lancashire	Collaborative working arrangements across the public and private sector in BwD and the wider Lancashire area, focussed on growing productivity, prosperity and places. BwD is one of its founding members, is the company's employing body and Deputy Chair of the Board.	Matthew Sidgreaves	(Regenerate 2005) and Growth Lancashire 2016
Chief Executive's	Policy & Research	The NW Evergreen Fund	Property loan fund supported by EU funding to provide development funding in Greater Manchester, Lancashire and Cheshire	Martin Kelly	2013
Chief Executive's	Policy & Research	Hive Ambassadors Network	Hive is a business network made up of over 330 local businesses with the aim to drive business growth in Blackburn and Darwen as well as promoting the borough as an excellent place to live, work and visit. The board consists of key senior staff from a variety of local businesses and organisations.	Martin Kelly	2012
Chief Executive's	Policy & Research	Blackburn with Darwen Employment and Skills Board	The Employment and Skills Board brings together the public, private and voluntary sector. The Board has agreed an Employment and Skills Strategy which align with national policy and the Lancashire LEP Skills and Employment Strategic Framework. The Board meets four times per year and has three sub groups to take actions forward.	Denise Park / Alison Schmid	Dec-17

Children's Services & Education

Department	Service area	Name of partnership	Purpose of partnership	Lead officer	Date established
Children's Services & Education	Safeguarding	Childrens Safeguarding Assurance Partnership	Strategic Board to co-ordinate safeguarding services and act as a strategic leadership group across the unitary authorities and county.	Jayne Ivory	2019
Children's Services & Education	Safeguarding	Youth Justice Service Strategic Management Board	Provides strategic direction to the Youth Justice Service	Imran Akuji	Steering Group 2000 Board 2008
Children's Services & Education	Safeguarding	MAPPAs Strategic Management Board	From the beginning of the year 2004 there has been a legal "duty" for social services "to co-operate" with the local police and probation departments with MAPPAs (Multi-agency Public Protection Arrangements - section 325 of the Criminal Justice Act 2003). The duty to co-operate relates to operational casework involving assessing and managing the risk posed by high-risk offenders.	Imran Akuji	2001
Children's Services & Education	Schools	BBCL School Improvement Board	The BBCL School Improvement Board (BBCL SIB) was established in 2014 in order to bring together the significant stakeholders, including the RSCs, LAs, Dioceses, Teaching Schools, MATs, Teaching School Council, NCTEM, NLEs and NLGs - who will become the custodians of a self-sustaining, self-improving education system as outlined in the government's white papers in 2010 and 2015.	Alison Ashworth-Taylor	2014
Children's Services & Education	Adolescent Services	Strategic Youth Alliance Partnership Board	To provide leadership and a strategic direction for all member youth organisations (local authority, voluntary, charitable, faith & social enterprise sectors) to work in collaboration.	Imran Akuji	2019
Children's Services & Education	Social Care	Corporate Parenting Special Advisory Group	To provide strategic leadership across the borough to ensure that all local authority departments and key partner agencies promote and champion their responsibilities as corporate parents to improve outcomes for our cared for children and care leavers.	Jayne Ivory	2019
Children's Services & Education	SEND	SEND Strategic Partnership Board	The role of the SEND Strategic Partnership Board is to ensure that the responsibilities set out within the SEND reforms are delivered by the local area. As set out in the Children and Families Act 2014, Local Authorities and Health partners must work collaboratively and effectively to secure better outcomes for children and young people aged 0 – 25 with SEND and their families.	Jayne Ivory	2019

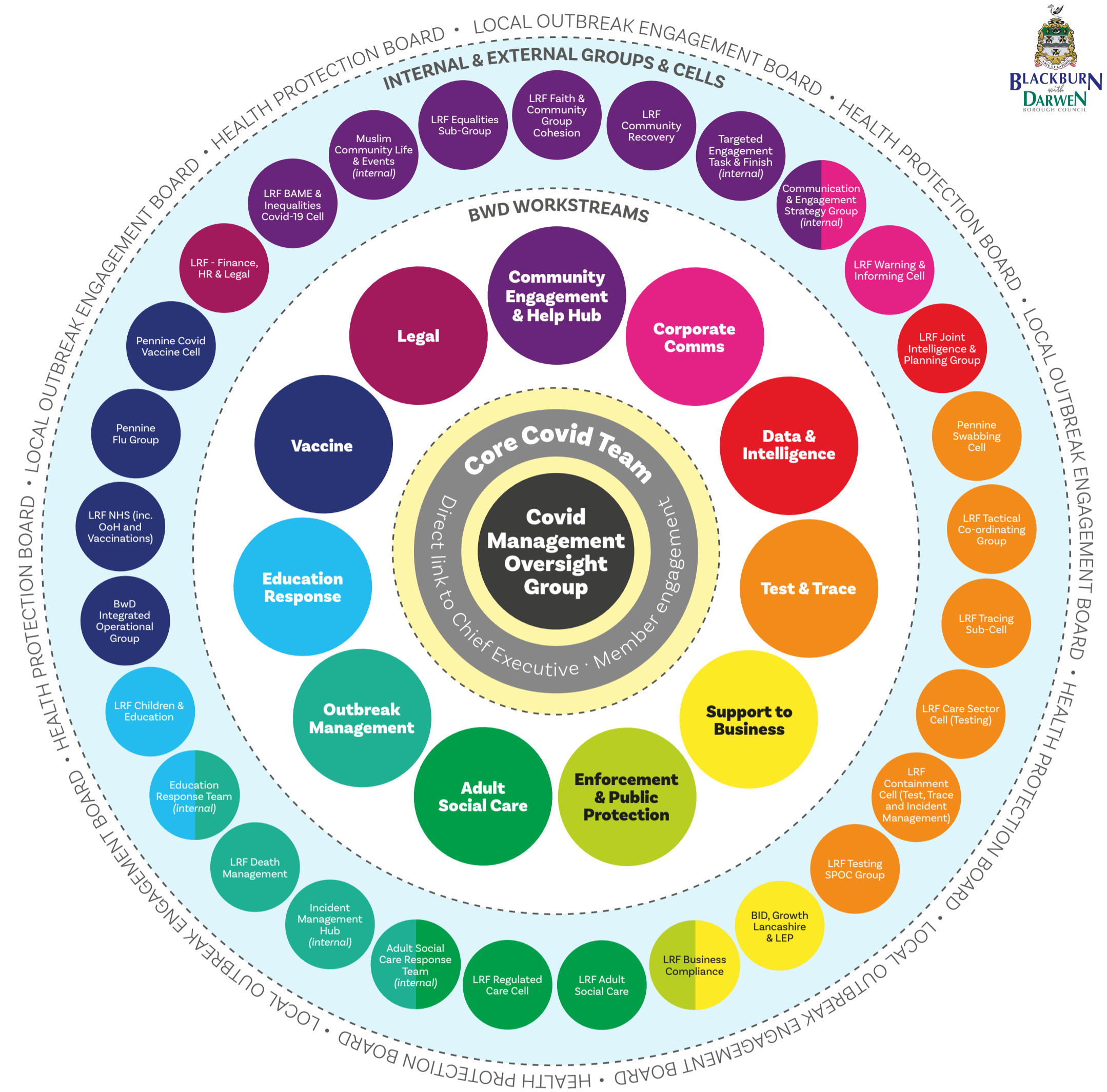
Department	Service area	Name of partnership	Purpose of partnership	Lead officer	Date established
Environment & Operations		CHIL - Cosy Homes in Lancashire	The 'Cosy Homes in Lancashire' (CHIL) scheme is a countywide energy efficiency and affordable warmth initiative. CHIL was developed by the 15 Local Authorities in Lancashire and has the backing of all the Chief Executives and the Directors of Public Health. CHIL covers all Council backed energy saving initiatives in the County and it offers an accessible and straightforward means of accessing grants from energy companies and other sources to fund new heating measures, insulation and renewable technologies in domestic properties.	Muzaffer Dayaji / Denise Andrews	2014
Environment & Operations		Trading Standards North West	Established to promote consistency of enforcement across the north west, and to coordinate regional enforcement activity, including tasking of the Regional Investigations Team	Gary Johnston	1995
Environment & Operations		Environmental health Lancashire	Promotes consistency of enforcement within the region, identifies emerging threats and training needs.	Denise Andrews	1995
Environment & Operations		Pennine Lancashire Night Time Noise Service	Partnership initiative of Blackburn with Darwen, Rossendale, Pendle, Hyndburn and Burnley to provide an out-of hours noise service for the region	John Wood	2000
Environment & Operations	Highways and Network Operations	Association of Directors of Environment, Economy, Planning & Transport (ADEPT)	ADEPT's primary role is to take the lead in transforming local authorities and through attendance at the Northern Highways Direct Management Group benchmarking information and good practice is shared across all member authorities.	Dwayne Lowe	2003
Environment & Operations	Highways and Network Operations	Local Council Roads Innovation Group (LCRIG)	Member Councils work in partnership to share their skills, knowledge and experience to enhance their DfT Self-Assessment scores and to learn from each other about new innovative techniques and services introduced by the supply chain.	Dwayne Lowe	2013
Environment & Operations	Highways and Network Operations	Northwest Highway Authority and Utility Committee (NWHauc)	North-West Highway Authorities & Utilities Committee (NWHauc) was founded in 1993 to; serve the needs of organisations planning and co-ordinating works in the highway; interpret and facilitate over the legislation associated with such works (principally the New Road & Street Works Act 1991); and promote best practice, innovative solutions and improved communications between utilities and highway authorities.	Simon Littler	1993
Environment & Operations	Highways and Network Operations	Northwest Joint Authorities Group (NWJAG)	NWJAG(UK) represents the best interests of every Highway and Road Authority in the Northwest of the United Kingdom. It was formed to provide highways advice and support to the government through the Highway Authorities and Utilities Committee, HAUC(UK), JAG (UK) and also through direct contact with government departments.	Simon Littler	1991
Environment & Operations	Highways and Network Operations	Lancashire Road Safety Partnership	The Lancashire Road Safety Partnership is the coordinating body for Lancashire, Blackburn with Darwen and Blackpool which aims to reduce road casualties through the management of speed, enforcement, engineering, emergency response, driver education and training and through developing collaborative approaches to education, awareness, engagement and other measures.	Simon Littler/Karen Timperley	2002
Environment & Operations	Highways and Network Operations	North West Regional Flood and Coastal Committee (RFCC) and the Lancashire Flood Risk Partnership	The Regional Flood and Coastal Committee (RFCC) is a committee established by the Environment Agency under the Flood and Water Management Act 2010 that brings together members appointed by Lead Local Flood Authorities (LLFA) and independent members with relevant experience. The Lancashire Partnership is one of five Flood & Coastal Erosion Risk Management (FCERM) Partnerships reporting to the North West RFCC alongside Cumbria, Merseyside, Cheshire Mid-Mersey and The Association of Greater Manchester Authorities (AGMA). All the FCERM Partnerships in the North West bring together the key agencies/authorities and other organisations/stakeholders to deliver an integrated and collaborative approach to manage flood risk	Dwayne Lowe / Imran Munshi	2010

Growth & Development

Department	Service area	Name of partnership	Purpose of partnership	Lead officer	Date established
Growth & Development	Planning & Transport	Pennine Lancashire Building Control	To provide a sustainable Building Control service - initially between BwD and Burnley	Nick Bargh	3rd September 2009
Growth & Development	Property	Lancashire Property Board	To support the Lancashire councils' policy ambition of Public Services Working Together – where Lancashire delivers integrated public services at the heart of local communities, giving everyone the opportunity for a healthier and safer life.	Andrew Bond	January 2017
Growth & Development	Property	Barnfield Blackburn Ltd.	The company was set up for the purposes of acquiring the Milking Lane site, preparing the site for development and disposing of land parcels to 3rd parties for development.	Louise Mattinson / Simon Jones	2019

Department	Service area	Name of partnership	Purpose of partnership	Lead officer	Date established
<p>HR, Legal and Governance</p>	<p>Resilience & Emergency Planning</p>	<p>Lancashire Resilience Forum</p>	<p>The function of Lancashire Resilience Forum (LRF) is to create a forum for organisations with a duty to co-operate under the Civil Contingencies Act 2004 to meet within a multi-agency environment to ensure the effective delivery of those duties. This includes maintain and publish agreed risk profiles for Lancashire through a Community Risk Register and develop a strategy to address the risks and other issues and events as they arise. The LRF have a systematic, planned and co-ordinated approach to encourage Category 1 responders, in liaison with Category 2 responders, according to their functions.</p>	<p>Rachel Hutchinson</p>	<p>2004</p>

Department	Service area	Name of partnership	Purpose of partnership	Lead officer	Date established
Public Health & Wellbeing	Public Health	Health and Wellbeing Board	Integrated partnership between the NHS, Social Care, Public Health and other local services to improve health and wellbeing in the borough.	Dominic Harrison	February 2011 Statutory Board 2013
		Strategic Alliance Meeting	Partnership between the Council, Blackburn College and Lancaster University to achieve shared economic, social and education outcomes for the borough and wider and aim to become a national exemplar for joint working between anchor institutions.	Dominic Harrison	10th May 2017
		Local Outbreak Engagement Board	A strategic engagement forum to provide oversight of the BWD Covid response arrangements with a remit to: review progress of the Local Outbreak Management Plan; provide political ownership and oversight of the Plan; shape and support a programme of communications to the public and stakeholders; ensure effective communications to the public in response to any outbreaks; identify and agree priorities for community engagement; provide a forum to review how control measures are impacting on the community.	Denise Park	Jul-20
		Health Protection Board	To provide assurance to Elected Members, Chief Executives and national bodies, as required on the Blackburn with Darwen Covid 19 response arrangements and also provide assurance to the LRF Strategic Commissioning Group on the functioning and arrangements of the Pan-Lancashire COVID19 response hub.	Dominic Harrison	Jul-20



Core Groups	Covid Management Oversight Group • Co-ordinate and manage the local authority's strategic response
	Covid Core Team • Response co-ordination and governance, Incident Management Hub leadership, Covid emergency preparedness, workforce deployment, Member engagement
Workstreams	Community Engagement & Help Hub • Targeted support to vulnerable residents, Community Connectors, faith & events, young people, businesses
	Corporate Comms • Prevention and containment campaigns, regulation messaging, website
	Data & Intelligence • Dashboards, incidents, daily sit rep reports, understanding our population and demographics, digital access
	Test & Trace • Testing, case/contact tracing, community testing, Lateral Flow Testing
	Support to Business • Grant support, advice and financial aid
	Enforcement/Public Protection • Business premise compliance through engagement, faith settings, Covid Marshals
	Adult Social Care • Adult Social Care Response Team, winter planning
	Outbreak management • Incident Management Hub (schools, care homes, HMOs, faith settings, workplaces)
	Education Response • Schools support, Education Response Team, safeguarding, attendance
	Vaccine • Covid-19 vaccination programme, flu vaccination programme
	Legal • Regulation analysis

Covid-19 Response Connectivity Wheel