

# Public Document Pack

## Audit & Governance Committee

Tuesday, 29th June, 2021

6.30 pm

King Georges Hall, Blackburn

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### AGENDA

**1. Welcome and Apologies**

To welcome those present to the meeting and to receive any apologies for absence.

**2. Declarations of Interest**

A form is attached for completion by Members declaring an interest in items on the agenda.

**DECLARATIONS OF INTEREST FORM**

**4**

**3. Minutes of meeting held on 30th March 2021**

To approve as a correct record the minutes of the meeting held on 30<sup>th</sup> March 2021.

**Minutes of meeting held on 30th March 2021**

**5 - 10**

**4. External Audit Progress Report and Sector Update**

The Council's External Auditors will provide the Committee with an update on the progress of their work.

**2020-21 Audit Progress Report and Sector Update**

**11 - 22**

**5. Treasury Management Report - March to May 2021**

The Head of Finance (Deputy Section 151 Officer) will provide the Committee with a report on recent Treasury Management activity.

**Treasury Management Report - March to May 2021**

**23 - 34**

**6. Treasury Management Annual Report 2020/21**

The Head of Finance (Deputy Section 151 Officer) will provide the Committee with an annual report on Treasury

Management activity for the financial year 2020/21.

	<b>Treasury Management Annual Report 2020/21</b>	<b>35 - 45</b>
7.	<b>Audit &amp; Assurance - Progress &amp; Outcomes to May 2021</b> The Head of Audit & Assurance will report on progress and outcomes achieved within Audit & Assurance in the period.	
	<b>Audit &amp; Assurance Progress and Outcomes Report</b>	<b>46 - 50</b>
8.	<b>Annual Risk Management Report 2020/21</b> The Head of Audit & Assurance will provide the Committee with the Annual Risk Management Report for 2020/21.	
	<b>Annual Risk Management Report 2020/2021</b> <b>Annual Risk Management Report 2020/2021 - Appendices</b>	<b>51 - 72</b>
9.	<b>Annual Counter Fraud Report 2020/21</b> The Head of Audit & Assurance will provide the Committee with the Annual Counter Fraud Report for 2020/21.	
	<b>Annual Counter Fraud Report for 2020/21</b> <b>Annual Counter Fraud Report 2020/21 - Appendix A</b>	<b>73 - 80</b>
10.	<b>Annual Internal Audit Opinion Report 2020/21</b> The Head of Audit & Assurance will provide the Committee with the Annual Internal Audit Opinion Report for 2020/21.	
	<b>Audit &amp; Assurance Annual Internal Audit Opinion Report 2020/21</b> <b>Audit &amp; Assurance Annual Internal Audit Opinion Report 2020/21 - Appendix A</b>	<b>81 - 104</b>
11.	<b>Annual Governance Statement for 2020/21</b> The Chief Executive will provide the Committee with the draft Annual Governance Statement for 2020/21.	
	<b>Draft Annual Governance Statement 2020-21</b>	<b>105 - 130</b>

**12. Audit & Governance Committee Annual Report 2020/21**

The Chair of the Committee will present the draft Audit & Governance Committee Annual Report for 2020/21.

<b>Audit &amp; Governance Committee Draft Annual Report 2020/21</b>	<b>131 - 155</b>
<b>Audit &amp; Governance Committee Draft Annual Report 2020/21 - Appendix A</b>	

Date Published: Monday, 21 June 2021  
Denise Park, Chief Executive





## AUDIT & GOVERNANCE COMMITTEE Tuesday, 30 March 2021

**PRESENT** – Councillors Ron Whittle (Chair), Maureen Bateson, Mahfooz Hussain and Andy Kay

**OFFICERS** – Louise Mattinson (Director of Finance), Colin Ferguson (Head of Service Audit and Assurance), Firoza Hafeji (Governance Officer) and John Farrar (Grant Thornton)

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

### RESOLUTIONS

**33 Welcome and Apologies**

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

Apologies had been received from Councillor Abdul Patel.

**34 Declarations of interest**

There were no declarations of interest received.

**35 Minutes of the Meeting held on 12th January 2021.**

The Minutes of the meeting held on 12<sup>th</sup> January 2021 were moved as a correct record.

**RESOLVED** – That the Minutes of the meetings held on 12<sup>th</sup> January 2021 be agreed as a correct record.

**36 External Audit- Annual Audit Letter**

The External Audit Annual Audit Letter for Year Ended 31<sup>st</sup> March 2020 was submitted.

**RESOLVED** – That the External Audit Annual Audit Letter for Year Ended 31<sup>st</sup> March 2020 be noted.

**37 External Audit Fees and Statutory Accounts Audit Deadlines**

The Committee was provided with a report highlighting the update on the latest position with regard to External Audit Fees for 2019/20, 2020/21 and 2021/22 and an update in respect of developments in the audit regulation timetable for 2020/21.

The Director of Finance, Louise Mattinson explained that the impact of Covid-19 has led to an increase in work Grant Thornton had to complete, and in the time it took to complete this work due to revisiting planning, increased risk around managements 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 previously reported to the Committee in July 2020, Grant Thornton are now estimating that a further charge of £18,037 is required bringing the total external audit fee to £108,223 to cover areas which included:

- Revisiting planning
- Management's assumptions and estimates
- Financial resilience assessment
- Remote working

Members discussed the report and the additional charges. The Chair requested that Grant Thornton provide the Council with a satisfactory breakdown of the additional charge of £18,037.

**RESOLVED –**

- That the contents of the report be noted;
- That the final External Audit Fee for 2019/20 of £108,223 be approved, subject to the Director of Finance receiving a satisfactory breakdown of the additional variations.

**38 External Audit- Audit Committee Progress Report**

John Farrar reported on the progress of Grant Thornton in delivering their responsibilities as External Auditors, and highlighted the emerging national issues and developments.

Initial planning for the 2020/21 audit began in March and the audit plan summarising the approach to key risks will be shared with the Audit & Governance Committee in June 2021.

On 1<sup>st</sup> 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.

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 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 implications of the VfM requirements was shared with the Committee which highlighted that 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.

**RESOLVED –** That the update be noted.

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

The Director of Finance presented the Committee with a report on Treasury Management activity for the period of 1<sup>st</sup> December 2020 – 28<sup>th</sup> February 2021. The report summarised the interest rate environment for the period and the 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.

**RESOLVED** – That the Committee noted the Treasury Management position for the period, and the Treasury Management Strategy for 2021/22.

**40 Audit and Assurance -Progress and Outcomes to February 2021**

The Head of Audit & Assurance reported on the achievements and progress made by Audit & Assurance in the period from 1<sup>st</sup> December 2020 to 28<sup>th</sup> February 2021.

The Committee were asked to discuss, review and challenge the outcomes achieved to 28<sup>th</sup> February 2021 against the annual 2020/21 Audit & Assurance Plan, as approved by the Committee on 29<sup>th</sup> 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 & Governance Committee during the year. Members were informed that 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.

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.

Colin highlighted that the Departmental Business Plan included seven targets to achieve the strategic aims. The defined targets and actual performance for the latest period and the previous period were noted by Members. A brief commentary on the measure where performance in the period had fallen below the agreed targets was shared with the Committee.

**RESOLVED** – That the Committee discussed, reviewed and challenged the outcomes achieved to 28<sup>th</sup> February 2021 against the annual 2020/21 Audit & Assurance Plan, as approved by the Committee on 29<sup>th</sup> July 2020.

**41 Audit and Assurance Plan 2021/22 and Internal Audit Charter**

The Committee were presented with a report, informing Members of the planned Audit & Assurance work for the forthcoming year.

The Plan and Charter defined the scope and the rationale of the approach being followed.

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 the Audit & Governance Committee.

The Internal Audit Charter was a requirement of the Public Sector Internal Audit Standards (PSIAS), which became mandatory from 1 April 2013. The Charter was last re-approved at the Audit & Governance Committee meeting on in July 2020. The Charter has been reviewed and up-dated to reflect recent changes in the senior management job titles. No other changes were deemed necessary for 2020/21.

**RESOLVED** – That the Committee:

- 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.

#### **42 Risk Management- 2020/21 Quarter 3 Review**

Colin Ferguson summarised the Risk Management report for Quarter 3 in the period from 1<sup>st</sup> October 2020 to 31<sup>st</sup> December 2020.

The Committee were asked to:

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

The Corporate Risk Register contained 15 open risks at 31<sup>st</sup> December 2020.

The top three corporate risks as at that date were shared with Members of the Committee.

As part of the Council's Risk Management process the Corporate Risks are reviewed and monitored on a regular basis to ensure that the Council 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.

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

Zurich published a wider range of guidance notes during the pandemic 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. A series of risk insight podcasts have also been made available to Zurich customers to provide support through the period.

**RESOLVED** – That the report be noted.

#### **43 Audit and Governance Committee Effectiveness Assessment 2020/21**

The Committee were presented with 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 were set out in appendices 1, 2 and 3 to the report.

The details included at Appendix 3 provided a summary of the responses received from the Councillors who have been members of the Committee during the Municipal Year. This also included 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.

The Council's Audit & Governance Committee arrangements were largely compliant with the recommended guidance. The only areas where full compliance could not be provided was:

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

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

The evaluation of effectiveness document (Appendix 2) had been completed by the Head of Audit & Assurance on behalf of the Committee. The previous version was appended to the Audit & Governance Committee's annual report considered by this Committee on 29<sup>th</sup> July 2020. It noted the additional challenge of corporate risks that the Committee now carried 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 noted that the Committee now received a Counter Fraud Annual Report.

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".

**RESOLVED** – That the Committee note and approve:

- That the Audit & Governance Committee’s position when compared to the CIPFA good practice checklist (Appendix 1) and the additional actions noted;
- That 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,
- That the summary results from the individual Committee member self-assessments of the overall effectiveness of the Committee (Appendix 3).

**44      Significant Partnerships Register 2020/21**

Members noted the update report submitted on Significant Partnerships Register 2020/21. The Register identified all the significant partnerships the local authority was involved in as per the Audit & Governance Committee’s Terms of Reference.

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.

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 (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.

New partnerships included in the register this year were noted as:

- Local Outbreak Engagement Board
- Health Protection Board
- Barnfield Blackburn Ltd

The complete updated Register was shared with the Committee in Appendix A.

**RESOLVED** – That the Audit & Governance Committee reviewed and approved the significant partnerships submitted for inclusion in the 2020/21 register.

Signed: .....

Date: .....

Chair of the meeting  
at which the minutes were confirmed

# Blackburn with Darwen Council Audit Progress Report and Sector Update

Year ending 31 March 2021

June 2021  
Page 11



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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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](http://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 John or Gareth.

The logo for Grant Thornton, consisting of the company name in white text on a dark purple rectangular background.

Grant Thornton

# Progress at June 2021

## Financial Statements Audit

We commenced our initial planning for the 2020/21 audit in April 2021. We will finalise our interim audit work before we begin our work on your draft financial statements.

Our initial planning includes:

- Updated review of the Authority's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports, with a focus on core financial systems
- Understanding how the Authority makes material estimates for the financial statements.

We will issue a detailed audit plan once our planning work is complete, setting out our proposed approach to the audit of the Authority's 2020/21 financial statements.

We will report our work in the Audit Findings Report at the conclusion of the audit of the financial statements.

## Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and intended to make more impact.

## Other areas

### Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019/20 claim was completed in February 2021.

We certify the Authority's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2019/20 return was completed in June 2021.

For each claim/return only minor reporting issues were identified.

### Meetings

We met with Director of Finance and Customer Services as part of our quarterly 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 Authority. Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

# Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p data-bbox="120 408 264 437"><b>Audit Plan</b></p> <p data-bbox="120 456 1350 558">We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.</p>	TBC	Not yet due
<p data-bbox="120 584 421 612"><b>Audit Findings Report</b></p> <p data-bbox="120 632 1350 702">We propose to provide an Audit Findings Report to the Audit and Governance Committee that we anticipate will be held in September 2021.</p>	September 2021	Not yet due
<p data-bbox="120 727 336 756"><b>Auditors Report</b></p> <p data-bbox="120 775 739 804">This is the opinion on your financial statements.</p>	As above	Not yet due
<p data-bbox="120 839 448 868"><b>Auditor's Annual Report</b></p> <p data-bbox="120 887 1155 925">This Report communicates the key issues arising from our Value for Money work.</p>	Within 3 months of the issue of our Auditors Report	Not yet due

# Sector Update

Authorities 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:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local  
government

# Insight into accounting for grants in local government financial statements – Grant Thornton

The government has provided a range of financial support packages throughout the COVID-19 pandemic.

We have issued a brief bulletin aimed at helping local government bodies identify the key things they should consider when determining the accounting treatment for these grants in their financial statements for 2020/21.

Page 17  
There are no changes to the accounting treatment for grants as required by the CIPFA Code of Practice on Local Authority Accounting. What has changed, is the extent of additional funding to support the cost of services, to offset other income losses along with grant packages to be paid out to support local business. Local authorities need to consider the nature and terms of the various COVID-19 measures in order to determine whether there is income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement in 2020/21.

The report highlights the factors to consider, including:

- Where the funding is to be transferred to other parties, is the authority acting as principal or as agent?
- Are there grant conditions outstanding?
- Is the grant a specific or non-specific grant?

Our bulletin provides you with links to further information on the various support packages and summarises features that may be relevant to your judgements as you determine the appropriate accounting treatment.

Local authorities need to demonstrate their judgements on the accounting treatment to be reasonable and soundly based and, where these have a significant effect on the accounts, to ensure they include sufficient disclosures to meet the requirements of IAS 1:122.

Please ask your audit manager for the full report:



# Local government finance in the pandemic – National Audit Office

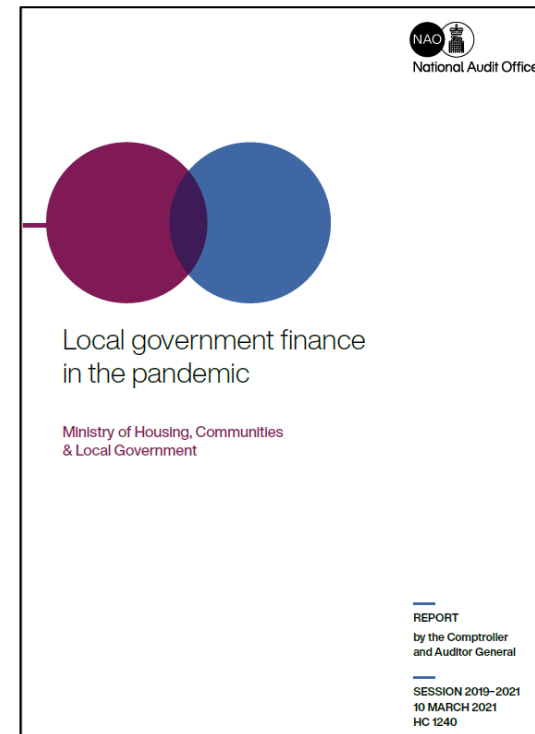
The National Audit Office (NAO) report, published in March, notes “The COVID-19 pandemic has been an unprecedented public health and economic emergency. Local authorities in England have made a major contribution to the national response to the pandemic, working to protect local communities and businesses, while continuing to deliver existing services. The pandemic has in turn placed significant pressure on local authorities’ finances, which in many cases were already under strain going into the pandemic.”

The NAO report examines if the Department’s approach to local government finance in the COVID-19 pandemic enabled it to assess and fund the costs of new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector.

The NAO report concludes “Steps taken by the government, led by the Department, have supported local authorities in the COVID-19 pandemic response. The Department’s successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector has averted system-wide financial failure at a very challenging time and means that the Department has managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020-21 year-end budgets. Despite continuing support into 2021-22 the outlook for next year is uncertain. Many authorities are setting budgets for 2021-22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.”

The NAO report found that “the combined impact on spending and non-tax income in 2020-21 is £9.7bn – equivalent to 17.6% of revenue expenditure. So far the government has announced £9.1bn of financial support, leaving a deficit of £605m.”



The full report can be obtained from the NAO website:

[Local government finance in the pandemic - National Audit Office \(NAO\) Report](#)

# Good practice in annual reporting – National Audit Office

The National Audit Office (NAO) state that the guide, launched in February, “Sets out our good practice principles for good annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance

The NAO also state that the guide “provides further examples where bodies have made their context more understandable to the reader through use of graphics and clear language and signposting.”

However, The NAO observe “Done well, reporting in the public sector enables the public and Parliament to understand – with ease and confidence – an organisation’s strategy and the risks it faces, how much taxpayers’ money has been spent and on what, and what has been achieved as a result.”

Further, the NAO note “The significant impacts of the pandemic emerged in the UK in mid-March 2020. This means that, for many organisations, the reporting impact will be greater in 2020-21 than in the prior year. Transparent annual reporting will help stakeholders understand the impact of COVID-19 on an organisation’s strategy, plans and operational and financial performance.”



The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/good-practice-in-annual-reports-february-2021/>



# 2019/20 audited accounts – Public Sector Audit Appointments

In December 2020 Public Sector Audit Appointments (PSAA) published figures relating to the audit of 2019/20 local authority financial statements.

PSAA report “Audit arrangements in local councils, police, fire and other local government bodies are continuing to exhibit signs of stress and difficulty. In the latest audit round, focusing on 2019/20 financial statements and value for money arrangements, fewer than 50% of bodies’ audits were completed by the revised target of 30 November.

Figures compiled by PSAA, the organisation responsible for appointing auditors to 478 local bodies, reveal that 55% (265) of audit opinions were not issued by 30 November. This is a further deterioration on 2018/19 audits when 43% of opinions (210 out of 486) were delayed beyond the then target timetable of 31 July.

This year’s timetable has been deliberately eased by Ministers in recognition of the underlying pressures on the audit process and the significant added complications arising from the Covid-19 pandemic. The pandemic has posed practical challenges for bodies in producing accounts and working papers, and for auditors to carry out their testing. Both sets of staff have had to work remotely throughout the period, and the second national lockdown came at a critical point in the cycle.

Questions and concerns about the potential implications of the pandemic for some bodies have meant that both finance staff and auditors have needed to pay particular attention to the financial position of each entity. Additionally, following a series of increasingly challenging regulatory reviews, auditors have arguably been more focused than ever on their professional duty to give their opinion only when they are satisfied that they have sufficient assurance.”



The news article can be found here:

[News release: 2019/20 audited accounts – PSAA](#)



# CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management, providing a common understanding within a council of their financial position.

The Index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA over the past five or seven years, public consultation and technical stakeholder engagement.

Section 151 officers may also use the index in their annual report to the council setting out the proposed budget for the year and medium-term financial strategy.

While the impact of COVID-19 resulted in a delay to the publication of the index, it is still able to provide a comprehensive pre-COVID baseline, illustrating the financial resilience of authorities as they entered the pandemic."

CIPFA found that "there was a real-terms reduction of £800m in the level of reserves in 2020 compared with the previous year. At the end of March 2020 council reserves levels stood at £24.6bn, around 3% lower than £25.4bn recorded at the same period in 2019."

CIPFA note "The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."



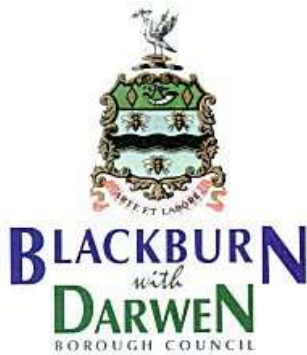
The Financial Resilience tool is available on the CIPFA website below:

<https://www.cipfa.org/services/financial-resilience-index-2021?crdm=0>



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## BRIEFING PAPER

**REPORT to :** Audit and Governance Committee

**LEAD OFFICER:** Head of Financial Services

**DATE:** 29<sup>th</sup> June 2021

**WARD/S AFFECTED:** All

### TREASURY MANAGEMENT REPORT – 2021/22

Based on monitoring information for the period 1<sup>st</sup> March – 31<sup>st</sup> May 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.

#### 3. BACKGROUND

3.1 The Treasury Management Strategy for 2021/22, approved at Executive Board in March 2021, 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 £55M and £85M. 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.

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 remained low over the period, at around 0.01% 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 -0.02%.

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%
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%
01-Mar-21	01-Jun-21	Surrey County Council	£5,000,000	0.03%
26-Mar-21	15-Jul-21	Leeds City Council	£5,000,000	0.03%
29-Mar-21	29-Apr-21	Wakefield Metropolitan District Council	£4,000,000	0.03%
15-Apr-21	15-Jul-21	Cornwall Council	£5,000,000	0.04%
29-Apr-21	29-Jul-21	Royal Borough of Windsor and Maidenhead	£5,000,000	0.04%
28-Apr-21	28-Jul-21	Flintshire County Council	£4,000,000	0.03%

At 31<sup>st</sup> May, the Council had approximately £72.7 M invested, compared to £55.4 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 -0.08%
- (b) 3 month lending – increasing over the period, averaging -0.04%

#### 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.

The cost of short-term borrowing, based on loans from other councils, have fallen further during the period. Interest rates on loans from 3 months out to a year were priced at low rates between 0.02% to 0.20% by the end of the period.

The Council continues using short-term borrowing, with balances having fallen over the period as loans have not been replaced as they have matured, 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 May, there was a decrease in short-term borrowing of £1M, as loans of £6M were repaid and £5M of new loans were taken (listed below).

<b>New loans taken in the period</b>				
<b>Start Date</b>	<b>End Date</b>	<b>Counterparty</b>	<b>Amount £</b>	<b>Rate</b>
19/03/2021	18/03/2022	West of England Combined Authority	5,000,000	0.40%
			<b>5,000,000</b>	

<b>Future deals already agreed by end of period</b>				
<b>Start Date</b>	<b>End Date</b>	<b>Counterparty</b>	<b>Amount £</b>	<b>Rate</b>
26/08/2021	25/08/2022	North Tyneside Council	5,000,000	0.20%
13/09/2021	12/09/2022	Crawley Borough Council	5,000,000	0.20%

#### 4.5 Current debt outstanding -

	28 <sup>th</sup> February 2021		31 <sup>st</sup> May 2021	
	£'000	£'000	£'000	£'000
<b>TEMPORARY DEBT</b>				
Less than 3 months		6,000		33,000
Greater than 3 months (full duration)		67,250		39,250
			73,250	72,250
<b>LONGER TERM DEBT</b>				
Bonds		18,000		18,000
PWLB		129,535		127,418
Stock & Other Minor Loans		262		262
			147,797	145,680

Lancashire Council County – Transferred Debt	13,724	13,583
Recognition of Debt re PFI Arrangements	61,754	61,293
<b>TOTAL DEBT</b>	<b>296,525</b>	<b>292,806</b>
LESS: TEMPORARY LENDING		
Fixed Term	(33,750)	(46,975)
Instant Access	(21,688)	(25,758)
<b>NET DEBT</b>	<b>241,087</b>	<b>220,073</b>

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) £127.4M 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 2.40%.
- (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 31<sup>st</sup> May 2021 was £292.8M, which is below both our Operational Boundary (£337.6M) and our Authorised Borrowing Limit (£347.6M) for 2021/22.

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 £12.5M, against the **limit** set for this year of £108.6M.

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 £132.7M, against the **limit** of £245.3M. This indicator effectively mirrors the previous indicator, tracking the Council's position in terms of how much of the debt will **not** vary as interest rates move. The historically low interest rates prevailing over recent decades led the Council to hold a large part of its debt in this way.

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

### **5. POLICY IMPLICATIONS**

None

### **6. FINANCIAL IMPLICATIONS**

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

### **7. LEGAL IMPLICATIONS**

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

### **8. RESOURCE IMPLICATIONS**

None

### **9. CONSULTATIONS**

None

### **10. STATEMENT OF COMPLIANCE**

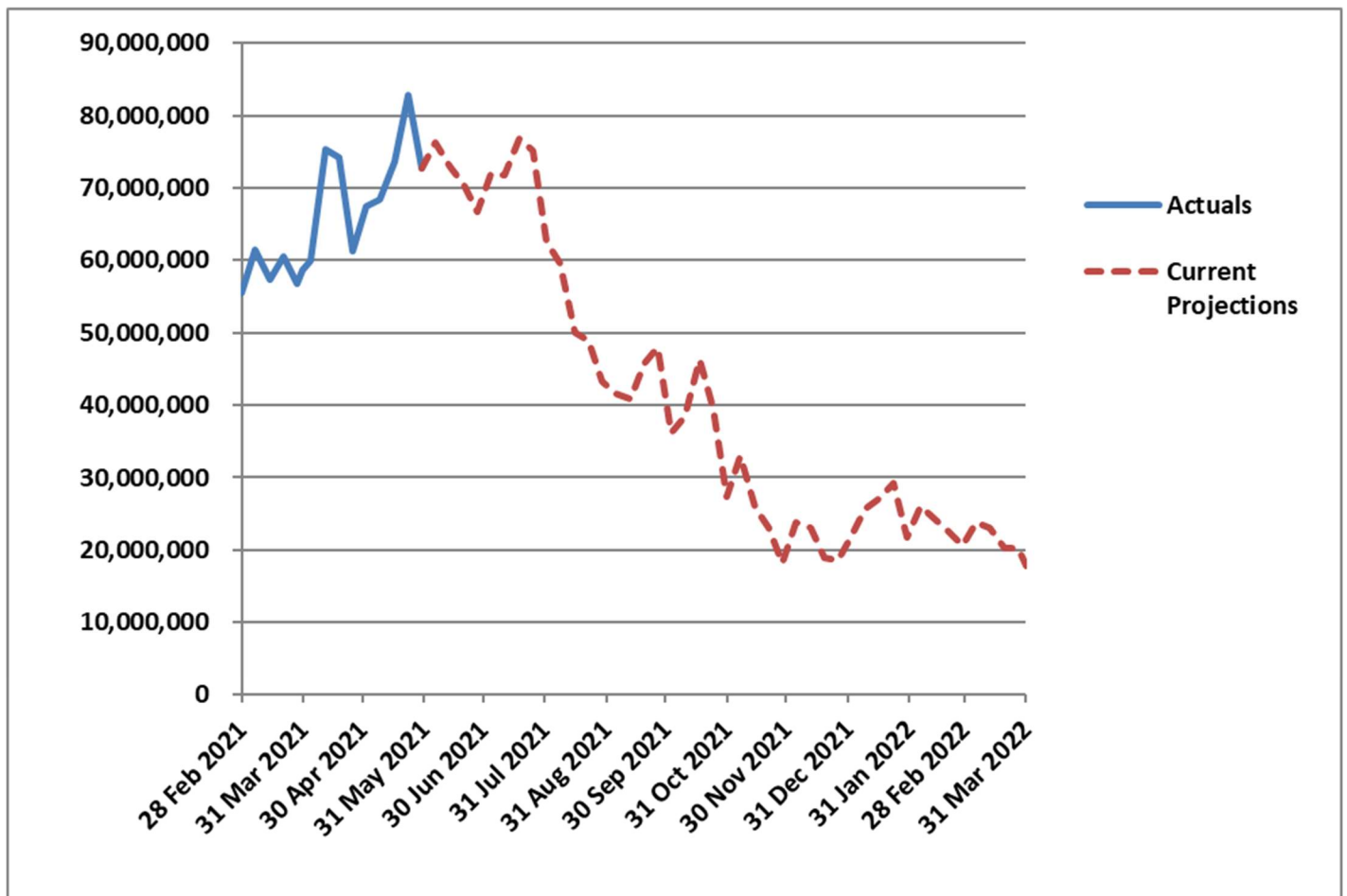
The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect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

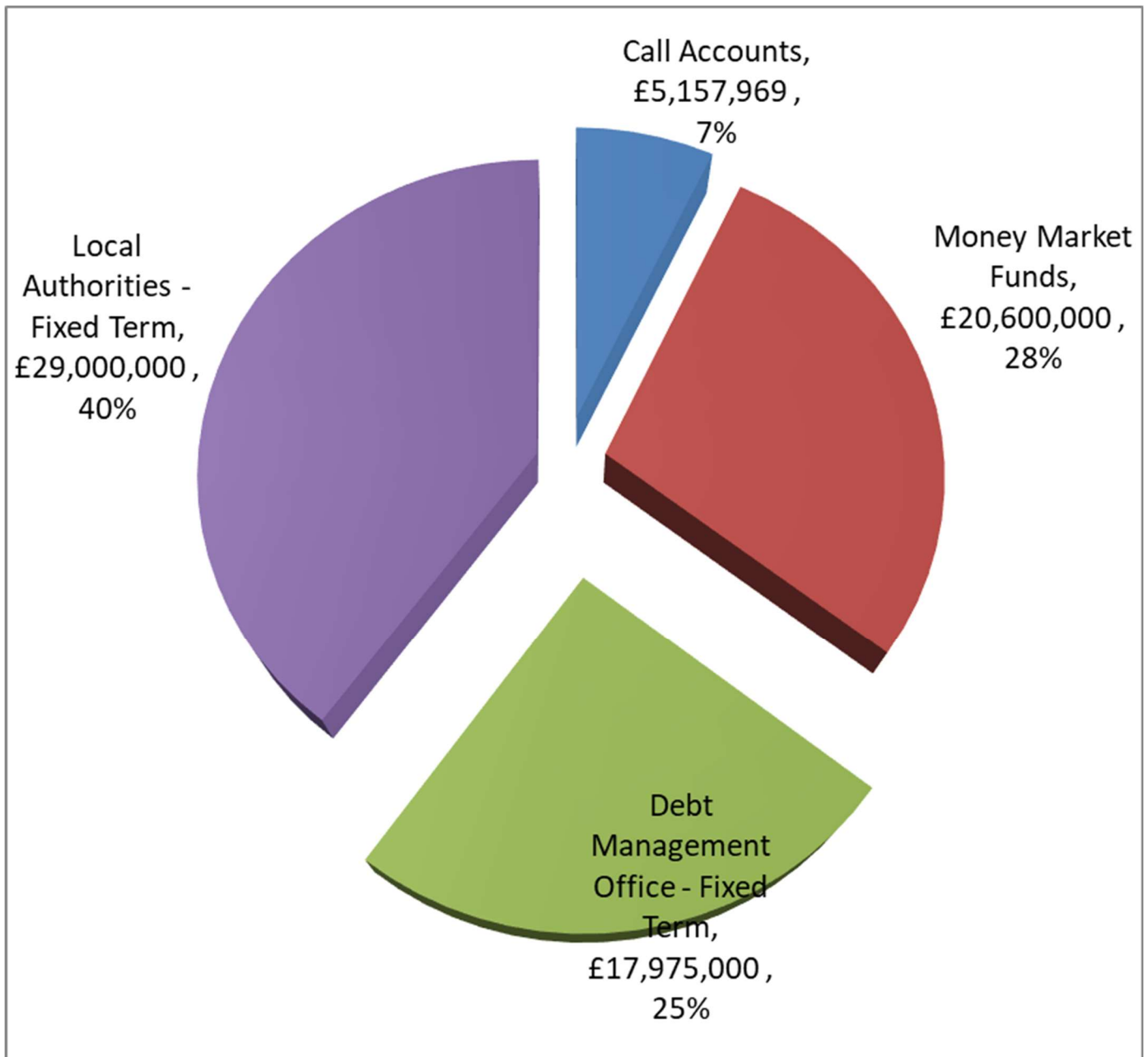
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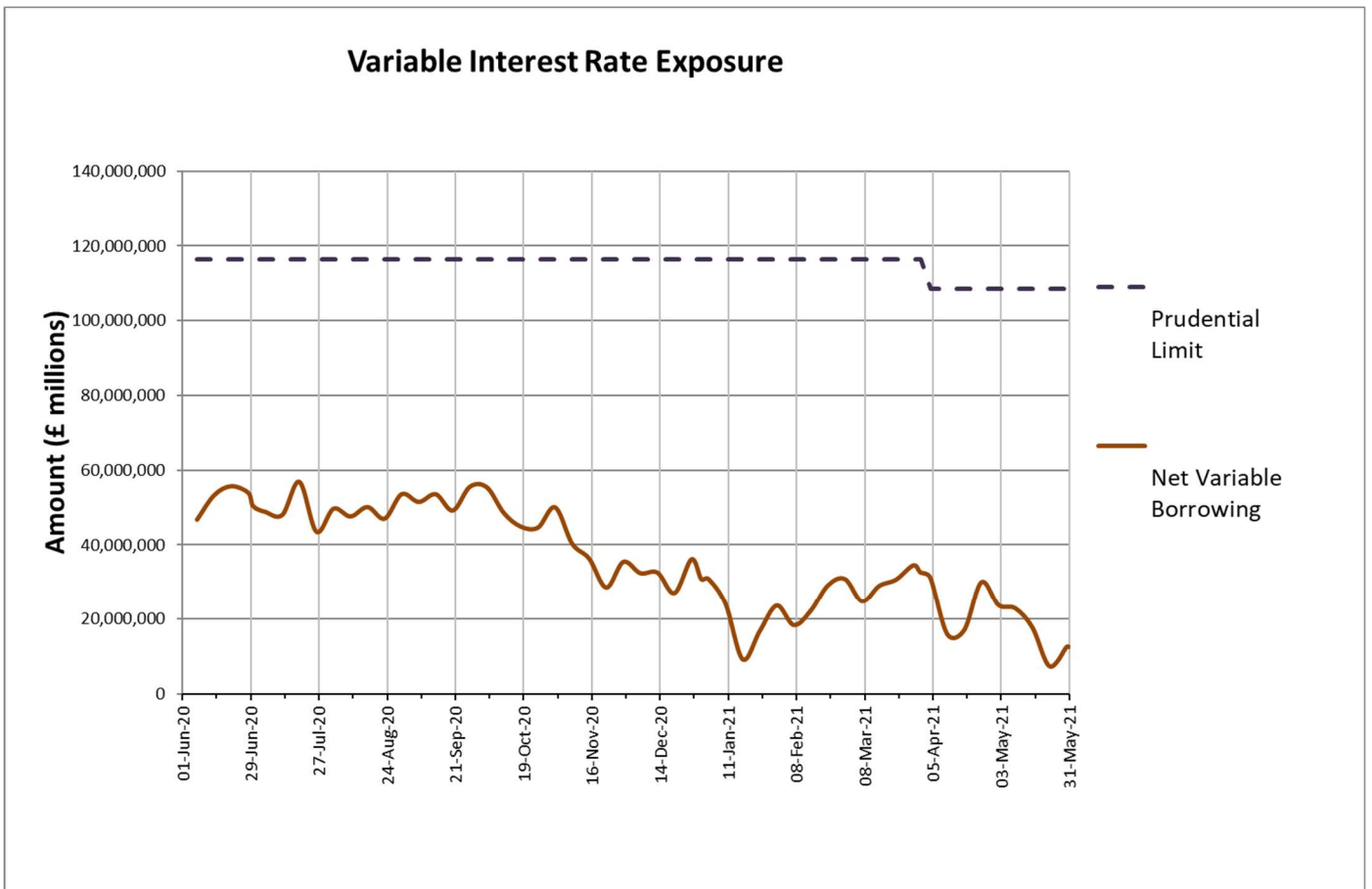
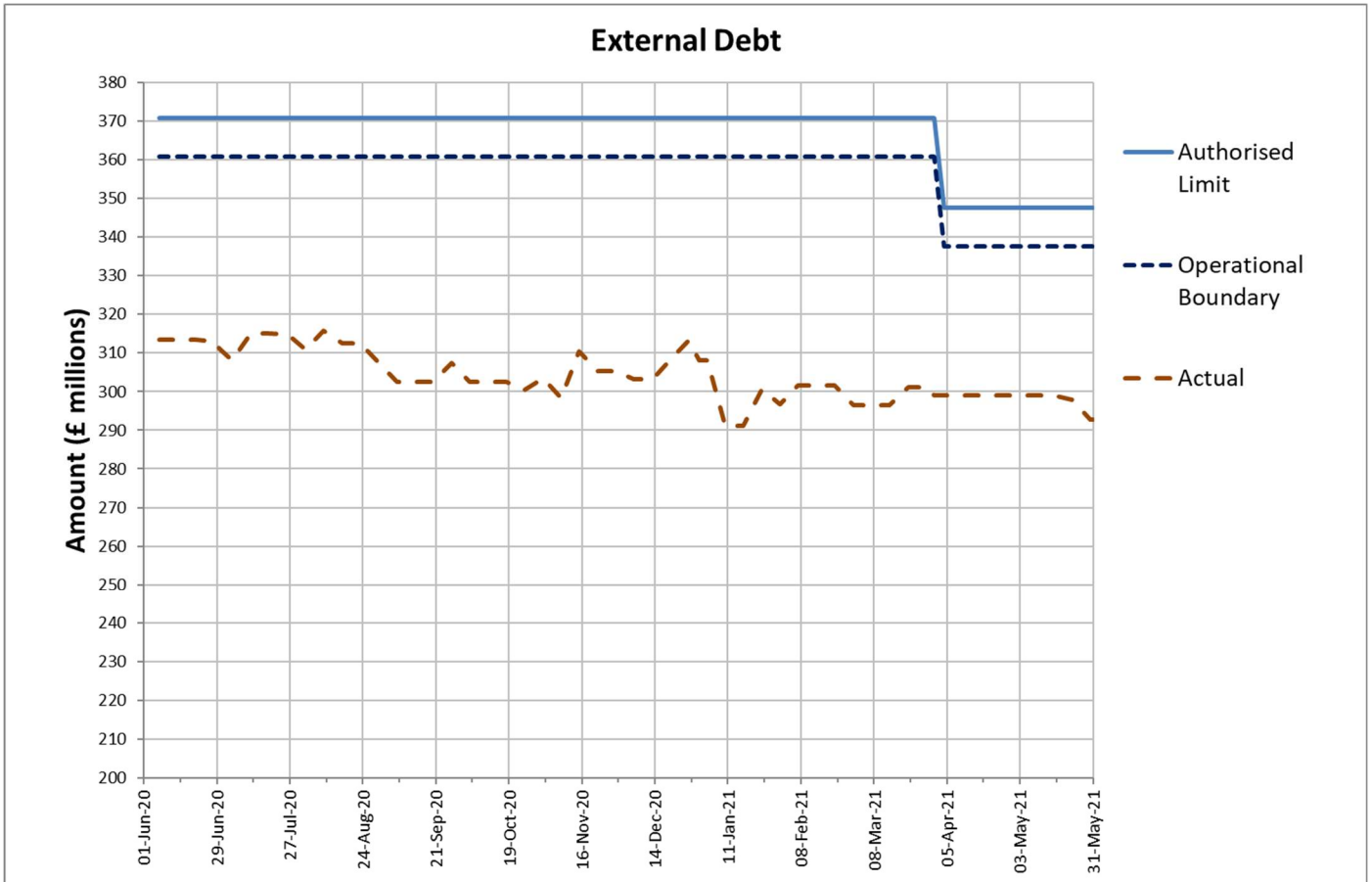


2021/22 (Feb 21 to Mar 22)





	Indicator 2021/22	As Approved Mar 21			Current Monitoring		Commentary
	Estimated Capital Expenditure	£25.5M			£33M		
	Estimated Total Capital Financing Requirement at End of Year	£301.6M (incl projections re LCC debt £15.1M and accumulated PFI/lease debt £69.1M)			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	12.60%					
Page 31	Outturn External Debt Prudential Indicators	LCC Debt	15.2M		<b>Borrowing to Date</b>	<b>£M</b>	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	13.6	
		Remaining Elements	253.1M		PFI Elements	61.3	
		<b>Operational Boundary</b>	<b>337.6M</b>		BwD	217.9	
		<b>Authorised Borrowing Limit</b>	<b>347.6M</b>		<b>Total</b>	<b>292.8</b>	
	Variable Interest Rate Exposure	£108.6M			Exposure to Date	£12.5M	Limit not breached during the year
	Fixed Interest Rate Exposure	£245.3M			Exposure to Date	£132.7M	Limit not breached during the year
	Prudential Limits for Maturity Structure of Borrowing				<b>Actual Maturity Structure to Date</b>		
		<b>Lower Limit</b>	<b>Upper Limit</b>	<b>Period (Years)</b>	<b>Period (Years)</b>	<b>£M</b>	<b>%</b>
		0%	50%	<1	<1	84.2	39%
		0%	30%	1-2	1-2	3.5	2%
		0%	30%	2-5	2-5	26.7	12%
		0%	30%	5-10	5-10	27.4	13%
		25%	95%	>10	>10	76.1	35%
				<b>Total</b>	<b>217.9</b>	<b>100%</b>	
	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).



**REPORT to :** Audit & Governance Committee

**LEAD OFFICER:** Head of Financial Services

**DATE:** 29<sup>th</sup> June 2021

**WARD/S AFFECTED:** All

## Treasury Management Annual Report 2020/21

### 1. PURPOSE

- 1.1 To formally report the Treasury outturn for 2020/21, as also reflected in the 2020/21 Outturn Corporate Monitoring Report (8<sup>th</sup> July Executive Board).

### 2. RECOMMENDATIONS

- 2.1 Audit and Governance Committee is recommended to note the Outturn position for 2020/21.

### 3. BACKGROUND

- 3.1 In February/March 2020 the Council agreed a Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy for 2020/21. An update to the MRP policy was approved by Finance Council in March 2021.
- 3.2 The CIPFA Treasury Management Code required the Council to approve a Treasury Management Strategy (including various Treasury Management indicators) before the start of each financial year, and to consider the outturn after each year end. This report is to update Audit and Governance Committee on the overall outturn position for 2020/21.

### 4. KEY ISSUES AND RISKS

#### 4.1 Treasury Priorities

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

## **5. 2020/21 OUTTURN**

### **5.1 Original Strategy for 2020/21**

- 5.1.1 The Strategy for 2020/21 was approved by Executive Board on 12<sup>th</sup> March 2020. The main aspects of the strategy are outlined below :
- With short-term interest rates expected to continue to be lower than long-term rates it was acknowledged, for another year, that it may continue to be more cost effective not to borrow and instead reduce the level of investments.
  - Long-term borrowing would be taken if it became apparent that there was a risk of significantly increased interest rates.
  - Any balances over and above those required to maintain basic liquidity could be invested either in the medium term (out to a year) or the longer term (over a year). Priority was given to security of funds and liquidity (accessibility) over yield (or return).
  - The limits to investment by reference to amount, duration and credit rating were largely unchanged from those applying in previous years.

### **5.2 Economic Review 2020/21**

- 5.2.1 The coronavirus pandemic dominated 2020/21, leading to almost the entire planet being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.

Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency. The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31st March.

A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline having been agreed with the European Union on Christmas Eve.

- 5.2.2 The Bank of England held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.
- 5.2.3 Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have help protect more than 11 million jobs.
- 5.2.4 Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9%



recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.

- 5.2.5 Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The Office for National Statistics' preferred measure of Consumer Price Index including Housing Costs which includes owner-occupied housing was 0.7% year/year (1.0% expected).

After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% quarter on quarter, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Q1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.

- 5.2.6 Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

- 5.2.7 In November 2020 the Public Works Loan Board (PWLB) published its response to the consultation on 'Future Lending Terms'. From 26th November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. As part of the borrowing process authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 Officer. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.

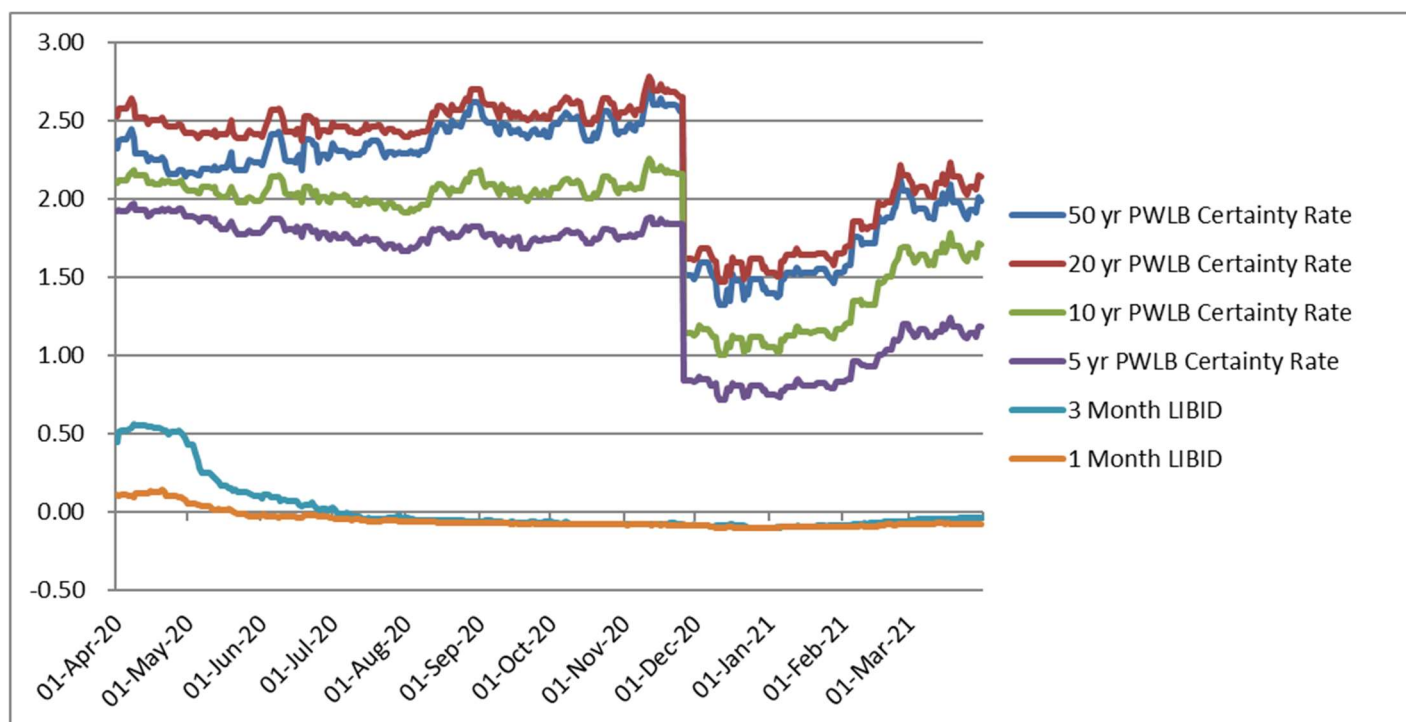
Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that Authority unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties.

Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.

The Authority is not currently planning to purchase any investment assets primarily for yield within the next three years and so is able to take advantage of the reduction in the PWLB borrowing rate.

- 5.2.8 The pattern of interest rates over the year is summarised in the chart below. Local government long-term borrowing costs are set by the PWLB - these directly mirror gilt yields. As reflected in the chart below, on 26 November 2020 the PWLB decreased the margin it charges over gilt yields by 1%, reversing the 1% increase they implemented in October 2019. Nominal investment rates, measured through the London Inter-Bank Bid Rate (LIBID), are also shown.

## Interest Rate Movements in 2020/21 –



### 5.3 Treasury Management Performance 2020/21

5.3.1 By 31<sup>st</sup> March 2021, the Council had net borrowing of around £165M, arising from its revenue and capital income and expenditure, a decrease of £11M from the previous year.

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

Balance Sheet Summary	31 Mar 2020 £M	2020/21 Movement £M	31 Mar 2021 £M
General Fund CFR	300.7	(2.2)	298.5
Less: CFR re Debt - Managed by Lancashire County Council (LCC)	(15.3)	0.1	(15.2)
Re Private Finance Initiative (PFI) Arrangements	(69.5)	0.2	(69.3)
<b>Loans/Borrowing CFR</b>	<b>215.9</b>	<b>(1.9)</b>	<b>214.0</b>
Less: Usable Reserves and Working Capital	(39.6)	(9.0)	(48.6)
<b>Net Borrowing</b>	<b>176.3</b>	<b>(10.9)</b>	<b>165.4</b>

5.3.2 During the year the Council has undertaken a review of its Minimum Revenue Provision (MRP) policy, with its treasury management consultants, Arlingclose. The revised policy was approved at Finance Council in March 2021. Under the Council's MRP Policy,

- the MRP charge to the accounts in respect of both PFI debt and debt managed by LCC has been less than the actual debt repaid, and
- the MRP charge to the accounts in respect of the Council's own capital spend financed from borrowing has decreased this year as a result of the change in policy.

The Council's CFR has decreased as a result of the MRP charge and capital receipts applied this year being in excess of the capital spend in 2020/21.

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

	31 Mar 2020 Principal (£M)	Rate/ Return	Average Life (Yrs)	31 Mar 2021 Principal (£M)	Rate/ Return	Average Life (Yrs)
<b>Fixed Rate Funding:</b>						
Public Works Loan Board	131.7	3.68%	18.3	127.4	3.73%	17.9
Market Debt (Long Term)	10.3	4.47%	34.7	10.3	4.48%	32.9
Market Debt (Short Term)	84.0	0.95%		78.3	0.39%	
	<b>226.0</b>			<b>216.0</b>		
<b>Variable Rate Funding:</b>						
Public Works Loan Board	0.0			0.0		
Market Debt	8.0	4.50%	21.0	8.0	4.50%	20.0
	<b>8.0</b>			<b>8.0</b>		
<b>Loans Taken by Blackburn with Darwen Borough Council</b>	<b>234.0</b>			<b>224.0</b>		
Debt from PFI Arrangements	63.4			61.6		
Debt Managed by LCC	14.1	2.15%		13.6	2.25%	
<b>Total Debt</b>	<b>311.5</b>			<b>299.2</b>		
<b>Total Investments</b>	<b>57.5</b>	<b>0.67%</b>		<b>58.6</b>	<b>0.06%</b>	

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

- (a) A decrease in the level of short term borrowing, from £84M to £78.3M,
- (b) Principal repayments of £4.3M on PWLB EIP (Equal Instalment of Principal) loans
- (c) Repayments of part of the outstanding PFI debt recognised on the balance sheet for Building Schools for the Future (BSF), and of debt managed by LCC.

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

5.3.4 Short term loans were taken for a range of durations at various points across the year. Investment balances have been unusually high during this year, impacted by the governments response to the COVID-19 pandemic.

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

The degree to which long-term debt was less than CFR rose slightly to around £69M from £66M, as a result of the current years capital spend being financed by short-term borrowings.

The deliberate strategy of taking short-term loans continued to deliver large savings on borrowing costs.

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

Outturn 2019/20 £'000		Original Budget 2020/21 £'000	Outturn 2020/21 £'000
5,770	Interest paid on borrowing – long term debt	5,741	5,675
378	Interest paid on borrowing – short term debt	850	638
305	Interest paid on debt managed by LCC	312	298
6,057	PFI interest paid	6,087	5,909
(188)	Interest – treasury/other minor elements	(115)	(72)
(1,060)	Interest and dividends from BSF investments	(100)	-
6,021	MRP on Council borrowing	6,316	5,367
165	MRP on PFI debt	179	179
340	MRP on debt managed by LCC	340	142

5.3.6 Interest paid on borrowing in 2020/21 was around £0.47M down on the original estimate, reflecting both lower short-term interest rates and the decision not to take on new long-term debt in year. Interest on short-term borrowings increased from £0.378M last year to £0.638M this year, mainly as a result of the additional borrowings taken at the start of this year for the 3 years pension prepayment made in April 2020.

5.3.7 The average investment balance over the year has increased to £56M (£27M in 2019/20). Investment balances have been unusually high during this year, 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 (see Weekly Balances **Appendix 1**).

Overall, interest and dividends received fell significantly to £0.07M in 2020/21 (£1.2M in 2019/20). Following the bank rate cuts in March 2020, investment interest rates have fallen to historically low rates during the year. Funds have continued to be invested for short periods, and sometimes with the government's Debt Management Office, to manage risk – this also contributed to the relatively low returns. Interest earned on treasury cash investments decreased, from £0.19M to £0.07M, and the average rate of return fell to 0.10% (against 0.69% in 2019/20).

Last year a one off windfall of around £1M was generated for the council by the restructuring of the second of the BSF PFI debt frameworks. The council is no longer receiving PFI investment receipts following the sale of the investments, which was agreed in March 2020 and completed in October 2020.

5.3.8 The impact of the revised MRP Policy introduced during this year, can be seen in the lower MRP costs in 2020/21, which, at £5.7M, were significantly lower than they would have been under the previous policy. The final MRP costs at outturn were £1.2M lower than those reported in the previous monitoring report, following the approval of the revised policy by Finance Council in March 2021.

5.3.9 The position with regard to performance against Treasury/Prudential Indicators in 2020/21 is summarised in **Appendix 2**. There was no breach of the Authorised Borrowing Limit or the Operational Boundary (set for management purposes).

Outturn capital spend was £21M, which is below the £40M anticipated at the start of the year.

At 31 March 2021 the Council's total borrowings of £299.1M were temporarily in excess of the Capital Financing Requirement of £298.5M, this was due to slippage on a number of capital schemes. Statutory guidance is that debt should remain below the CFR, except in the short-term. The Council's debt has returned to a level below the CFR by the 31 May 2021, with total borrowing of £292.9M at that date.

#### **5.4 Treasury Management Consultancy**

- 5.4.1 The Council is now contracted up to 31 March 2026 to receive treasury management support from Arlingclose Limited. Arlingclose have been awarded a new contract to provide services following the conclusion of a tender process in March 2021. They provide advice and information on the Council's investment and borrowing activities, although responsibility for final decision-making remains with the Council and its officers.
- 5.4.2 Over the period, in providing support to the Council, Arlingclose have reviewed the Council's Treasury management procedures and activities. They have provided member training; ongoing officer training; support for and review of treasury decisions, reports and strategies; feedback on accounting for treasury activities; benchmarking with other authorities; guidance on borrowing and investment opportunities; forecasts of interest rates; and regular updates on credit ratings and other information on credit quality. The quality of the support provided has been of a high standard.

#### **5.5 Counterparty Update**

- 5.5.1 Credit rating actions to the period ending September 2020 have been covered in previous outturn reports. Subsequent credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK institutions, banks and local government.
- 5.5.2 After spiking in March 2020, Credit Default Swap spreads, an indicator of market confidence in banks, declined over the remaining period of the year to broadly pre-pandemic levels.
- 5.5.3 The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

#### **5.6 Risk Management**

- 5.6.1 The Council's key priorities for managing its investments are the security and liquidity of its funds, before seeking the best rate of return. Most surplus cash is therefore held as short-term investments with the UK Government, highly rated banks and pooled funds.
- 5.6.2 The Council's primary objective for the management of its debt is to ensure its long-term affordability. The largest part of its loans is from the Public Works Loan Board at long-term fixed rates of interest.
- 5.6.3 A combination of short duration investments and long duration debt exposes the Council to the risk of falling investment income during periods of low interest rates. However, the risk

of low investment returns is viewed as of lower priority compared to the benefits of optimising the security and liquidity of investments, and the savings made on borrowing costs. Also, though the Council has no long term investments, it is hedged against the investment return risk by its short term debt.

5.6.4 The Council is holding a significant element (£78.3M) in short-term loans from other local authorities. If the medium to long-term cost of debt were to move upwards, it may be necessary to restructure the Council's debt quickly, and cope with an increased cost of borrowing. This issue remains under review, with regular updates from Arlingclose.

## 6. FINANCIAL IMPLICATIONS

The financial implications arising from the 2020/21 Treasury Outturn have been incorporated into Corporate Budget Monitoring Reports.

## 7. LEGAL IMPLICATIONS

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

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

## 8. POLICY IMPLICATIONS, RESOURCE IMPLICATIONS, CONSULTATIONS

None

## 9. STATEMENT OF COMPLIANCE

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

**VERSION:** 0.01

### CONTACT OFFICER:

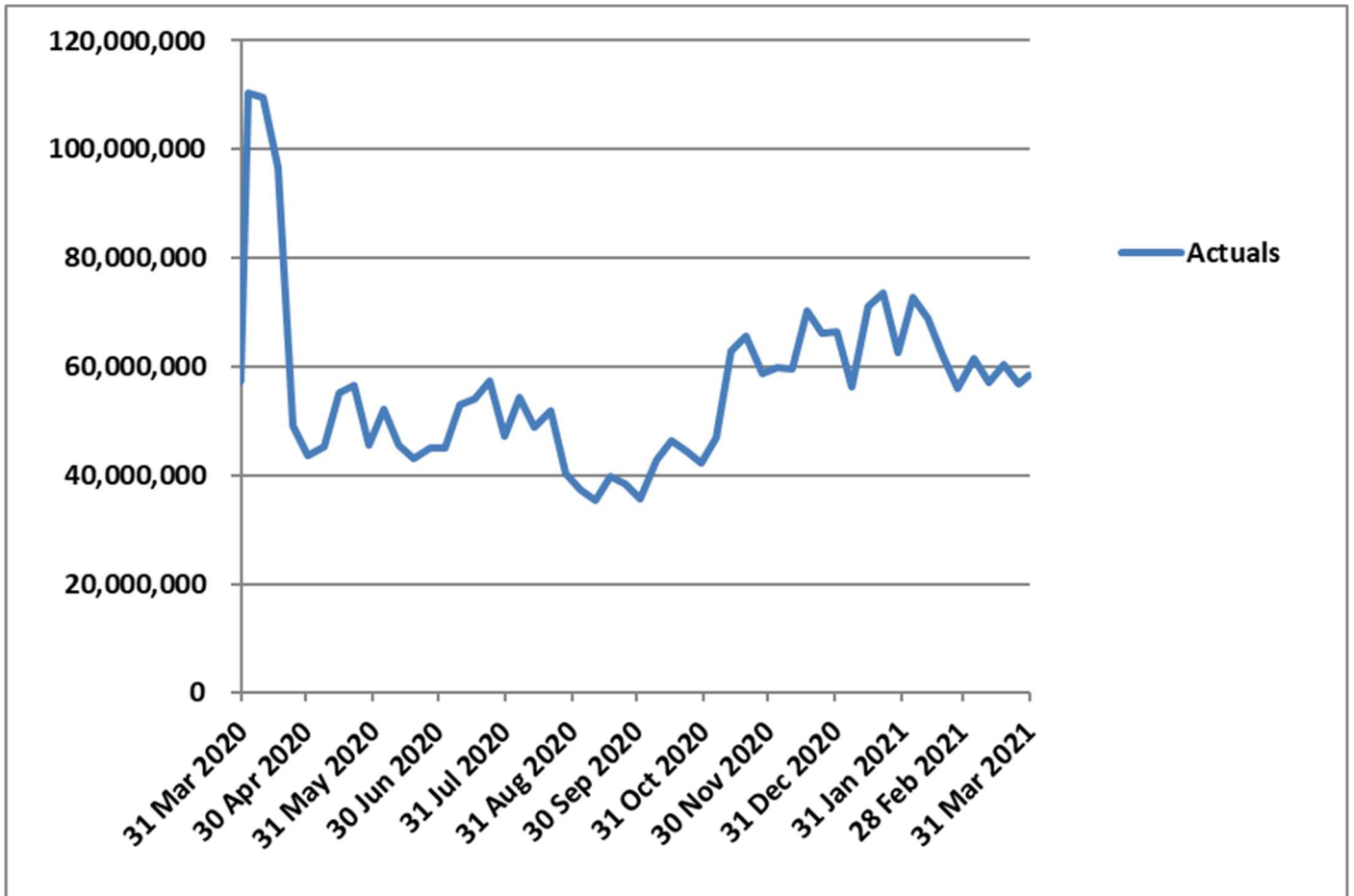
Jody Spencer-Anforth, Finance Manager

extn 507748

Simon Ross, Head of Finance

extn 5569

<b>DATE:</b>	June 2021
<b>BACKGROUND PAPER:</b>	Treasury Management strategy for 2020/21 approved at Executive Board 12 <sup>th</sup> March 2020.





Performance against Treasury & Prudential Indicators 2020-21 (approved by Council 24 Feb '20/ Exec Board 12 Mar '20) Appendix 2

Indicator 2020/21	As Approved Mar 20			Current Monitoring		Commentary
Estimated Capital Expenditure	£40M			£21M		
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)			£298.5M (incl LCC debt £15.2M and accumulated PFI/lease debt £69.3M)		
Estimated Ratio of Financing Costs to Net Revenue Stream	13.68%			10.87%		
Outturn External Debt Prudential Indicators	LCC Debt	15.0M		<b>Borrowing to Date</b>	<b>£M</b>	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	13.6	
	Remaining Elements	276.5M		PFI Elements	61.6	
	<b>Operational Boundary</b>	<b>360.8M</b>		BwD	223.9	
	<b>Authorised Borrowing Limit</b>	<b>370.8M</b>		<b>Total</b>	<b>299.1</b>	
Variable Interest Rate Exposure	£116.4M			Exposure to Date	£32.6M	Limit not breached during the year
Fixed Interest Rate Exposure	£267.2M			Exposure to Date	£132.7M	Limit not breached during the year
Prudential Limits for Maturity Structure of Borrowing	<b>Lower Limit</b>	<b>Upper Limit</b>	<b>Period (Years)</b>	<b>Actual Maturity Structure to Date</b>		
				<b>Period (Years)</b>	<b>£M</b>	<b>%</b>
	0%	50%	<1	<1	90.2	40%
	0%	30%	1-2	1-2	3.5	2%
	0%	30%	2-5	2-5	26.7	12%
	0%	30%	5-10	5-10	27.4	13%
	25%	95%	>10	>10	76.1	34%
			<b>Total</b>	<b>223.9</b>	<b>100%</b>	
Total Investments for Longer than 364 Days	£7M			No Long Term Investments Made		

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**TO:** Audit & Governance Committee

**FROM:** Head of Audit & Assurance

**DATE:** 29 June 2021

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

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**TITLE OF REPORT:** **Audit & Assurance - Progress and Outcomes to 31 May 2021**

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**1. PURPOSE**

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 March 2021 to 31 May 2021.

**2. RECOMMENDATIONS**

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 31 May 2021 against the annual Audit & Assurance Plan 2021/22, as approved by the Committee on 30 March 2021.

**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 for their particular

areas of responsibility throughout the year.

## 5. KEY ISSUES

### Outcomes achieved in the year to 31 May 2021:

#### Corporate Governance and Risk

The table below summarises the five “red” priority areas/issues across the departments, by key themes, which were identified in the summary Director Exception/Dashboard Report and Assurance Statements for the 31<sup>st</sup> March 2021 year-end.

These have remained areas of concern from the 30th September 2020. There are four areas also noted below that were identified as “red” at the half year that have been downgraded to “amber” in the period (D below).

No	Theme / Description	2020/21	2020/21
		31st March Year-end	30 <sup>th</sup> September Half Year
<b>Demand Management</b>			
1	Fostering Sufficiency (Children’s Services)	Red	Red
	Special Guardianship Orders (Children’s Services)	Amber <sup>(D)</sup>	Red
<b>Budgets &amp; Finance</b>			
	Ensure strong budget management via full open transparent processes and QA framework. (Adults & Prevention)	Amber <sup>(D)</sup>	Red
2	Budget and Demand Pressures - Social Work Demand Costs and externally commissioned Placements. (Children Services)	Red	Red
3	School Deficits - Local Authority maintained schools were showing deficit balances on their reserves. (Children Services)	Red	Red
4	Budget Pressures - Income Shortfalls. (Environment & Operations)	Red	Red
<b>Staffing/ HR</b>			
5	Data Subject Access Requests (Children Services)	Red	Red
	Capacity and direction to provide strategic capacity/analysis to SLT and the wider department.	Amber <sup>(D)</sup>	Red

	(Adults & Prevention)		
	Sickness Absence (Adults & Prevention)	Amber <sup>(D)</sup>	Red

## **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, 310 matches have been processed and a further 39 investigations are ongoing. Thirteen errors have been identified to date, resulting in savings of £18,846 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**

<b>Area</b>	<b>No. of Errors</b>	<b>Value (£)</b>
Benefits (Housing/Council Tax Support)	13	£18,846
<b>TOTAL</b>	<b>13</b>	<b>£18,846</b>

### **Other investigations**

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

### **Internal Audit**

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

<b>Risk, Control &amp; Governance Reviews</b>	<b>Assurance Opinion</b>		<b>Recommendations Agreed</b>
	<b>Environment</b>	<b>Compliance</b>	
Creditors	Adequate	Adequate	4
Mileage	Adequate	Limited	6
Turncroft Nursery	Adequate	Limited	18

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

**Mileage:** The agreed objective was to review the adequacy and effectiveness of the procedures in place within Departments for the recording of drivers and vehicle checks by managers in line with Standing Financial Instruction 06 – Business Journey and Car Mileage (SFI06).

Recommendations were made to ensure that staff provide documentation and information required by the SFI and managers carry out relevant checks and

maintain adequate record of these.

**Turncroft Nursery School:** The final report provided an **adequate assurance** opinion for the control environment in place within the school and **limited assurance** regarding compliance with the controls identified in respect of the areas covered during the visit. We made 18 recommendations to strengthen arrangements in place across the eight areas covered during the visit. This included four 'must' level recommendations. Recommendations were made relating to the following areas:

- Management Structure (4 recommendations);
- Policies (1 recommendation);
- Budgetary and Employee Control (2 recommendations);
- Expenditure and Cheque Control (3 recommendations);
- Income Collection and Billing (3 recommendations);
- Bank Reconciliation (1 recommendation);
- Asset Control (3 recommendations); and
- IT and Information Security (1 recommendation).

In addition to the above planned audits, staff have completed the review into concerns raised regarding compliance in a small service contract. Management have agreed five recommendations to strengthen the controls in this area.

Staff have also completed a number of other activities during the period. These include:

- the co-ordination and collocation of the 2021/21 Annual Governance Statement and Risk Management Annual Report;
- the annual Head of Audit Opinion and Counter Fraud Reports; and;
- the year-end Management Accountability Framework Directors dashboard Report review and challenge

### **Current internal audit reviews**

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

- Budget Setting & Controls;
- IT Device/Asset Management;
- Ofsted Inspection Framework;
- Building Control Performance Standards;
- Section 17 Payments/Financial Support for Families;
- Commercial Property Rental;
- Corporate Appointee;
- Governance Arrangements; and
- Planning Enforcement.

In addition to the above on-going reviews, two Audit & Assurance staff continued to be temporarily redeployed during the period, providing 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:

<b>Performance Measure</b>	<b>Target</b>	<b>Q1 2021/22</b>	<b>Q4 2020/21</b>
1. Delivery of Priority 1 Audits (Annual)	100%	100%	100%
2. Planned Audits Completed Within Budget	90%	100%	<b>60%</b>
3. Final Reports Issued Within Deadline	90%	<b>66%</b>	100%
4. Follow Ups Undertaken Within Deadline	90%	<b>80%</b>	83%
5. Recommendations Implemented	90%	100%	90%
6. Client Satisfaction	75%	100%	100%
7. Compliance with PSIAS (Annual)	95%	95%	N/A

We have provided a brief commentary on the measure where performance in the period has fallen below the agreed target:

2. Final Reports Issued Within Deadline

There was a delay in issuing the one of the final reports in the period due to staff absence and additional time required liaising with managers regarding the implementation of one of the recommendations.

4. Follow Ups Undertaken Within Deadline

There was a slight delay issuing one of the follow-ups 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: 16 June 2021

Background Papers: Audit & Assurance Plan 2021/22, approved by the Audit & Governance Committee on 30 March 2021.



**TO:** Audit & Governance Committee

**FROM:** Strategic Director, Resources

**DATE:** 29 June 2021

**PORTFOLIOS AFFECTED: All**

**WARDS AFFECTED: All**

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**TITLE OF BRIEFING PAPER    Risk Management Report Annual 2020/21**

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## **1.    PURPOSE**

This report informs the Committee members of the risk management related activity which has taken place or been delivered during 2020/21 and provides an overall conclusion on the effectiveness of the risk management arrangements which are in place within the Council. It should be noted that the report reflects the risk position as at the year-end. These arrangements are continually under review as new and emerging risks are identified and assessed for their impact on the Council and its corporate priorities.

## **2.    RECOMMENDATIONS**

The Committee is asked to:

- Consider and review the annual risk management report; and
- Agree the conclusion on the overall effectiveness of the Council's risk management arrangements in place during 2020/21.

## **3.    BACKGROUND**

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

## **4.    KEY ISSUES**

### **1.    Summary**

1.1 The Annual Risk Management Report provides the Audit & Governance Committee with a summary of the risk management activity that has taken place across the Council for the year ended 31 March 2021. The risk management framework and associated systems and procedures should ensure the Council has adequate and effective risk management and resilience arrangements in place to ensure that key business objectives are met.

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

- Risk Management;

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

1.3 This report covers the activities relating to the corporate and departmental risk management arrangements, emergency and business continuity planning, event management, information governance and insurance. It outlines the risk management policies and arrangements currently in place, activities which have taken place or been delivered during the last year directed at achieving the various risk objectives, and details of key actions or developments for 2020/21.

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

## **2. Background and Overall Assessment**

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

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

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

2.3 The details provided in this report provide evidence that, overall, the Council has adequate risk management arrangements in place and these have operated effectively during the year ended 31 March 2020. Areas for action or development during 2020/21 have been identified in the following sections. These will strengthen the existing systems and procedures in place.

## **RISK MANAGEMENT**

### **3. The Corporate Risk Management Process**

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

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

3.3 The Chief Executive and Corporate Leadership Team are responsible for leading and ensuring effective risk management operates consistently across the Council. Each Director is the risk owner of all risks within their Department. Advice and support regarding risk management issues is



available from the Audit & Assurance team. Directors and senior managers also highlight relevant significant risks included on departmental risk registers for consideration to include in the corporate risk register. These are escalated to Corporate Leadership Team for consideration and agreement where applicable.

#### **4. Corporate Risk Register**

- 4.1 Corporate risks are those that may impact on the overall achievement of Council objectives and priorities. Corporate Leadership Team reviews the corporate risk register on a six monthly basis to ensure that appropriate corporate risks are identified, assessed and aligned to the corporate priorities and objectives on an ongoing basis. The corporate and departmental registers identify inherent and target risk scores for each risk and the summary reports show any change in residual risk scores between period ends to enable changes in residual risk scores to be identified.
- 4.2 The risk that the Council may be unable to recover its critical functions, core services and income-generating functions during the transition and recovery phases of a COVID-19 outbreak, due to financial impacts, high staff absences and a failure of effective business continuity management was added to the register in May 2020.
- 4.3 The residual risk score relating to risk 14, Safeguarding, has been increased during the year. This is linked to the impact that Covid-19 has had on the work that Children's Social Care does and the wider community. The Service has not been able to have the same level of face-to-face contact that social workers would have had with children and their families prior to the pandemic. This is coupled with the reduced contact schools and other services have had with younger children and families compared to prior to the pandemic and increased numbers of children who have not been in school during the lockdown period.
- 4.4 The Covid related risks, that the Council may be unable to deliver its critical and core services and income generating functions as a result of the pandemic, have alternated during the year as the Council has moved between the response and mitigation phase of the outbreak and the transition and recovery stage. This has been in response to the changes in the national guidance and regulations, local restrictions and the roadmap set out by Central Government. At the year-end Risk 20 was closed as the Lancashire Resilience Forum (LRF) had officially moved into Recovery phase. At that time the low numbers of infections and hospital cases and deaths supported by the national vaccine roll out and mitigations in place nationally, regionally and locally have supported the move from response to recovery. This area of risk will be kept under review going forward to reflect any changes in the local and national situation.
- 4.5 The Corporate Risk Register contained 15 open risks as at 31 March 2021. A summary of the open corporate risks is attached at Appendix 1. The Council's top corporate risks at that date were those relating to the following:
- Failure to deliver a balanced budget and Medium Term Financial Strategy which may result in a Government Commission taking control of the authority's finances;
  - A high profile serious or critical safeguarding case that was known to Council services; and
  - The impact that the outbreak of Covid-19 may have on the Council's

ability to recover its core services and critical and income generating functions during the transition and recovery phases of a pandemic outbreak.

4.6 The following table shows the number of risks that are aligned to each of the Council's corporate priorities:

<b>Corporate Priority</b>	<b>No of Risks</b>
Supporting young people and raising aspirations	1
Safeguarding and supporting the most vulnerable people	3
Reducing health inequalities and improving health outcomes	1
Connected communities	4
Safe and clean environment	1
Strong economy to enable social mobility	2
Supporting our town centres and businesses	2
Transparent and effective organisation	5

## 5. Key events and achievements during the year

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

### Corporate/Departmental

- The continuation of regular 'deep dive' reviews of specific corporate risks by the Audit & Governance Committee to improve its oversight and understanding of these risks.
- On-going monitoring and reporting of risk assessments via the implementation of the updated Summary Risk Register template including the tracking of changes in residual risk scores.
- The ongoing implementation of the Counter Fraud Risk Register.
- Monitoring and review of the completion of corporate and departmental risk registers, with associated reporting to Corporate Leadership team and Audit & Governance Committee.
- Continuing development of the Management Accountabilities Framework Dashboard reporting arrangements.
- On-going scrutiny and challenge of Directors Management Accountabilities Framework Dashboard reports, to ensure that risk issues identified have been included in Departmental or Corporate risk registers.
- Continuing use of the risk management support available from Zurich Municipal to support the risk management arrangements in place in the Council. This has included:
  - Seeking advice on the risk management and insurance implications due to the impact of the pandemic on Council activities, including new areas the Council has had responsibility for to support the testing and vaccination programme;
  - The circulation of insurance and risk management advice and guidance to managers; and
  - Sharing of ZM risk management webinars with relevant colleagues

across the Council support training and awareness raising.

## **6. Developments for next 12 months**

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

- Continuing the 'deep dive' review of corporate risks by the Audit and Governance Committee on a regular basis during the year;
- On-going identification of areas to utilise the risk management support available from Zurich Municipal, including health and safety and asset management training for senior officers and managers.
- Development of a Corporate Inspection Policy for Council assets to ensure a consistent approach is in place across the Council.
- Continuing review of management information relating to the use of the Council motor fleet and related insurance to identify themes, driver training needs and minimise the incidence and impact of motor vehicle claims and incidents.
- On-going support for appropriate corporate and departmental risk initiatives via the internal risk management fund;
- Continuing the cycle of Departmental risk register reviews and challenges as part of the risk management work carried out by Audit & Assurance staff.
- A review of the Counter Fraud Risk Register by Audit & Assurance to provide assurance on the risks identified.

## **7. Review of the Effectiveness of Risk Management Arrangements**

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

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

## **CIVIL CONTINGENCIES - Emergency Planning & Business Continuity**

### **8 Emergency Planning**

8.1 During the year to 31 March 2021, Blackburn with Darwen had several incidents affecting the community at large. These included:

- Loss of electricity to travellers site (vulnerable persons);
- Storms Francis/Christophe;
- Flash flooding;
- Power outage at a school;
- Gas leak;
- Fires and evacuations;
- COVID19 - numerous illegal gatherings;
- Operation Merlin – tonnes of plastics on fire/fuel leak/acetylene bottles;
- Moorland fire;

- Public protest; and
- Burst water mains resulting in loss of water to properties.

8.2 Duty officer statistics for 2020/21 were as follows:

- Warnings received = 768;
- Information received total = 168;
- Activations total = 69 (Strategic Officer notified on 6 occasion); and
- Total activity = 936 (*last year total 481*).

## 9 Key events and achievements during the year

### Corporate Exercise

9.1 This year the annual corporate exercise was cancelled due to Covid19 (Coronavirus). The last planned Corporate exercise was to be specifically focussed upon flooding impacts to the community and involve schoolteachers (School Improvement Group representatives) activating their plans in tandem with the Council activating its plans. This will be re-visited once the volume of work relating to Covid19 has reduced and officers and management are in a position to prepare for and undertake an exercise.

### COVID19 Response

9.2 Since February 2020, the Resilience & Emergency Planning Service (R&EPS) has been supporting the Council's response to Covid19. The R&EP Manager has worked with the BwD Core Team of officers directly supporting/leading the response for the Council, working with Work Stream leads in different strands and themed areas. The Core Team also reviews the governance of the response and reviews work/allocates required work to different service areas. The ultimate aim has been to support the Community.

9.3 Overarching reports have been created on Enforcement/ Workplace Wellbeing/ Response Strategy/Face Coverings Policy/Test and Trace Strategy and also Blackburn with Darwen Report of Achievements.

9.4 Departments (Directors and all staff involved in response) are requested to keep a log and record of all decisions related to Covid19 as good practice and as part of emergency response training, in case of inquiry and to support good practice and learning lessons. The R&EPS will collate all of this information at the end of the response to Covid19 to create a single location for the information.

### Covid19 - Recovery Co-ordination Group (support to Chief Executive)

9.5 The LRF has now moved from the Response phase into the Recovery phase of the Covid19 emergency. A "Handover Certificate" has been signed by Angie Ridgewell (Chief Executive Lancashire County Council) and Denise Park, as Angie chaired the LRF Strategic Co-ordination Group, with Denise now taking over by chairing the Recovery Co-ordination Group. This is a Lancashire-wide multi-agency group reporting on progress made against recovery objectives.

9.6 The R&EPS are supporting the Chief Executive in this "external" function and will be facilitating the countywide debrief of the second phase of the response. All lessons identified and recommendations of good practice or areas for improvement will be addressed by working groups to embed in normal practices and plans as appropriate.

## **Plan reviews**

- 9.7 All of the Departmental Business Continuity (BC) Plans and the risk specific Emergency Plans were reviewed, or are currently being reviewed with their plan owners over the 12-18 months. Where there is an LRF plan that is viable and can be used locally, we have removed the BwD plan. Where the structure of the organisation has changed this determines a refresh of the BC departmental plans to reflect that changes made.
- 9.8 The Corporate BC plan was fully refreshed last year to reflect arrangements in place for the Covid19 response.
- 9.9 The Community Risks (Community Risk Register) was reviewed by R&EPS at the same time. The work of the service is risk driven, therefore there has to be a medium / high / very high, level risk in order for there to be a plan to mitigate or reduce the risk.
- 9.10 The BC audit process was due to start in Aug/Sept 2020 but this was postponed due to Covid19. This will be picked up in Q3 and 4 2021/22.
- 9.11 Specific attention has been paid to the announcement of the shutting down of the Public Service Telephone Network (PSTN) by Government in 2025. This is being switched from analogue to digital and will impact care lines, lift lines etc. The R&EPS has been working with Digital and IT colleagues to review its impact on BwD and the Community (if any).

## **European Union (EU) Exit**

- 9.12 The R&EPS are still engaged in the EU Exit monitoring work, which will continue until June/July 2021 when the final stages of import/export legislation take effect. The changes and consequences of EU Exit have not specifically affected Blackburn with Darwen but impacted more regionally with the ports at Glasson and Liverpool. National changes have been adopted or are being adopted across the board.

## **Schools - Emergency Planning**

- 9.13 The R&EPS now deliver annual training and awareness sessions to all schools within the borough. This agreement, with Education Services, is to deliver a specific package of training and exercising to all schools, including all Free, Academy and Independent schools. This will ensure consistency in the approach to emergency planning and awareness training across the whole school sector.
- 9.14 A training session on Emergency Planning/Business Continuity will be delivered to each school. This will be followed at the end of the academic year by three repeated sessions on exercising the schools' emergency plans against different scenarios. Schools can choose which plan exercising session they attend.
- 9.15 Feedback will be encouraged and included into the next year's training sessions and the routine maintenance reassurance catch-ups with the schools.
- 9.16 As part of the support to schools we provide them with:
- Plan templates;
  - Training;
  - Exercising;
  - Ad hoc support training etc;

- 24/7 contact number;
- Reassurance calls/visits; and
- Response to Emergencies – Gas cloud etc.

### **Standby arrangements review**

- 9.17 The Council’s standby arrangements were reviewed in their entirety in 2019. The payments, shifts system, policy/guidance, training and need for a standby system was reviewed and taken to Management Board for discussion. It was agreed that there is a need for Standby but that specific service areas should be reviewed and core services should work together in a “hub and spoke” model. Progression of this element has been delayed due to the Covid19 response, but will be picked up again later this year.
- 9.18 Statistics are expected from all service areas involved to ensure consistency in approach and response where possible. These will be reviewed at six monthly intervals. This information will form the basis of the 6 monthly reviews, therefore it is essential that all services record and collate their data
- 9.19 A single location for all rotas, data and information relating to Standby has been created on SharePoint, which all officers have access to.
- 9.20 The R&EPS are now part with the wider Human Resources Service. This allows us to align with the Health and Safety team and have a closer review of the departmental BC plan

## **10 Key Additional Developments for the next 12 months**

### School’s Community Resilience Project (SCRP)

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

### Countywide Emergency Response Group (ERG)

- 10.2 Countywide ERG Volunteers are following amended guidance for responses through Covid19 to ensure social distance is kept, PPE is used where necessary. Resources (volunteers) are being shared countywide for this response, as volunteer numbers may be depleted/reduced due to shielding or self-isolation, or volunteers not wanting to respond. The whole range of R&EP training packages are moving online for all staff, including the Induction module/ Managers module/ all ERG training/ Elected Members training etc.

### National Risk Register (NRR)

- 10.3 The direction and work of the R&EPS is driven by risk. The Civil Contingencies Act 2004 features Risk Assessments as one of its seven duties placed upon Category 1 Responders (which includes Local Authorities). The Council works alongside the LRF to assess the National Risk Register, understand what risks we face within Lancashire and what we have to do to mitigate these risks. The latest version of the NRR was issued by the Cabinet Office in 2019 and includes latest changes from National Security Risk Assessment (2019). However, the Local Risk Management Guidance, which allows us to start to assess and implement the NRR in the

correct way, was only received in December 2020. Currently the LRF and the Council are assessing risks, and undertaking gap analysis for plans, procedures, training etc. This should be complete for LRF and BwD by spring 2022. Any gaps for additional training or processes and plans will be managed as we progress.

#### Elections Preparedness 2021

- 10.4 The R&EPS is supporting the Elections team in preparing an Emergency Plan to support planning and processes in case of a power outage, protests, loss of building or loss of staff, as well as ensuring Covid19 arrangements are in place.

## EVENTS

### 11 Events Safety Advisory Group (ESAG)

- 11.1 This multi-agency group, chaired by the Leisure Facilities Manager, is well established and meets on a regular basis to review events planned across the borough and debrief events that have occurred. The Group is attended by representatives from many Council Departments including Public Protection, Licencing, Insurance, and Emergency Resilience, as well as the three Emergency Services. The Group acts as a central point for all event notifications, ensuring organisers have a single point of reference to obtain support and advice regarding their event. The members of the Group are aware that they play an important role and challenge, where necessary, plans that are not thorough, to ensure that all quality standards are met.
- 11.2 Registration of events is stringent, with organisers required to submit Event and Traffic Management plans and insurance details, which are scrutinised by all members of the Group. In addition, the organisers of large events are invited to an ESAG meeting to be interviewed by the members. Once this is all complete, the Group signs the event off. This is done in order to ensure safe and well managed events are conducted and to protect the Council in terms of its reputation and any risk possibilities.
- 11.3 The Chair has recently introduced pre-event day multi agency visits to check event sites to ensure the events are as safe as possible and to deal with any last minute issues. This is working well.
- 11.4 During 2020 the events program fell away because of the Covid pandemic, meaning all the planned events including music festivals and fairgrounds were cancelled. This coming year, with the likely end to restrictions, the ESAG has been inundated with booking enquiries. In response to the high levels of Covid infection across the Borough the ESAG Chair has taken a decision to delay all events in the Borough to the next step of the Government's lockdown roadmap. The Council has therefore been more cautious when opening up again for events than neighbouring authorities. The expected interest in tickets, with residents wishing to get out, has seen a 5000 ticket sell out for the first music festival at the end of June. A significant number of other Fairgrounds and Festivals are now coming through, including Festival of Making and Darwen Live.
- 11.5 The ESAG Chair has taken on board the risk implications around events as a result of the pandemic and has set up a Covid response sub-group made up of Health and Safety and Public Health officers. These staff roles will involve advising event organisers of the measures in place at the time of each individual event. It has been made clear to event operators that the council is following the Government roadmap when it comes to opening up for events again and if the roadmap dates change events will possibly be cancelled or

rescheduled to later in the year.

- 11.6 The ESAG group are keen to show that the Borough is opening up again for events post Covid 19 and has been asked, where possible, to help event organisers with their event management plans. The intention is to bring back the feel good factor with many events at new venues across the Borough. The importance of events cannot be underestimated in improving residents health and wellbeing, add value to the night time economy in both towns, fill the hotels and provide a boost to the many taxi companies across the Borough
- 11.7 Members and senior officers can be sure that all events that operate across the Borough are scrutinised and well managed to ensure that they are all well organised and as safe as they possibly can be. Particular attention will be made to ensure Covid arrangements follow the law and guidance at the relevant dates.

## INFORMATION GOVERNANCE (IG)

### 12 Introduction

- 12.1 The Information Governance and IT Compliance team, within the Digital and Business Change Department, has overall responsibility for the information governance framework within the Council. The team also receives and coordinates responses to Freedom of Information (FOI), Environmental Information Regulations (EIR) and Data Protection Subject Access (DP SARs) requests.
- 12.2 In addition, the team is responsible for monitoring information security incidents in relation to the Data Protection Act (DPA), reporting any breaches, ensuring that all incidents are thoroughly investigated and that appropriate corrective action is taken. The team is the first point of contact for complaints made about the Council to the Information Commissioner's Office (ICO).

### 13 Annual requests and clearance statistics for 2020/21 and comparison against 2019/20

		2019/20	2020/21
<b>FOI</b>	Number received	1612	1373
	Number due	1623	1356
	Number on time	1578	1249
	<b>% on time</b>	<b>97.85%</b>	<b>92.11%</b>
<b>EIR</b>	Number received	1550	2090
	Number due	1518	1899
	Number on time	1366	1393
	<b>% on time</b>	<b>89.99%</b>	<b>73.35%</b>
<b>Combined FOI/EIR</b>	Number received	3162	3463
	Number due	3141	3255
	Number on time	2944	2642
	<b>% on time</b>	<b>93.73%</b>	<b>81.17%</b>
<b>DPA</b>	Number received	315	308
	Number due	325	301
	Number on time	273	270
	<b>% on time</b>	<b>84.00%</b>	<b>89.70%</b>



- 13.1 The number of FOI/EIR requests received in 2020/21 has decreased by 10.25% compared to 2019/20. FOI compliance rates were above the mandatory requirement rate of 90%, with a rate of 92.11% responded to on time. EIR compliance rates did not meet the necessary threshold. A statement from the Support Services team in Growth and Development advised that they are not getting the necessary timely responses from services such as Highways, Housing Standards and Public Protection. This has been escalated to the Corporate Leadership Team via Q3/4 Senior Information Risk Officer (SIRO) reports.
- 13.2 The number of DP SARs received in 2020/21 has decreased slightly by 2.2% compared to 2019/20. The compliance rate over this period improved to 90% (due to rounding) thanks to increased resource within Children’s Services and additional support delivered by the Information Governance who continue to assist with Subject Access Request responses. There remains a significant risk that we will struggle to continue to meet the 90% compliance rate due to reduced capacity given the 1xFTE that has been assisting with Social Care SARS compliance for the last 12 months has come to an end
- 13.3 In addition, March 2021 alone has seen a 114% increase in the number of requests compared to this time last year. With these becoming due in April/May 2021 there is increased likelihood of failing to meet the compliance standards in Q1 2021/22.

**14 Information Assurance Incidents Recorded During 2020/21**

- 14.1 During 2020/2021 there were 94 information assurance incidents reported to IG. This is a decrease of 2% against last year. With increased IG presence, accessibility to departmental leadership team meetings and additional training resources, employees are aware more than ever of their responsibility to report incidents, including those that are not considered significant or reportable to the ICO.
- 14.2 A breakdown of the incidents by department is as follows:

<b>Department</b>	<b>2019/20</b>	<b>2020/21</b>
Adults Services	13	<b>16</b>
Children’s & Education	42	<b>36</b>
CEO	0	<b>2</b>
Digital and Business Change	2	<b>14</b>
Environment and Operations	6	<b>3</b>
Finance and Customer Services	9	<b>7</b>
Growth and Development	2	<b>4</b>
HR, Legal and Governance	18	<b>12</b>
Public Health and Wellbeing	4	<b>0</b>
<b>Total</b>	<b>96</b>	<b>94</b>

14.3 There has been 16 referrals made to the ICO during 2020/21.

Department	Self-referral or complaint	Number
Finance and Customer Services	Self-referral	1
Digital and Business Change	Complaint	1
Finance and Customer Services	Complaint	7
Environment and Operations	Complaint	2
Children's and Education	Complaint	1
Growth and Development	Complaint	3
Councillor	Complaint	1
<b>Total</b>		<b>16</b>

14.4 The self-referral incident from Q1 2020/21 related to a technical security weakness that temporarily permitted members of the public access to other service users' submitted forms requiring Covid Help Hub assistance. This was swiftly rectified and the ICO was appraised of our remediation actions. The outcome from the ICO was recorded as acknowledged with no further action.

14.5 All ICO complaints were responded to within the requested time frame. There was a 400% increase compared to the 2019/20 total of three. Whilst ordinarily this would be a cause for concern, 37.5% (6) of these complaints relate to one individual, who the ICO classified as a vexatious requestor. The ICO will continue to monitor the number of complaints issued against the Council. There is currently an increased risk of mandatory inspection of our processes should this rate of complaints continue to be received

## 15 Key events and achievements during the year

15.1 Schools Update: In 2020/21 we had 56 individual schools (including two out of borough schools and two Trusts who had a collective total of ten schools) that bought in to the Information Governance Service Level Agreement (SLA). Both trusts and 55 of the individual schools have bought in again for 2021/22, generating an income of £52,468. Support services have been provided throughout the year in relation to school subject access requests, FOI requests and general IG queries. There has been an increased number of breaches, mainly through the use of email rather than face to face communications. There have been two breaches that have warranted notification to the ICO and these have been managed via the SLA service. One was closed with no further action by the ICO. The other one is still open and we are awaiting a response. The Schools online IG Training package has also been refreshed and is now available to allow schools to meet their training obligations. In-house or video training sessions via digital solutions are also available and a number have already been delivered to SLA Schools.

15.2 The NHS Data Security and Protection Toolkit (DSPT) was submitted on 22 March 2021 and accepted as 'standards met'. The Council demonstrated compliance with all mandatory elements of the toolkit. We have yet to receive any confirmation as to whether the NHS DSPT audit team would like to audit our responses. The 2019/20 toolkit compliance standard was recorded as 'standards exceeded'. The reduction in status this year is due to the Council not attaining Cyber Essentials plus certification during 2020/21.

- 15.3 As of 5 March 2021 compliance with the Mandatory IG Training stood at 96.3%. This was enough to comply with the minimum requirement of 95% on the NHS DSPT Toolkit. A renamed version of the IG training and DOJO Cyber Security training was launched on 1 April 2021.
- 15.4 All information assurance incidents are now being record online via a SharePoint form. This has been developed in order to give Heads of Service (HoS) a clearer insight into the number of incidents that occur within their areas and allow for easier Deputy SIRO review and approval of remediation action plans. Once the workflows have been finalised IG will advise HoS of how they are able to review the breaches within their departments. They will be given guidance on how to deal with emerging patterns of incidents that potentially would identify a need for specific targeted training.
- 15.5 On 24 December 2020, the European Union and the United Kingdom reached an agreement in principle on the EU-UK Trade and Cooperation Agreement (the "Trade Agreement"). For data protection purposes, there is a further transition period of up to six months to enable the European Commission to complete its adequacy assessment of the UK's data protection laws. For the time being, personal data can continue to be exported from the EU to the UK without implementing additional safeguards. From 1 January 2021, the UK has been regarded as a third country for the purposes of the EU General Data Protection Regulation ("GDPR"). Following the expiration of an additional transition period, transfers of personal data from the EU to the UK will be prohibited unless EU data exporters take further steps to ensure adequacy for personal data. Those steps include entering into the EU Standard Contractual Clauses, implementing Binding Corporate Rules or relying on any of the available derogations in the GDPR. Both the EU and the UK have expressed a desire to grant formal data protection adequacy status to the UK, which would permit the ongoing free transfer of personal data from the EU to the UK without requiring the exporting or importing organisations to take any further steps.
- 15.6 A new Transparency DataShare website, designed in 2020/21, is now live, displaying all the current mandatory datasets. IG will continue to encourage departments to consider publication of datasets where they are routinely required to produce FOI responses in order to avoid costly impact on resource. IG will continue to work with those departments where frequent FOIs have been identified to suggest a timetable for publication. New datasets for the 2020/2021 publication will be due by the end of June 2021.

## **INSURANCE**

### **16 Insurance Policies**

- 16.1 The Council continues to have its main insurance covers with Zurich Municipal under a three plus two year long-term agreement (LTA), which commenced on 1 April 2017. In September 2019 the Council exercised its option under the agreement to extend it for the further two years until 31 March 2022 following negotiations with Zurich, which resulted in a reduction in the premium base rate for the period of the extension. In April 2021 the Director of Finance approved a waiver to extend the LTA for a further year, until 31 March 2023, follow consideration of the results of soft market testing related to the current hardening of the insurance market and the uncertainty around the impact of Covid -19. Terrorism cover is provided separately by a Lloyd's syndicate, via Aon Crisis Management, with other minor policies

provided by specialist providers.

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

## **17 Claims Management**

- 17.1 During the year, we continued to provide management reports to relating to Chief Officers. Details of employer liability claims and incidents were also provided to health & safety colleagues and ad hoc claims reports were produced for managers on request.
- 17.2 During 2020/21 the Insurance Team handled 185 non-injury claims and incidents in-house. This compares to 259 in-house claims and incidents recorded in 2019/20. This figure included 73 relating to the adopted highway and 36 relating to motor vehicles. These include cases where claims will have been refuted, as the Council has an appropriate defence, or where they have been settled in-house following a review of the evidence provided by departments. This approach has benefitted the Council by reducing the claims handling costs of £140 per claim, which would otherwise have been charged by Zurich to handle these on the Council's behalf, and improved customer satisfaction and the Council's reputation by dealing with these claims promptly.
- 17.3 In addition to these savings, where we do not have a defence, where possible the Team has requested invoices for repairs etc. to be sent direct to the Council in respect of those claims being settled in-house, enabling us to recover the VAT.
- 17.4 Zurich Municipal engages local solicitors to assist in defending claims against the Council. The Insurance team liaises with the solicitors to discuss cases and their defence and the solicitors provide detailed information regarding caseload management. They also contest the costs of settlements including claimants' solicitors' legal fees and costs, saving the Council and our insurer's significant sums.
- 17.5 In the last year this has saved £33,817 on costs initially claimed, an average saving of 17.9% per claim. It should be noted that, since the introduction of fixed recoverable costs, most costs claimed cannot be significantly challenged and are calculated by a fixed predictable costs matrix. The solicitors have also made significant savings on final settlements compared to total initial reserves in respect of settled cases in the year amounting to £1,189,907, a saving of 63%. The outcomes of claims listed for trial are illustrated in the final chart at Appendix 2.

## **18 Insurance Claims Experience**

- 18.1 The numbers of claims and incidents notified to the Insurance team in the last three years are set out in the table below. The trends in claims and incidents volumes and values notified to the Council over this period, grouped by the class of business, are also set out in the table and charts in Appendix 2.

Class of business	No of Incidents			No of Claims			Total		
	18/19	19/20	20/21	18/19	19/20	20/21	18/19	19/20	20/21
Employers Liability	8	1	7	13	3	4	21	4	11
Motor	43	64	24	28	25	28	71	89	52
Other	0	0	0	1	1	1	1	1	1
Property	1	9	13	18	15	25	19	24	38
Public Liability	82	110	82	129	130	97	211	240	179
<b>Total</b>	<b>134</b>	<b>184</b>	<b>126</b>	<b>189</b>	<b>174</b>	<b>155</b>	<b>323</b>	<b>358</b>	<b>281</b>

Class of business	Total Potential Value of Claims		
	18/19	19/20	20/21
Employers Liability	134,875	77,956	89,980
Motor	33,195	63,873	108,414
Other	10,200	8,000	10,000
Property	82,217	3,763,319	121,348
Public Liability	1,272,481	1,106,969	1,063,124
<b>Total</b>	<b>1,532,968</b>	<b>5,020,117</b>	<b>1,392,866</b>

- 18.2 Injury claims may be made up to three years after the date of the event leading to the claim, or, in the case of long tail injury claims (i.e. those claims which are made or settled a long time after the related policy has expired), three years after the person first became aware they have suffered the injury. Claims of this type include noise/hearing loss, hand arm vibration, and asbestos related illnesses. For claims relating to children, these can be received up to three years after the young person's 18<sup>th</sup> birthday. Non-injury claims may be made up to six years after the date the loss/damage occurred.
- 18.3 In July 2019, the Government announced a change in the Discount Rate used to calculate the payments of any long-term injury claims under motor, public and employers liability cover, raising this from -0.75% to -0.25%. The revised rate was effective for claims settled from 5 August 2019. The change to the Rate was prompted by the Civil Liability Act 2018, which came into force in December 2018. It provided for a review of the Discount Rate with a deadline of 6th August 2019 to announce any new rate.
- 18.4 Whilst the change will lead to savings for defendant insurers, (estimated to be between £230m and £300m), it was not quite as much as the industry had hoped for and still leaves claimants in a far better position than they had faced before March 2017. The change is reflected in the total costs of claims figures reported.
- 18.5 We are continuing to work with departments to ensure that relevant documents are retained and investigations carried out so an adequate defence can be maintained against claims received. If there is no documentation or records available, we do not have a defence.

## 19 Municipal Mutual Insurance (MMI)

- 19.1 A number of years ago the Council was insured by MMI. This company got into financial difficulty and ceased trading in 1992 but maintained the claims

arising whilst it was still solvent. In November 2012 the MMI Board of Directors triggered the Scheme of Arrangement, as a solvent run-off could no longer be foreseen. After completing discussions with their professional advisers, the Directors concluded that there was no other alternative to insolvent liquidation.

- 19.2 As a result, control of MMI passed to the Scheme Administrator, Gareth Hughes of Ernst & Young LLP, who, in accordance with the terms of the Scheme, undertook a financial review of the Company and, in consultation with the Scheme Creditors Committee, considered the extent to which any levy was to be imposed upon Scheme creditors.
- 19.3 Although MMI note that all claims would continue to be paid until a decision on the levy was made and communicated to the Scheme Creditors, all members who had historic periods of cover with MMI, were urged to urgently consider their financing arrangements for these periods.
- 19.4 As one of the local authorities who are members of the Scheme of Arrangement, the Council will be liable to pay any remaining outstanding claims as and when required. There are a number of these long tail claims, where the cause is pre 1993, relating to child abuse/failure to remove cases or health related issues such as asbestos related illness, noise and vibration white finger, which have been subject to numerous legal challenges.
- 19.5 Predicting ultimate claims cost for occupational diseases arising from past exposure is extremely difficult and whilst the current claw back from the Council will be 25% it is possible that there could be further claw back over the next 10 to 20 years, as incurred but not reported claims are translated into reported claims over this time.
- 19.6 The scheme of arrangement with MMI was always expected to have a clear run-off. However, the Council previously estimated the potential cost to the Council, if the scheme is invoked, could be over £2.0 million at the current calculation, along with any new claims. This is taken into account when the minimum level of balances is reviewed during the annual budget process, and in assessing contingent liabilities when the Statement of Accounts is prepared.
- 19.7 As the scheme of arrangement has now been triggered, since 2014 the Council has paid levies totalling 25% (amounting to £565,690) on known claims at the time. A provision of approximately £320,000 has also been established against the possibility of the levy increasing to the maximum estimated amount of 28%, retaining £250,000 as an earmarked reserve towards future claims.
- 19.8 As a consequence of the levy, since 2014 the Council has been responsible for self-insuring, initially 15% and currently 25% of any future claims. The Council is now required to pay all MMI related claims and associated legal costs as and when these are settled and submit invoices to the Scheme Administrator to reimburse the 75% portion they are responsible for.
- 19.9 The Council receives an annual statement from MMI to update on its liabilities in respect of the Scheme of Arrangement and the Finance department have been kept fully aware of this liability.

## **5. RATIONALE**

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

The key issues detailed above provide the members of the Committee with a summary of the elements, key issues and work undertaken by various teams relating to risk management activity across the Council during the year ended 31 March 2021.

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

## **6. POLICY IMPLICATIONS**

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

## **7. FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

## **8. LEGAL IMPLICATIONS**

There are no direct legal implications from this report.

## **9. RESOURCE IMPLICATIONS**

There are no direct resource implications from this report.

## **10. EQUALITY AND HEALTH IMPLICATIONS**

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

## **11. CONSULTATIONS**

Members of the Primary Assurance Group.

CONTACT OFFICER: Colin Ferguson, Head of Audit & Assurance

DATE: 17 June 2021.

BACKGROUND PAPERS: Corporate Risk Management Strategy and Framework 2015/20



# ANNUAL RISK MANAGEMENT REPORT 2020/21

## Summary Risk Register

**Appendix 1**

Update

Create

Insert

Directorate: \_\_\_\_\_

Department: Corporate Risk Register

Service: \_\_\_\_\_

Quarter and Year: Quarter 4 - 2020/21      Date of last review: 31-Dec-20

Date: 31-Mar-21      Date of next review: 30-Jun-21

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Risk No	Risk Description	Date Raised	Strength of Existing Controls	Inherent			Residual			Target			Risk Owner(s)	Key Contact(s)	Risk Status	Last Risk Review Date	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	23-Mar-21	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	24.03.2021	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. Corp 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	24.03.2021	2	4	MEDIUM	-
9	Failure to improve health outcomes within Blackburn with Darwen could result in the communities' health and wellbeing position or conditions deteriorating.	25-May-11	Good	3	4	MEDIUM	3	4	MEDIUM	1	3	LOW	Dominic Harrison	Gifford Kerr	Open	16-Jul-19	3	4	MEDIUM	-
10	Due to the breakdown of community relations or a deterioration of community cohesipn, greater risk of hate crime, extremism, radicalisation or polarisation of communities.	07-Feb-12	Good	4	5	HIGH	2	3	LOW	1	3	LOW	Sayyed Osman	Heather Taylor/Mark Aspin	Open	24-Apr-19	2	3	LOW	-
11	Failure to improve the education and skills for our young people	20-Aug-13	Good	4	4	HIGH	3	3	MEDIUM	2	3	LOW	Jayne Ivory	Jo Siddle	Open	02-May-19	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	3	5	HIGH	Up
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.	01-Apr-20	Fair	4	4	HIGH	3	3	MEDIUM	2	3	LOW	David Fairclough	Fiona Eastwood	Open	23-Mar-21	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 MFTS 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	-
21	The Council is unable to recover its critical functions, core services and income generating functions during the transition and recovery phases of a COVID-19 outbreak, due to financial impacts, high staff absences and a failure of effective business continuity management.	04-May-20	Fair	5	5	HIGH	4	4	HIGH	1	3	LOW	Denise Park / Dominic Harrison (Public Health element)/ David Fairclough (Resilience & Emergency Planning Service)	Gifford Kerr / Rachel Hutchinson	Open	11-Nov-20				-



The following corporate risks are closed:

Risk 3: IT Infrastructure (Resilience) – Old Town Hall.

Risk 6: Failure to deliver the management, workforce and organisational objectives for workforce reviews within the agreed budget.

Risk 8: Failure to contribute effectively to economic growth within Blackburn with Darwen.

Risk 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 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.

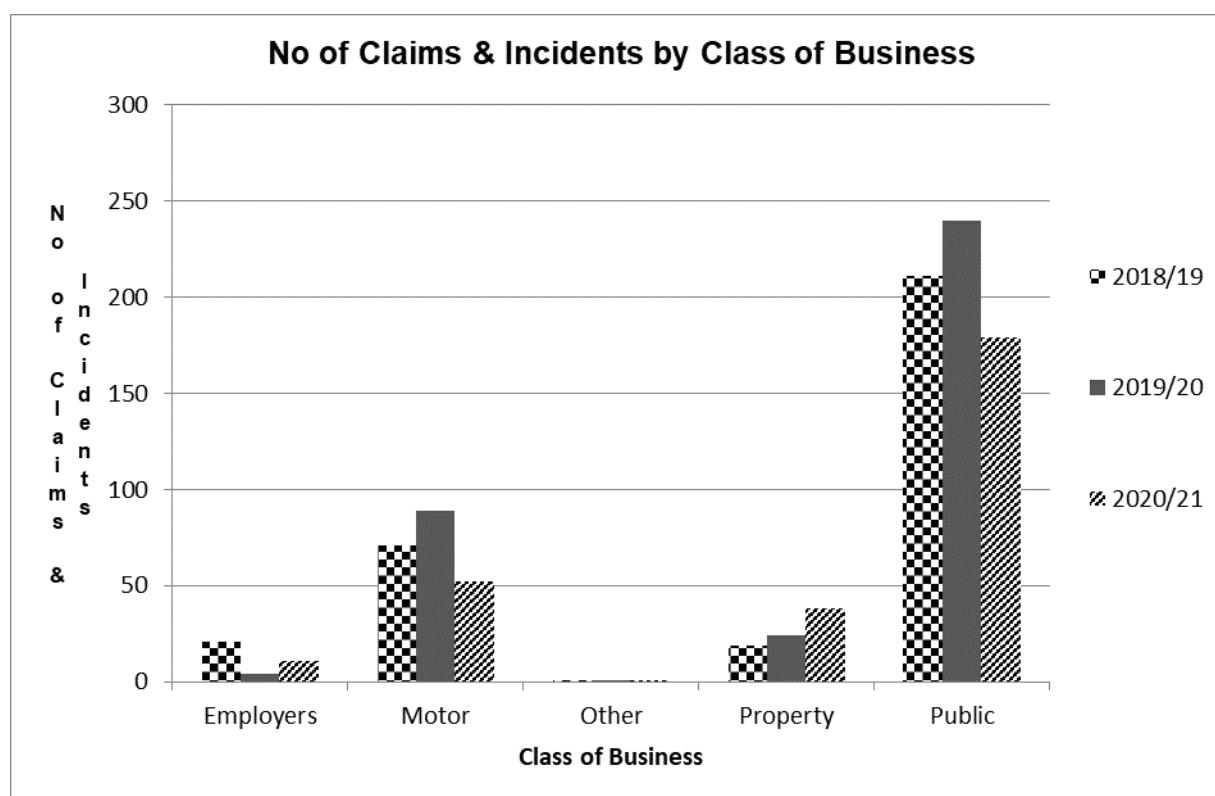
Risk 19: EU Exit - Risk of inadequate planning/preparedness at a national & local level for a "no deal" exit from the EU arrangements.

Risk 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.

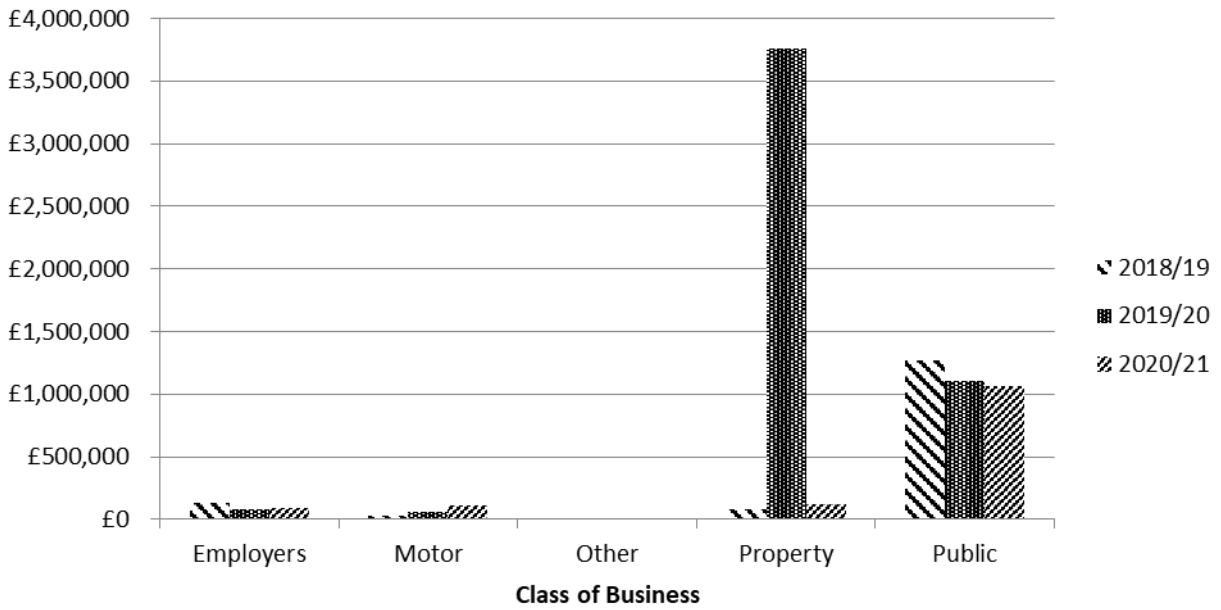
## Insurance Claims Statistics and Trends

Claims and Incidents Notified by Year

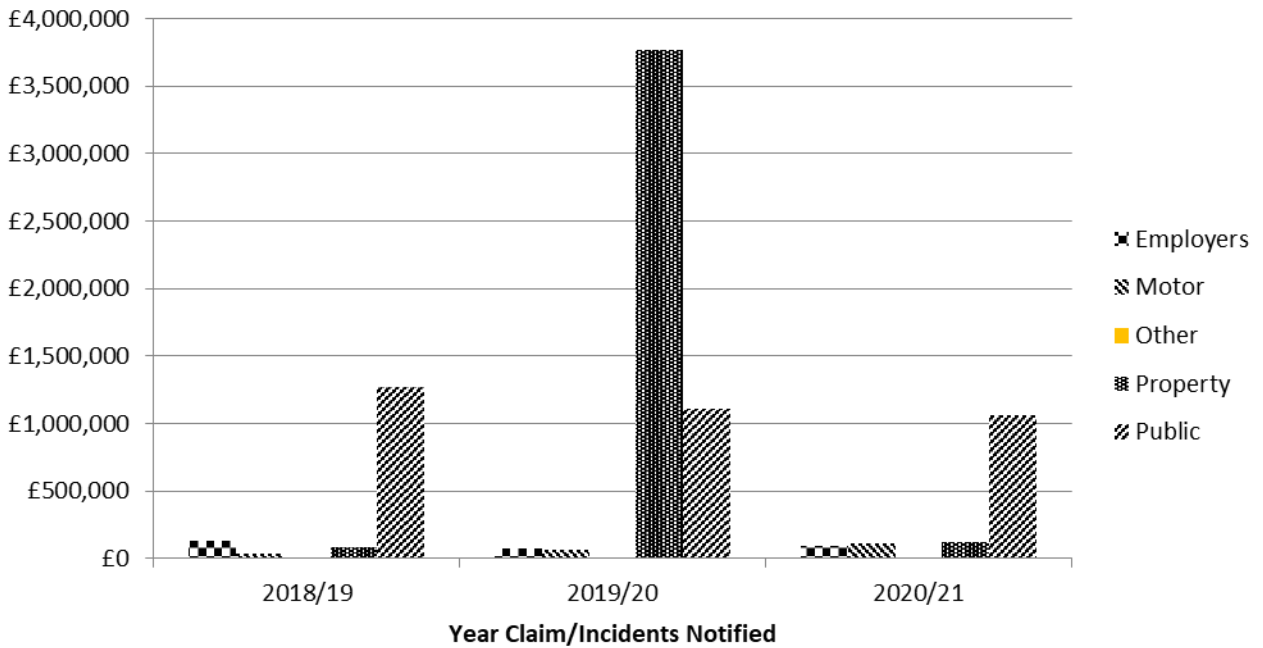
Policy	2018/19		2019/20		2020/21		Totals	
	No	Value	No	Value	No	Value	No	Value
Employers	21	£134,875	4	£77,956	11	£89,980	36	£302,811
Motor	71	£33,195	89	£63,873	52	£108,414	212	£205,482
Other	1	£10,200	1	£8,000	1	£10,000	3	£28,200
Property	19	£82,217	24	£3,763,319	38	£121,348	81	£3,966,884
Public	211	£1,272,481	240	£1,106,969	179	£1,063,124	630	£3,442,574
<b>Totals</b>	<b>323</b>	<b>£1,532,968</b>	<b>358</b>	<b>£5,020,117</b>	<b>281</b>	<b>£1,392,866</b>	<b>962</b>	<b>£7,945,951</b>

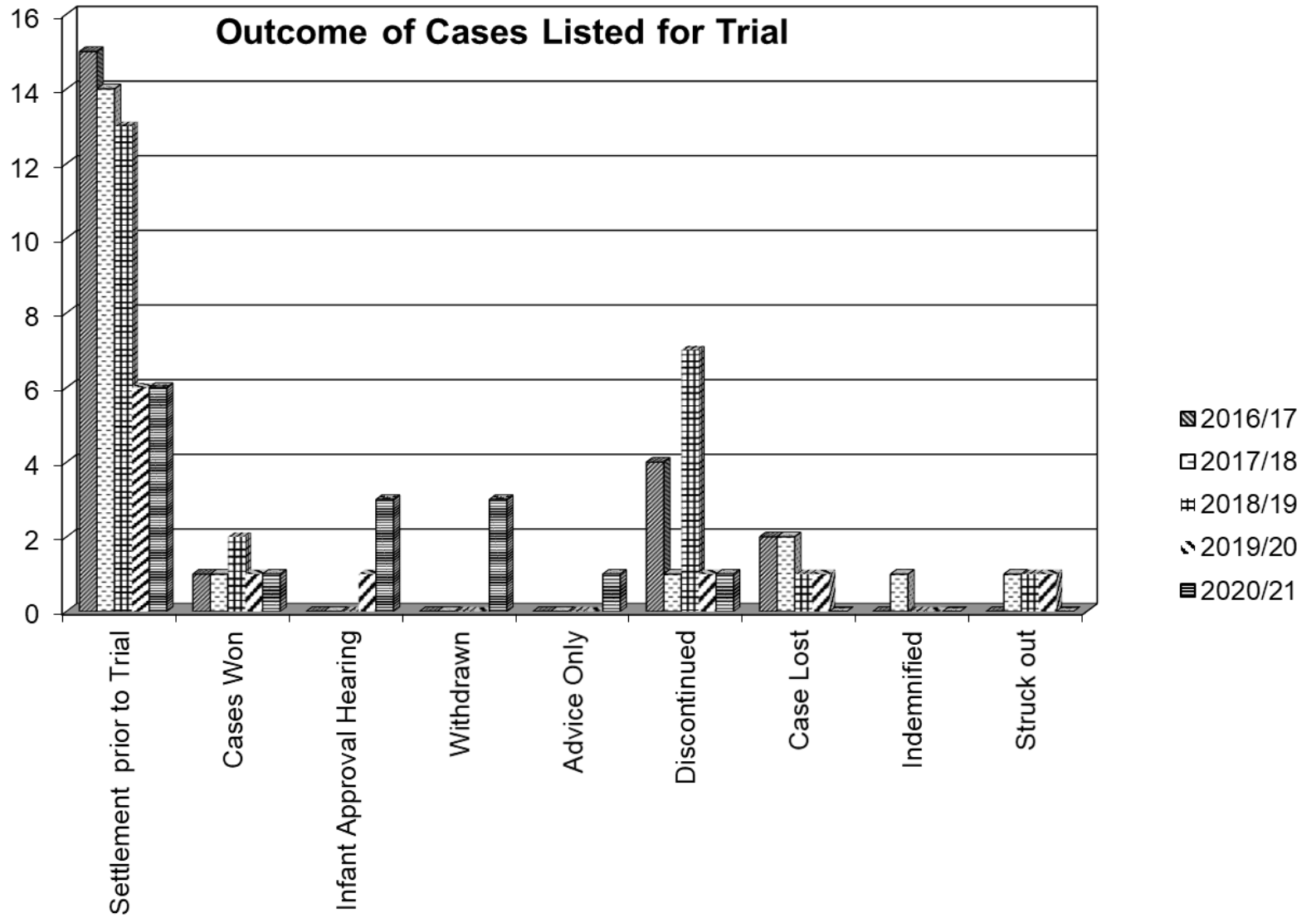


### Estimated Cost of Claims & Incidents by Class of Business



### Estimated Total Cost of Claims & Incidents (Payments & Reserves) Notified by Year







**TO: Audit & Governance Committee**

**FROM: Head of Audit & Assurance**

**DATE: 29 June 2021**

**PORTFOLIOS AFFECTED: All**

**WARDS AFFECTED: All**

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**TITLE OF REPORT Counter Fraud Annual Report 2020/21**

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## **1. PURPOSE**

- 1.1 To inform the Audit & Governance Committee of the results of the counter fraud activity that has been carried out during the year ended 31 March 2021 to minimise the risk of fraud, bribery and corruption occurring in the Council, and the outcome of investigations carried out into potential or suspected fraud or irregularities.

## **2. RECOMMENDATIONS**

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

## **3. BACKGROUND**

- 3.1 The Council is committed to the principles of good governance and recognises the importance of operating in an open and accountable manner, whilst demonstrating high standards of conduct. The Council expects all its stakeholders (including its councillors, employees, partners and contractors) to act honestly, with integrity and to safeguard the public purse. The Council does not accept any fraud or corruption and any identified case will be thoroughly investigated and appropriately dealt with.
- 3.2 The Audit & Governance Committee has a role in helping the Council to implement the values of good governance, including effective arrangements for countering fraud and corruption risks. To achieve this the Committee's terms of reference include responsibility to ensure that the Council maintains a robust counter fraud culture via the implementation of the Counter Fraud Strategy. The Strategy is backed up by effective controls and procedures, which define the respective roles of management and Audit & Assurance.
- 3.3 The Council's Counter Fraud Strategy was reviewed and updated in 2016 to ensure that it provided an effective structure and approach to ensure that the

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

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

#### **4. RATIONALE**

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

#### **5. KEY ISSUES**

- 5.1 It is one of the requirements of the Accounts and Audit (England) Regulations 2015 that the Council must have measures in place 'to enable the prevention and detection of inaccuracies and fraud'.
- 5.2 The attached report (see Appendix A) provides a summary of the work undertaken during the year, which supports the overall conclusion on the measures in place relating to this area.

#### **6. POLICY IMPLICATIONS**

- 6.1 This report is part of the requirements of the Counter Fraud Strategy. These requirements are periodically reviewed and updated to reflect the changes that have taken place in respect of the counter fraud arrangements within the Council.
- 6.2 It is also contributor to the Annual Governance Statement, which assesses the effectiveness of the Council's own management of its policy objectives.

#### **7. FINANCIAL IMPLICATIONS**

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

#### **8. LEGAL IMPLICATIONS**

- 8.1 There are no direct legal implications from this report.

#### **9. RESOURCE IMPLICATIONS**

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

#### **10. EQUALITY and HEALTH IMPLICATIONS**

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

## **11. CONSULTATIONS**

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

Contact Officer: Colin Ferguson, Head of Audit & Assurance – Ext: 5326  
Date: 16 June 2021  
Background Papers: Counter Fraud Strategy 2016/20

## Blackburn with Darwen Borough Council



### **Counter Fraud Annual Report 2020/21**

**Audit & Assurance  
Finance Department  
June 2021**



## **1. Background**

- 1.1. The Council is committed to ensuring that opportunities for fraud and corruption are reduced to the lowest possible level through a combination of the following:
- Acknowledging and understanding fraud risks, and the harm they cause to the organisation, its objectives and service users, and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response;
  - Preventing and detecting fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture; and
  - Responding by punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.
- 1.2. The purpose of this report is to present the work carried out during the past financial year to minimise the risk of fraud, bribery and corruption across the Council. This supports the requirements of the Accounts and Audit Regulations (England) 2015 which states that the Council must have measures in place 'to enable the prevention and detection of inaccuracies and fraud'.
- 1.3. The report also sets out planned work for 2021/22 and highlights some of the current areas of fraud risk.

## **2. Key mechanisms – policies and procedures**

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

### **Whistleblowing Policy**

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

### **Counter Fraud Strategy**

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

### **Fraud Risk Register**

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

### **Reporting and awareness**

- 2.5. Audit & Assurance reports to the Audit & Governance Committee on a regular basis with corporate fraud updates.
- 2.6. The Council subscribes to the National Anti-Fraud Network (NAFN), which promotes the sharing of information between Authorities and publishes regular

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

- 2.7. The Principal Internal Auditor (Counter Fraud) is also a member of the North West Chief Auditors Counter Fraud sub group. This group has met on a regular basis during the year to consider the scope for joint working across the region on areas such as business rates and personal budgets, as well as to develop a common approach to key fraud risks and share best practise.
- 2.8. A fraud awareness training course is available on the Council's e-learning portal. This course has been undertaken by 721 people since its introduction (457 people during 2020/21) and Audit & Assurance continue to promote the course during its engagement with departments and schools. Members of the Audit & Governance Committee have also been provided with a copy of the CIPFA Counter Fraud Workbook for Councillors during the year. This has been produced by CIPFA and the Local Government Association. It is designed as a learning aid on this area for elected members and includes guidance, challenges cases studies and links to other information on this area.

### **3. Risk based planning to minimise the risk of fraud**

- 3.1. The annual audit planning process includes consideration of the fraud risk. The 2021/22 Annual Audit Plan, approved by the Audit & Governance Committee in July 2021, included provision to support a programme of proactive work that minimises the risk of loss to the Council. The annual plan also includes an allocation of time for reactive investigations.

### **4. Work and investigations carried out in 2020/21**

#### **National Fraud Initiative (NFI)**

- 4.1. The Council is required by law to provide send data to the Cabinet Office who administers this national data matching exercise. The returned data matches identify anomalies for further follow up and review by the Council to determine any actions required. Audit & Assurance co-ordinate the exercise and carry out further review of certain reports, including Payroll anomalies and suspected fraudulent Council Tax Support claims.
- 4.2. A total of 5,835 data matches were received from the Cabinet Office in February 2021 as part of the 2020/21 exercise. Work is underway to follow up these matches. The results of work undertaken to date show that 206 matches have been processed and a further 21 investigations are ongoing. A total of 12 errors have been found to date resulting in savings of £18,123 and arrangements are in place to recover this money from the individuals concerned where appropriate. The table below illustrates main areas of activity, and where savings have been identified.

## Summary of Results

Area	No. of Errors	Value (£)
Benefits (Housing/Council Tax Support)	12	£18,123
<b>TOTAL</b>	<b>12</b>	<b>£18,123</b>

### **Direct Payments Fraud**

- 4.3. Direct payments are made to Council service users which allow them to pay for their own assessed social care needs as an alternative to the Council directly providing or commissioning those services. Audit & Assurance has undertaken several investigations into suspected fraud in this area in the past, including a case during 2020/21. The case, which is currently ongoing, involves an overpayment of £20,000. The Police are supporting the Council with this investigation.

### **Other counter fraud activity and investigations**

- 4.4. During the year, Audit & Assurance carried out an investigation following a complaint made under the Council's Whistleblowing Policy. The complaint related to contract management arrangements and potential erroneous payments. The review concluded that appropriate contract management arrangements were in place and that the Council had made legitimate payments under the terms of the relevant contracts. An Audit & Assurance report made two recommendations to further strengthen the existing control arrangements in place. These were accepted by management.
- 4.5. Audit & Assurance carried out an investigation into alleged procurement irregularities following an anonymous complaint. The review found no evidence to substantiate the allegations made.
- 4.6. A separate complaint alleged misuse of a Council asset by an employee. The Audit & Assurance investigation confirmed that the asset had not been misused by the employee in question.
- 4.7. As part of its proactive plan of work, Audit & Assurance carried out a review of how the Blue Badge scheme is administered at the Council. The objective of this review was to ensure that there are effective arrangements in place to issue a Blue Badge in line with scheme eligibility conditions and to identify, cancel and recover Blue Badge Parking Permits when a permit holder dies. A report was issued in August 2020 which provided management with an adequate assurance opinion that the arrangements in place to issue a Blue Badge in line with scheme eligibility conditions and to identify, cancel and recover Blue Badge Parking Permits when a permit holder dies are effective. The report made two recommendations to support the control environment. Both recommendations were accepted by management.
- 4.8. During the year Audit & Assurance supported colleagues in administering Business Support Grant Payments in response to the Covid pandemic. Work was undertaken to support colleagues within the Growth Lancashire and Revenues & Benefits teams in developing fraud risk assessments and plans

to carry out pre & post payment checks in order to ensure that all State Aid requirements have been fully met and complied with when making grant payments. As part of the Audit Plan for 2021/22 Audit & Assurance will review whether these plans have been effectively delivered and that payments made comply with Scheme conditions.

## **5. Priorities for 2021/22**

5.1. The 2021/22 Internal Audit Plan makes provision for the following counter fraud activity during the year:

- National Fraud Initiative – co-ordination of the exercise and investigation into data matches;
- A review of the Covid grants paid by the Council to support Businesses;
- A review of the Counter Fraud Strategy;
- Reactive fraud investigations; and
- Development of a pro-active plan of work.

## **6. Conclusion**

6.1. The range of activities and incidents covered in this report highlights the extent to which fraud and error exist as risks to the achievement of the Council's objectives. Our conclusion is that the Council had effective measures to enable the prevention and detection of fraud and irregularities. Work will continue in 2021/22 to ensure that the Council has all the necessary policies and procedures in place to create and promote an environment where fraud, bribery and corruption are not tolerated.



**TO: Audit & Governance Committee**

**FROM: Head of Audit & Assurance**

**DATE: 29 June 2021**

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

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**TITLE OF REPORT**     **Annual Internal Audit Opinion Report 2020/21**

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**1. PURPOSE**

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

**2. RECOMMENDATIONS**

The Committee is asked:

- to note the content of the Annual Internal Audit Opinion Report for 2020/21 (as set out in Appendix A);
- to consider the overall annual opinion of the Head of Audit & Assurance, which is that **adequate assurance** can be placed upon the Council's framework of governance, risk management and internal control; and
- to note that the internal audit work that supports this opinion has been delivered in accordance with the Public Sector Internal Audit Standards (PSIAS) and that there are no significant areas of non-conformance.

**3. BACKGROUND**

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

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

**4. RATIONALE**

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

**5. KEY ISSUES**

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

The attached report complies with the requirements of the PSIAS. It includes a summary of the work carried out during the year that supports the overall opinion provided. It sets out any qualifications to the opinion (of which there are none reported for the year), together with reasons for those qualifications, discloses any impairments or restrictions in scope and compares actual work delivered with the 2020/21 Audit Plan, approved by the Committee on 29 July 2020. It also states whether the work has been undertaken in conformance with PSIAS, the results of the Quality Assurance Improvement Programme (QAIP), summary of actual performance against targets/measures and any issues that are considered relevant to the preparation of the AGS.

**6. POLICY IMPLICATIONS**

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

**7. FINANCIAL IMPLICATIONS**

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

**8. LEGAL IMPLICATIONS**

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

**9. RESOURCE IMPLICATIONS**

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

**10. EQUALITY & HEALTH IMPLICATIONS**

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

**11. CONSULTATIONS**

The issues raised in this report have been reported to Directors previously during the year, following the completion of individual audit assignments. Summaries of the issues identified have been reported to the Audit & Governance Committee at its meetings during 2020/21.

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

Contact Officer: Colin Ferguson, Head of Audit & Assurance – Ext: 5326  
Date: 16 June 2021  
Background Papers: 2020/21 Annual Audit & Assurance Plan, Strategic Statement and Internal Audit Charter, Audit & Assurance - Progress & Outcomes Committee reports, Audit & Assurance reports and files.

# **Blackburn with Darwen Borough Council**



## **Annual Internal Audit Opinion Report 2020/21**

**Audit & Assurance  
Finance Department  
June 2021**

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- 1.2 Role of Internal Audit
- 1.3 Objectives and Scope of Internal Audit

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- 2.2 My Annual Audit Opinion
- 2.3 Qualifications to the Opinion
- 2.4 Work Supporting the Opinion
- 2.5 Impairments/Restrictions in Scope
- 2.6 Organisational Independence

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- 3.4 Benchmarking
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- A Audit & Assurance Plan & Actual 2020/21;  
Summary of Internal Audit Opinions 2020/21; and  
Summary of Other/Unplanned Work 2020/21.
- B Summary Quality Assurance & Improvement Programme Activities



## **SECTION 1 – BACKGROUND**

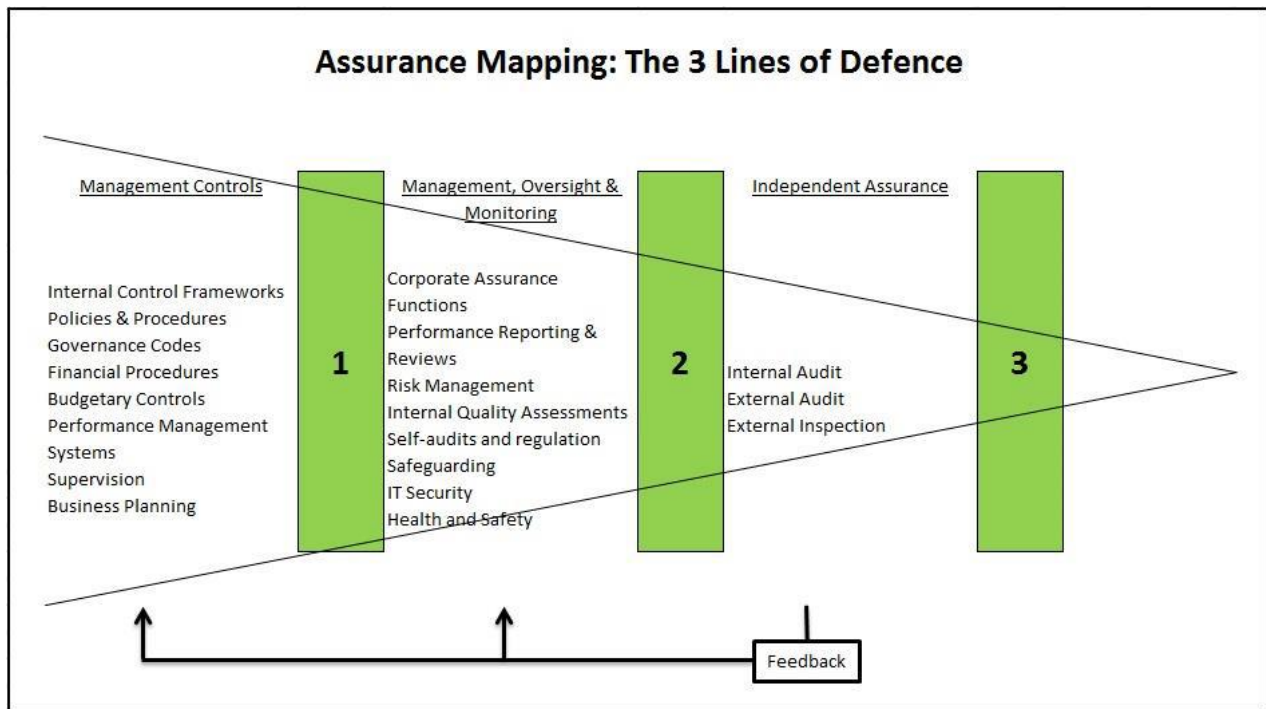
### **1.1 Introduction**

- 1.1.1 This report details the cumulative activities undertaken by the Council's Audit & Assurance (Internal Audit) section of the Finance Department during the period 1 April 2020 to 31 March 2021. It highlights key issues and themes identified from the audit reviews of the Council's risk management, governance and internal control frameworks. The activities undertaken by the section are primarily directed by a risk-based audit plan, which takes into account the Council's organisational objectives and priorities.
- 1.1.2 This report is intended to provide the Audit & Governance Committee with:
- an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
  - a summary of the internal audit work that supports the opinion;
  - any qualifications to the opinion together with reasons for the qualifications;
  - any impairments or restrictions in scope of the work undertaken;
  - a comparison of the audit work actually undertaken with the work planned, including a summary of its performance and quality assurance;
  - a declaration that audit work undertaken is in conformance with the Public Sector Internal Audit Standards (PSIAS); and
  - details of any issues particularly relevant to the preparation of the Council's Annual Governance Statement (AGS).
- 1.1.3 This report meets the requirements for Internal Audit to provide an annual internal opinion on the overall adequacy of the Council's framework of governance, risk management and control, as detailed in the PSIAS and demonstrates that the Council is maintaining an adequate and effective system of internal audit as required by the Accounts and Audit (England) Regulations 2015.

### **1.2 Role of Internal Audit**

- 1.2.1 The statutory basis for Internal Audit in local government is the Accounts and Audit (England) Regulations 2015, which state that each authority must:
- 'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards.'*
- 1.2.2 Internal audit work is governed by the PSIAS. The Internal Audit Team has adopted the PSIAS definition of internal audit, which is:
- "Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."*
- 1.2.3 It should be remembered that internal audit is the Council's 'third line of defence, in a model where management and management controls represent the first line of defence. It is management's responsibility to directly assess, control and mitigate risks, and maintain adequate and effective systems of risk management, internal control and governance, in accordance with the Council's control frameworks and procedures. In-service compliance functions, whose role

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



1.2.4 Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures. However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses in the areas audited. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have worked with management to develop proposals for remedial action.

1.2.5 Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities that may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

### 1.3 Objectives and Scope of Internal Audit

1.3.1 The objectives and scope of Internal Audit are set out in the Internal Audit Charter. The Audit & Governance Committee approve the Charter at least biennially. It was updated during 2020 and approved by the Committee at its meeting in March 2021. The Charter complies with the requirements of the PSIAS. The emphasis placed on Internal Audit's role in reviewing both financial and non-financial areas represents the profession's best practice and enables Internal Audit to give an opinion on the adequacy of the Council's key risk management, control, and governance systems.

1.3.2 Internal audit's role includes assessing the adequacy of the risk management process, key internal control system and corporate governance arrangements in place. Testing is performed to ensure the controls identified operated affectively for the period under review.

## **SECTION 2 – INTERNAL AUDIT OPINION**

### **2.1 Arriving at the Annual Opinion**

- 2.1.1 The overall opinion on the Council's systems of risk management, control and governance is based on Internal Audit's assessment of the Council's key management arrangements. This framework required to provide management with confidence that the main processes to achieve these business objectives:
- have adequate and effective systems and control process in place to achieve their purpose; and
  - are free from material financial and non-financial business risk.
- 2.1.2 In providing our opinion, it should be noted that assurance can never be absolute. Therefore, only reasonable assurance can be provided that there are no major weaknesses within these systems.
- 2.1.3 Our opinion on the systems of risk management, control and governance within the Council has been formulated by giving careful consideration to following:
- Planned work undertaken during 2020/21;
  - Unplanned work undertaken during 2020/21
  - Follow ups of audit work undertaken during 2019/20 and 2020/21; and
  - Other sources of assurance relevant during 2020/21.

### **2.2 My Annual Audit Opinion**

Sufficient, reliable and relevant evidence has been obtained from a range of sources with the organisation other than from internal audit work alone.

I can provide adequate assurance overall, regarding the Council's frameworks of governance, risk management and control. Based on the results of internal audit work undertaken and completed during the period, evidence reviewed, explanations received and the processes reported upon during 2020/21, together with the other sources of assurance available to Internal Audit, it is considered that, overall, the Council has **adequately designed** systems of risk management, control and governance, which are being **operated effectively** overall.

- 2.2.1 In a year when the Council has had reduced capacity to be audited, and resources have needed to be redeployed to respond effectively to the pandemic, some of the internal audit team have been re-deployed at times during the year to other roles. Nonetheless, I have sufficient evidence to support the overall opinion for the year.
- 2.2.2 In forming the annual opinion I have considered the conclusions of the internal audit reviews that have been undertaken during the year, along with the result from the Management Accountabilities Framework (MAF) reporting arrangements and challenge process, Directors annual assurance statements and other external inspection results. I have also reflected on mine and the audit team's experience, observations and understanding of the overall culture within the Council's, its attitude towards control and risk and its improvement journey in response to previous audits and recommendations.

## 2.3 Qualifications to the Opinion

2.3.1 In providing the overall opinion, consideration is given to the assurance opinions provided during 2020/21 in respect of audits identified in the approved plan as priority 1 risk areas, or on functions that have been identified as corporate risks. There were no areas in either of these categories where the opinions provided were less than adequate.

2.3.2 The assurance opinions provided in the finalised the audit reports issued and reported to the Audit & Governance Committee during 2020/21 across the categories of risk management, internal control and governance are detailed in Appendix A attached.

## 2.4 Work Supporting the Opinion

### Planned Work:

2.4.1 The Audit & Governance Committee approved the Audit & Assurance Plan for the year to 31 March 2021 at its meeting on 29 July 2020.

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

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

2.4.3 Internal Audit has completed and formally reported upon 28 assignments including 22 internal control, four risk related, and one governance assignment and one proactive fraud review, which support our overall opinion on the Council's systems of risk management, governance and internal control. In addition to these, there were 10 reviews in progress at the year-end. A summary of the assurance levels that support our opinion is also provided in Appendix A.

Other/Unplanned Work:

2.4.4 During the year we have carried out a number of other activities/unplanned audit work and provided advice and assistance to managers, departments and schools on a number of areas. A total of 46.5 audit days has been spent on these areas. A summary of the days on each area is set out in the second graph included at Appendix A.

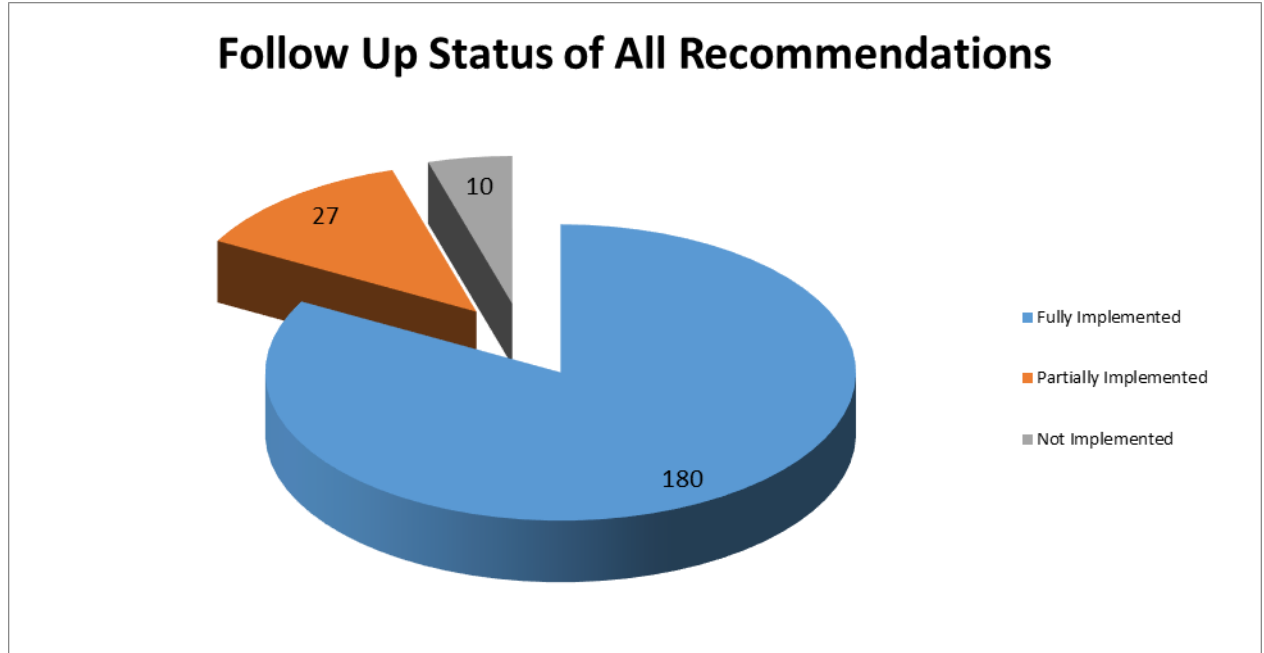
2.4.5 Our other/unplanned work includes the following areas:

- Supporting the Audit & Governance Committee (15.5 days);
- Annual Reporting (3 days);
- Liaison with departments/DMTs, external audit and responding to general requests from managers for advice/guidance (12 days);
- Specific activity on new systems and programmes or other cross cutting working groups and boards (8.5 days); and
- Monitoring the implementation of reported recommendations (6 days).

Follow Ups:

2.4.6 Where we issue a *limited* or *no* assurance report we undertake “standard” follow-ups after 3 months. For all other assurance reports, we undertake a “standard” follow up after 6 months. In 2020/21, we followed up 217 recommendations. These comprised of 45 “Must”, 150 “Should” and 22 “Consider” recommendations. The responses to the follow up reports are summarised in the chart below.

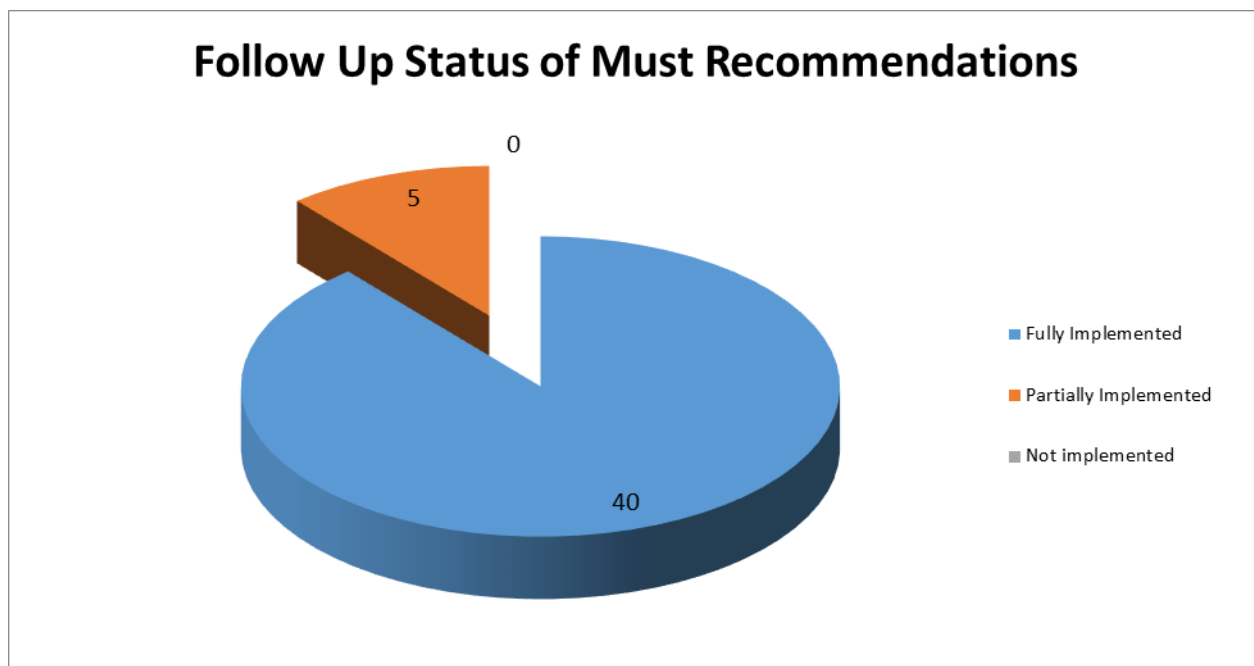
Follow Up Status of All Recommendations 2020/2021



2.4.7 Further analysis of the highest priority, “must” recommendations, identified that there were none that had not been implemented in accordance with the agreed timescales. The results from the follow up of agreed recommendations are included in the regular Audit & Assurance Progress Reports presented to each Audit & Governance Committee meeting during the year for consideration. This includes explanations where of any responses to follow ups undertaken have not received at the time of the report and any recommendations that have not been

implemented. We received appropriate explanations from management for those recommendations not being implemented within agreed timescales.

#### Follow Up Status of 'Must' Recommendations 2020/2021



2.4.8 Where we have particular concerns about the implementation of recommendations we undertake further “physical” follow up exercises where documentation will be reviewed and further testing undertaken to confirm actions taken are adequate. There were no instances where this was considered necessary for the follow-up reviews carried out during the year.

#### Other Sources of Assurance:

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

- The Council’s Management Accountabilities Framework (MAF) reporting arrangements and challenge process;
- The annual Directors’ assurance certificates;
- The external auditor’s annual audit letter and certification report;
- In January 2021, the Council had its compliance to connect to the Public Services Network (PSN) reviewed. It was demonstrated that the IT infrastructure is sufficiently secure to connect to the PSN for the next 12 months.
- The results from an Internal IT Health Check Review, carried out in August 2020. The internal network security of the Blackburn and Darwen Borough Council had a good security posture, with some best practice controls in place to prevent a malicious attack.
- The result of the Council’s submission for the NHS Data Security & Protection Toolkit (DSPT). This was assessed as ‘standards met’ to enable the Council to continue to exchange data with the NHS;

- The reports from the inspections of the Council's services by Ofsted and the Care Quality Commission. We also consider relevant school Ofsted inspection reports when carrying out our school visits.

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

2.4.11 All Directors and the Chief Executive are required to complete a statement of assurance each year regarding the governance arrangements, including risk management and internal control arrangements for their areas of responsibility as part of the process to produce the Council’s Annual Governance Statement. Completed statements of assurance were received from all these officers. All directors confirmed that they were satisfied that “a sound system of governance was in place throughout the year ended 31 March 2021 and is ongoing”.

2.4.12 The audit approach used by the Council’s external auditors includes an evaluation of the Council’s internal control environment. The auditors gave an unqualified opinion on the Council’s financial statements for the year ended 31 March 2020 on 4 February 2021. They also confirmed that the remainder of the information published with the financial statements was consistent with their knowledge of the Council and with the audited statements. They were satisfied that proper arrangements were in place, 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 ended 31 March 2020.

2.4.13 An internal IT Health check of the Council’s ICT perimeter network was carried out in May 2019, including an external network penetration test. The primary purpose was to check for security misconfiguration and other weaknesses that could lead to system compromise and access to sensitive or valuable information. The conclusion from the review was that the overall security posture of the perimeter network was strong.

2.4.14 An Internal IT Health Check was carried out in August 2020. It covered seven areas. The report included the following conclusions and included recommendations for the remediation of the findings:

- The Council’s internal network security had a good security posture, with some best practice controls in place to prevent a malicious attack.
- The overall security posture of the Council’s server estate was found to be good. The anti-virus solution on all Windows servers was up to date.
- A review of a deployed workstation found that overall, the security was good and web content filtering was in place.
- The password policy in place was considered strong.
- A review of two wireless networks was performed. The findings noted that the internal network was well configured using the 802.1x protocol. Good Wi-Fi security practice was demonstrated on the public Wi-Fi network.
- A firewall ruleset review for the internal, external and PSN firewalls was carried out as part of this project. The firewalls were found to be well configured, with the majority of rules having comments and references to change requests.

- A review of the corporate mobile device management policies noted that mobile passwords were configured to eight numeric digits. This could be further improved by enforcing alphanumeric character passwords. Rooted and Jailbroken devices were prohibited from accessing corporate resources, and devices were to be wiped after ten incorrect login attempts.
- 2.4.15 The Public Services Network (PSN) compliance of Council's ICT network was reviewed during 2020/21. The Council demonstrated that its infrastructure was sufficiently secure to connect to the PSN for the period 15 January 2021 to 15 January 2022.
- 2.4.16 The Council's evidence submission for the 2020/21 NHS DSPT was reviewed and approved by the Council's Senior Information Risk Officer. The Organisation search on the NHS DSPT website shows the Council as meeting the standards. This provides assurance on the arrangements in place for the management and security of data and will enable the Council to continue to exchange data with NHS bodies.
- 2.4.17 Ofsted carried out a focussed visit of Children's Services in February 2020. The inspectors looked at the arrangements for decision-making for children who come into care and the quality of early care planning and placements. The report noted that senior leaders understand the strengths and areas for development within the service. While there have been improvements in some areas of service, progress remains slow in key areas of weakness that were identified at previous in sections.
- 2.4.18 The report concluded that leaders have recognised that, despite the local authority being judged to be good overall at the last inspection, there is significant work to do to ensure that this is sustained. It recognised that a new quality assurance framework has been introduced as part of the plan for practice improvement. This has led to an increase in the range of audit activity to support a greater understanding of practice.
- 2.4.19 Ofsted only carried out one monitoring visit at a Council setting during the year due to the pause of routine inspections under the Education and Social Care Common Inspection Frameworks. The report noted that the recommendations made in the previous inspection had been met. No overall judgement was provided following this visit. The judgement from the previous visit, in 2020, was good.
- 2.4.20 The number of schools that are providing a good or better education as deemed by Ofsted has risen again from 85% to 87.3%, which has broadly in line with National and regional averages. This progress is something that the School Improvement Board and Local Authority want to sustain. The rise is because of some schools moving from Requiring Improvement (RI) to Good, some remaining consistently good and some on their way to outstanding through good leadership. It is also due to the targeted support by the School Improvement Board along with the local authority for schools who were in an Ofsted window or who were vulnerable through data. Of the nine schools (14 in 18-19) who are RI or lower three out of the nine (33%) are academies or free schools which in turn lowers the percentage overall for the borough.
- 2.4.21 As is the case nationally, the emphasis in school improvement has been on a school-led school improvement system, built around schools working collaboratively together. The Council developed a new, dynamic model of School Improvement in 2015, which is school led and embraces system leadership and self-improvement. This Strategy and model continue to mature. Our dynamic School Improvement Board (SIB) contains representatives from each of the Primary, Secondary School, Special and Alternative Provision Improvement Groups and from the primary and secondary Teaching School Alliances. There are also representatives from each Multi Academy Trust and Diocese.



The Director of Children's Services and two senior local authority officers together with a representative of the Regional Schools Commission (RSC) make up the remainder of the Board

- 2.4.22 With the introduction of the new Schools Inspection Framework in 2019/20, with the enhanced focus on the curriculum, the Council radically revised its school intervention strategy and devised a new Strategy for "Schools which require additional support". This is an identified area that the School Improvement Board will be monitoring, along with the new separate judgements for personal development and behaviour and attitudes to ensure a multi-agency approach. The School Improvement Strategy Group (SISG) oversees this new approach.
- 2.4.23 The Care Quality Commission has not routinely inspected services during the pandemic. They have contacted a number of Council service areas through existing monitoring arrangements and engagement and support calls. They have provided summary records of their findings. However, they note that these summary records are not inspection reports. They have assessed the services contacted as managing the impact of Covid 19 pandemic. They did not consider any further regulatory activity was indicated as a result of their findings.
- 2.4.24 Our planned work, other/unplanned work, follow ups and other sources of assurance has not identified any serious concerns in relation to the Council's systems of risk management, control and governance.

## **2.5 Impairments/Restrictions in Scope**

- 2.5.1 No limitations have been placed by management on the scope of work carried out by Internal Audit during 2020/21. Audit recommendations have been made based on the findings from each review. These have been discussed and agreed with the managers responsible for each area reviewed. Action plans have been agreed for each audit report issued. Implementation of the recommendations, as per the agreed action plans, is followed up to confirm that the agreed recommendations have been implemented.
- 2.5.2 The scope of the work able to be carried out has been restricted by the impact of the Covid-19 pandemic on the organisation. However this has not limited the scope of the annual audit opinion provided.
- 2.5.3 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from the internal audit work. These limitations include the possibility of faulty judgement in decision making, of breakdowns due to human error, of controls identified being circumvented by the collusion of two or more people and of management overriding controls. In addition, there is no certainty that internal controls identified will continue to operate effectively in future periods, or that the controls will be adequate to mitigate all significant risk that may arise in the future.
- 2.5.4 Decisions made in designing internal controls inevitably involve the acceptance of a degree of risk. The outcome of the operation of internal controls cannot predict with absolute assurance, and assessment of internal control is judgemental.

## **2.6 Organisational Independence**

- 2.6.1 The Internal Audit Service has access to and support from the Council's Corporate Leadership Team. In the course of its normal work it is able to operate independently within the organisation and, in accordance with its charter, the service remains independent of the Council's other functions.

- 2.6.2 The Internal Audit Service's work programme and priorities are determined in consultation with the Corporate Management Team, the Council's senior managers and the Audit & Governance Committee, but remain decisions for the Head of Internal Audit. I have direct access to and freedom to report in my own name and without fear or favour to all officers, and to members of the Audit & Governance Committee.
- 2.6.3 I have has line management responsibility for the Council Insurance team in addition to Internal Audit. However, internal audit staff had no direct operational responsibility or authority over any of the activities audited in 2020/21. I can therefore confirm the organisational independence of the Internal Audit activity.

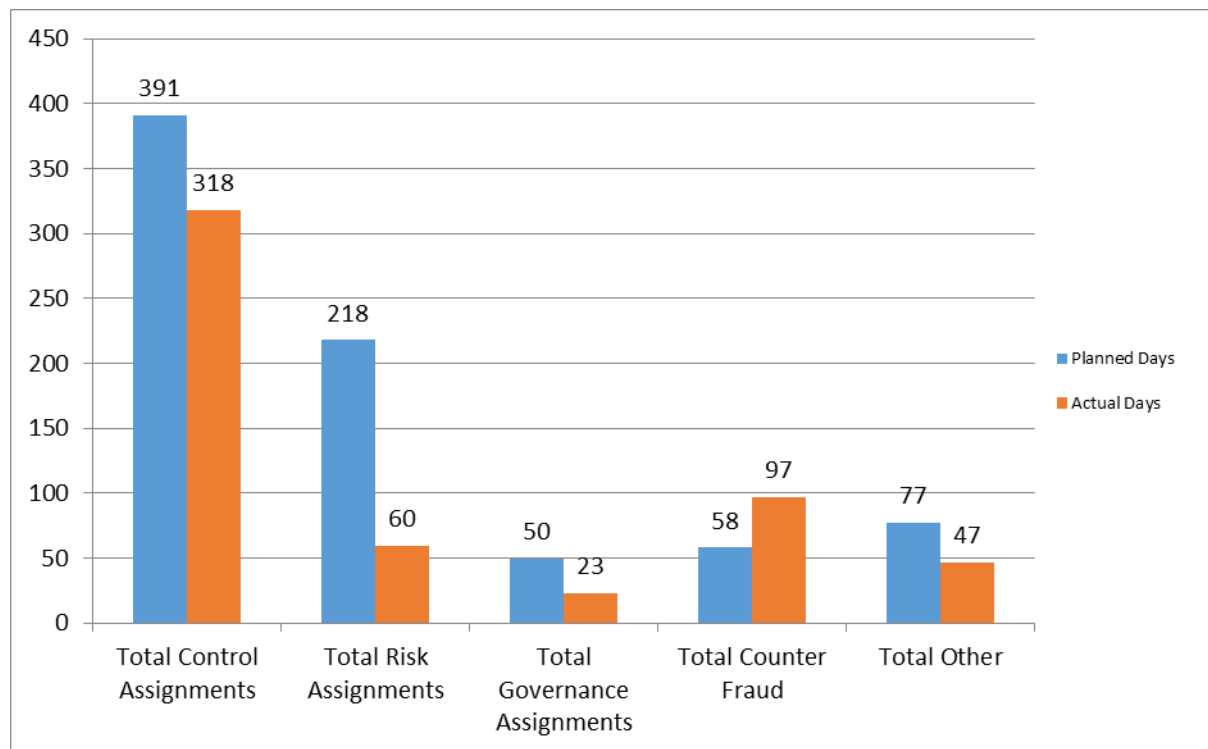
## **SECTION 3 – INTERNAL AUDIT PERFORMANCE/QUALITY ASSURANCE**

### **3.1 Comparison of Actual and Planned Work**

3.1.1 The Audit & Assurance Plan was approved by the Audit Committee on 29 July 2020. The Plan then anticipated that Audit & Assurance would have staff resources amounting to 794 days for internal audit assignments and counter fraud work.

3.1.2 Internal Audit was able to deliver a total of 545 days (69%) against the approved Audit & Assurance Plan, which can be summarised as follows:

#### **Audit & Assurance Plan Against Actual 2020/21 (Days Achieved)**

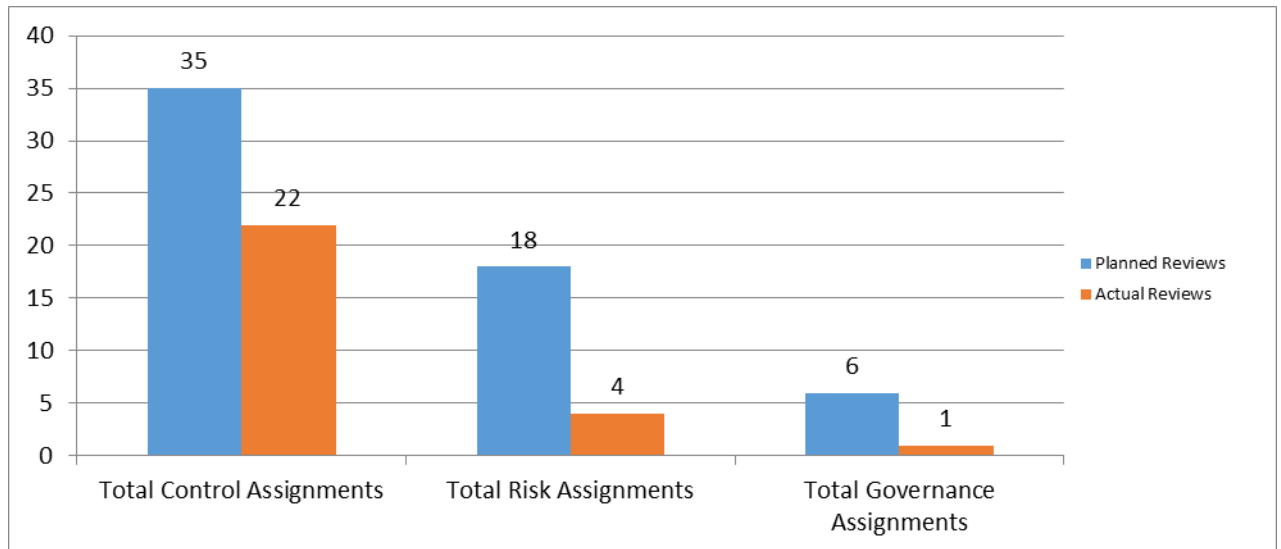


3.1.3 The shortfall in days during the year arose primarily due to members of the team being redeployed to support the Council's response to the pandemic. This has included a staff member providing support to the payroll team during the period May to July 2020, to carry out reconciliations of payroll suspense and control accounts and two colleagues providing support to the Council Tax team administering the application and payments process for self-isolation grants during the period from January to March 2021. In addition, members of the audit team have also provide support to the Insurance team to cover staff maternity leave. However, despite this the days achieved against the original and revised Audit & Assurance Plan are considered sufficient to provide an opinion on the effectiveness of risk management, control, and governance processes within the constraints that are being placed upon the Council and Audit & Assurance.

### **3.2 Key Achievements 2020/21**

3.2.1 Despite the reduction days available Internal Audit was able to deliver sufficient audit assignments to provide an overall opinion on the risk, control and governance environment in place within the Council. The following exhibit shows Internal Audit was able to deliver 32 assignments, 45% less than those originally planned (58). It should also be noted that 16 planned reviews were in progress at 31 March 2020.

### Internal Audit Plan Against Actual 2020/21 (Assignments Delivered)



3.2.2 We consider that the volume of audit assignments completed in relation to risk management, control and governance, along with the other work carried out on these areas by Audit & Assurance staff is sufficient to allow us to provide an overall opinion on each of those Council processes.

3.2.3 The Audit & Assurance Plan is prioritised according to the level of risk associated with each audit assignment. A Priority 1 (highest level) assignment is “a strategic risk or fundamental review required to provide a statutory opinion for the Annual Governance Statement”. The 2020/21 Audit & Assurance Plan included six Priority 1 audit assignments. All of these have been delivered in 2020/21, with the exception of the planned review of the budget setting and control arrangements. The previous review of this area, completed in November 2019, provided substantial opinions in respect of the control environment and compliance with the controls. The findings of this review did not identify any significant areas of concern that would affect the annual overall opinion provided.

### **3.3 Key Performance Information**

3.3.1 The Finance Business Plan and Audit & Assurance Plan includes a number of measures to assess the performance of Internal Audit in terms of its achievement and quality. The actual performance against these targets for 2020/21 (together with the 2019/20 performance) is shown in the following table.

#### Internal Audit Performance 2020/21

<b>Performance Measure</b>	<b>Target</b>	<b>Actual 2020/21</b>	<b>Actual 2019/20</b>
Delivery of Priority 1 Audits	100%	83%	90%
Planned Audits Completed Within Budget.	90%	<b>67%</b>	<b>70%</b>
Final Reports Issued Within Deadline	90%	<b>100%</b>	<b>93%</b>
Follow Ups Undertaken Within Deadline	90%	<b>85%</b>	<b>83%</b>

<b>Performance Measure</b>	<b>Target</b>	<b>Actual 2020/21</b>	<b>Actual 2019/20</b>
Recommendations Implemented	90%	95%	91%
Client Satisfaction	75%	100%	100%
Compliance with PSIAS	95%	99%	99%

3.3.2 The actual performance against these targets was reported to each Audit Committee meeting during 2020/21. Explanations were also provided where our performance did not meet the expected target.

### **3.4 Benchmarking**

3.4.1 The Internal Audit team participated in the 2019/20 Lancashire benchmarking exercise. The results showed that the team's staff costs per full-time equivalent were comparable with similar authorities and the cost of audit per capita was below the unitary average for 2018/19 and 2019/20. The team had lower audit days per £million of turnover compared to similar authorities for the two years. This is a reflection of the lower staffing levels in the internal audit team compared to similar authorities. However, it is considered that the team has had sufficient resources to deliver an effect internal audit service for the Council.

### **3.5 Quality Assurance**

3.5.1 The PSIAS requires that all aspects of internal audit activity are considered by a combination of ongoing internal monitoring, periodic self-assessments or internal assessments by others with sufficient knowledge, and independent external review at least once every five years. The Quality Assurance & Improvement Programme (QAIP) was presented to the September 2016 Committee meeting. The QAIP covers all aspects of internal audit activity and enables conformance with the PSIAS to be evaluated. A key objective of the QAIP is to assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. This is achieved through both internal and external assessments. A summary of the QAIP is attached at Appendix B.

3.5.2 The Internal Audit Service has designed procedures and an audit methodology that conform to the PSIAS and are regularly reviewed. Every auditor in the team is required to comply with these or document the reasons why not, and to demonstrate this compliance on every audit engagement.

3.5.3 Following this framework, the Internal Audit Service's QAIP consists of internal ongoing monitoring of audit engagement quality, periodic internal assessment of the professional and operational framework, and external review. During 2020/21 the Head of Audit & Assurance has had operational involvement in the ongoing quality monitoring process as a result of the 2017 staffing restructure. This has involved reviewing the work of the Principal Audit & Assurance Officers and quality assuring the final reports of all staff. This allows the Head of Audit & Assurance to ensure consistent application of the quality standards and to review the process to identify opportunities for improvement.

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

3.6.1 From 1 April 2013 Audit & Assurance has been required to comply with the requirements of the PSIAS. Our assessment is that we comply fully or partially

with 330 of the 334 elements (99%) of the Standards. The areas of non-conformance shown in the table on the following below.

Exhibit 10: PSIAS Non-Conformance 2015/16

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

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

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

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

Exhibit 11: PSIAS Summary Peer Review Assessment 2015/16

Area of Focus	Judgement
Purpose & Positioning	Conforms
Structure & Resources	Conforms
Audit Execution	Conforms
<b>Overall Judgement</b>	<b>Conforms</b>

3.6.3 The next peer review of the internal audit team's compliance with the PSIAS requirements is planned for July 2021. The results will be reported to the Audit & Governance Committee in due course once it has been completed.

**3.7 Improvement Plans for 2021/22**

3.7.1 No significant areas for improvement have been identified for 2021/22 from the results of the quality assurance process in place within Audit & Assurance. Following completion of the Audit & Assurance service review and the implementation of the revised structure the team has focussed on ensuring that it continues to deliver an effective and improving service. Audit management will continue to work with senior management to ensure that systems in operation to promote effective control, risk management and governance are adequate in the current evolving transformational climate. The team will also continue to maintain and improve its corporate visibility to take every opportunity to market itself to the

organisation, particularly at lower levels of management and operational areas of management, emphasising the added value that it offers.

## **SECTION 4 – ANNUAL GOVERNANCE STATEMENT**

### **4.1 Criteria for Identifying Issues Relevant to the Annual Governance Statement**

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

- the issue has seriously prejudiced or prevented achievement of a principal objective;
- the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant a diversion of resources from another aspect of the business;
- the matter has led to a material impact on the accounts;
- the issue or its impact has attracted significant public interest or has seriously damaged the reputation of the organisation; or,
- the issue has resulted in formal action being taken by the Chief Financial Officer or Monitoring Officer.

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

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

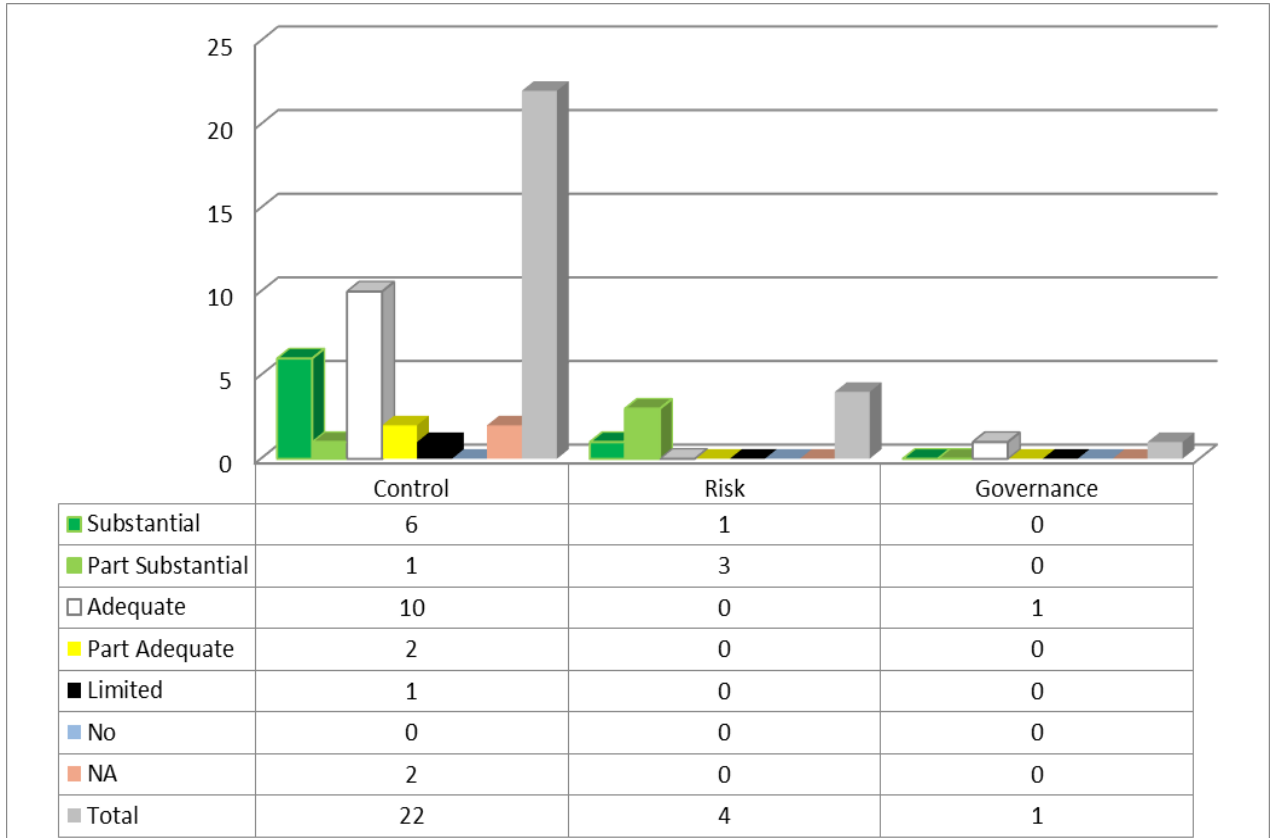


**Audit & Assurance Plan & Actual 2020/21**

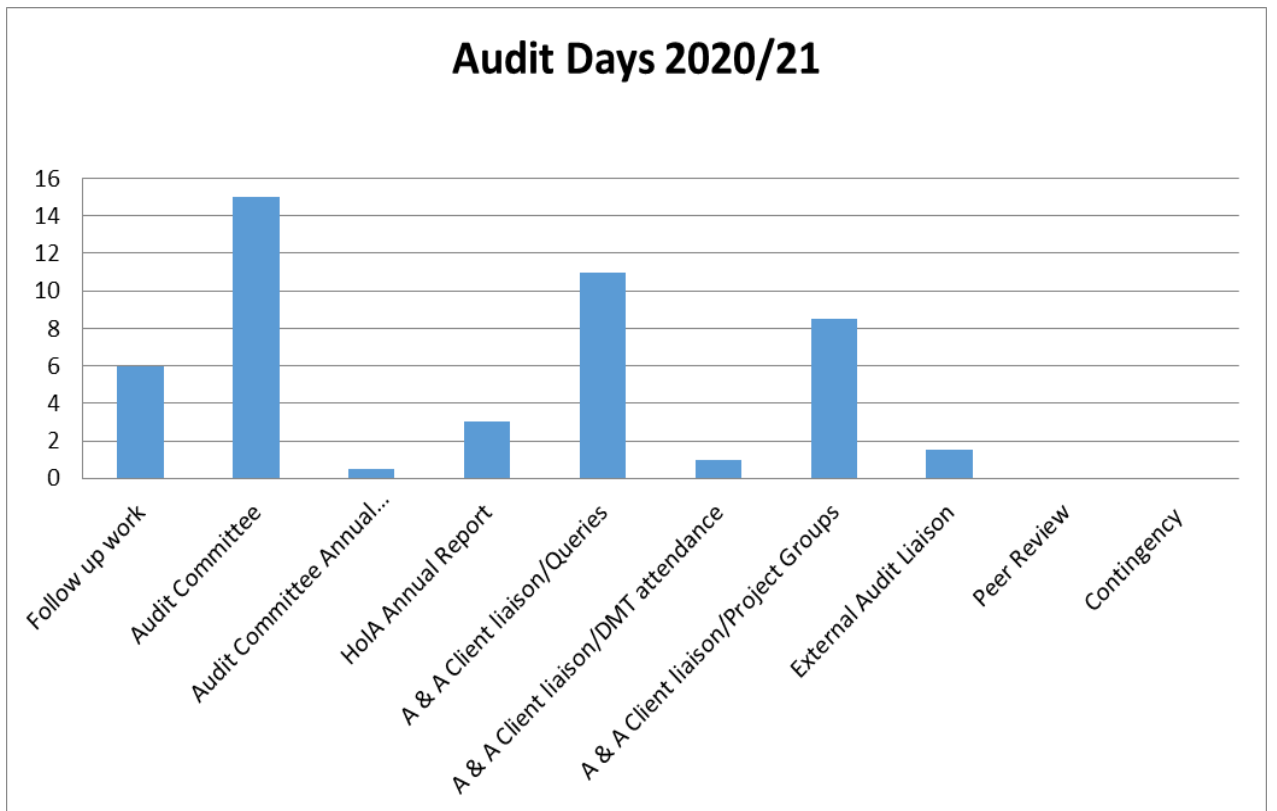
Audit Assignment	CLASSIFICATION	Priority	20/21 Day	Actual Day	Assurance Opinion	
					Control	Compliance
Volunteers/ Demand Management Strategy	Control	2	10	0		
Audits of Schools Finance systems	Control	3	18	7		
Feniscowles Primary School (WIP 2019/20)	Control	3	1	2.5	Substantial	Substantial
Lower Darwen Primary school	Control	3	6	0		
Turncroft Nursery	Control	3	6	0		
Griffin Park Primary School	Control	3	6	0		
St Cuthberts CE Primary School	Control	3	6	12.5	Adequate	Adequate
St Matthews Primary School	Control	3	6	14	Adequate	Adequate
Meadowhead Infants School	Control	3	6	0		
St Stephen's Tockholes CE Primary School	Control	3	6	0		
Adoptions - Regional contract	Control	3	10	1.5		
Local Transport Capital Funding/LTP Grant Certification Requirement	Control	1	5	5	N/A	N/A
Bus Subsidy Grant	Control	1	5	5.5	N/A	N/A
Commercial Property Rental Management (WIP 2020/21)	Control	2	10	23		
Police & Crime Commissioner Grant	Control	1	5	5	Adequate	Adequate
RIPA processes - deferred to 2020/21	Control	2	10	2		
Payroll - Core system/Failure of HR & payroll system incl staff & Mgr. self service (WIP 2019/20)	Control	2	8	23.5	Adequate	Adequate
Payroll - Core System	Control	2	15	0		
Off payroll engagement (IR35)	Control	2	5	0		
Main Accounting System - including account reconciliation's	Control	2	10	6	Substantial	Substantial
Creditors	Control	2	10	32	Adequate	Adequate
Mosaic - Financial Assessment module	Control	2	10	0		
Sundry Debtors	Control	2	10	0		
Personalised budgets/Direct payments (WIP 2020/21)	Control	2	10	3.5		
Mileage payments	Control	3	10	38	Adequate	Adequate
Treasury/Cash flow Management	Control	3	10	0		
Children Centres	Control	3	20	0		
Leisure income collection & Recording	Control	3	10	0		
Leisure cash - Blackburn Sports and Leisure Centre	Control	3	2	0		
Darwen Leisure centre	Control	3	2	0		
Witton Park Arena	Control	3	2	0		
Museums Collections Recording System	Control	3	10	0		
Business intelligence/Customer Dashboard	Control	3	10	0		
Internet controls - filtering system and reporting notifications	Control	2	10	0		
Asset Management Strategy and decision making	Control	2	10	0		
Markets - Leases (Additional to the Plan)	Control	3	0	17.5	Adequate	Limited
East Z East Lease Arrangements (Additional to Plan)	Control	3	0	14	No	N/A
Planning Enforcement (WIP 2020/21)	Control	3	10	12		
Events management, Halls (KGH)/ Reduction in KGH business performance impacting income	Control	3	10	0		
Selective licensing/ Housing Standards	Control	3	10	0		
Budgetary Setting and Control / Failure to deliver a balanced budget and MTFs (WIP 2020/21)	Control	1	10	3		
Grant certification re Implementation of new Blue Badge Criteria	Control	1	5	2.5	Substantial	Substantial
Civica asset management module	Control	2	10	0	Substantial	Substantial
Museum (WIP 2019/20)	Control	3	2	6	Adequate	Adequate
Apprentice Levy (WIP 2019/20)	Control	2	4	6	Adequate	Adequate
Use of Contractors - Arrangements re-use of contractors - Growth and Development Framework (WIP 2019/20)	Control	2	14	14	Substantial	Substantial
Council Tax (WIP 2019/20)	Control	3	5	12		
Highways Procurement (WIP 2019/20)	Control	2	2	5	Adequate	Limited
Car Parking Income (WIP 2019/20)	Control	3	3	12	Substantial	Substantial
Cemeteries (WIP 2019/20)	Control	3	5	15	Adequate	Substantial
Proactive Fraud - Blue badges (WIP 2019/20)	Control	3	5	6	Adequate	Adequate
Turton Tower (WIP 2019/20)	Control	3	4	8.5	Adequate	Adequate
Digital & Business - Change Control (WIP 2019/20)	Control	2	2	3.5		
<b>Total 2020/21 Control Assignments (35)</b>			<b>391</b>	<b>318</b>	<b>22</b>	<b>22</b>
Audit Assignment	CLASSIFICATION	Priority	20/21 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Homelessness Prevention Strategy - Impact of Universal Credit	Risk	2	10	0		
Transitional Arrangements - Children to Adult Care	Risk	3	15	0		
Safeguarding the most vulnerable	Risk	3	10	0		
Protocol ICS System	Risk	2	10	0		
Ofsted Inspection Framework (WIP 2020/21)	Risk	2	10	8.5		
Educational trips and visits (WIP 2020/21)	Risk	2	10	1.5		
Corporate Appointee (WIP 2020/21)	Risk	2	10	10.5		
Section 17 Payments / Financial support to families (WIP 2020/21)	Risk	3	15	10.5		
Device Management/ Software licencing/Asset Management/PC Inventory Controls (WIP 2020/21)	Risk	2	15	5.5		
Service desk performance	Risk	2	10	0		
Health & Safety - Failure to comply with H&S legislation & Council standards	Risk	3	10	0		
Failure to inspect and maintain - Highways	Risk	2	15	0		
Transport Procurement/Fleet Management - implement 2018/19 fleet vehicle replacement programme.	Risk	3	10	0.5		
DOLS and COP Applications & Public Law	Risk	2	10	0		
Elections	Risk	2	15	0		
Legal case management	Risk	3	10	0		
Performance Indicators/ Data quality	Risk	2	10	0		
Social Media	Risk	3	10	0		
Pupil Transport (WIP 2019/20)	Risk	3	4	7.5	Substantial	Substantial
YPS educational trips and visits risk assessment and approval system and process. (WIP 2019/20)	Risk	A*	5	10	Substantial	Adequate
Information Governance (WIP 2019/20)	Risk	1	1	1	Substantial	Adequate
Digital & Business - Business Continuity (WIP 2019/20)	Risk	2	2	3		
Mosaic - client case management system (WIP 2019/20)	Risk	1	1	1	Substantial	Adequate
<b>Total 2020/21 Risk Assignments (18)</b>			<b>218</b>	<b>59.5</b>	<b>4</b>	<b>4</b>

<b>Audit Assignment</b>	<b>CLASSIFICATION</b>	<b>Priority</b>	<b>20/21 Days</b>	<b>Actual Days</b>	<b>Assurance Opinion</b>	
					<b>Control</b>	<b>Compliance</b>
Health & Social Care Integration - Sustainability & Transformation Plan	Governance	2	10	0		
Sports England Grant - Pennine Lancashire Pilot	Governance	2	10	0		
Governance and decision making and reporting arrangements (WIP 2020/21)	Control	2	10	9.5		
Equality Impact Assessments	Governance	2	10	0		
Review of Financial Regulations, SFIs, etc	Governance	2	5	0		
Building Control (WIP 2020/21)	Governance	2	4	12.5		
Soc Determinants of Health	Governance	2	1	1	Adequate	Adequate
<b>Total 2020/21 Governance Assignments (6)</b>			<b>50</b>	<b>23</b>	<b>1</b>	<b>1</b>
<b>Audit Assignment</b>	<b>CLASSIFICATION</b>	<b>Priority</b>	<b>20/21 Days</b>	<b>Actual Days</b>	<b>Assurance Opinion</b>	
					<b>Control</b>	<b>Compliance</b>
<b>Other Audit Work</b>						
Follow up work	Governance	1	10	6		
Audit Committee	Governance	1	15	15		
Audit Committee Annual Report/Evaluation	Governance	1	4	0.5		
HolA Annual Report	Governance	1	4	3		
A & A Client liaison/Queries	Other	2	10	11		
A & A Client liaison/DMT attendance	Other	2	5	1		
A & A Client liaison/Project Groups	Other	2	5	8.5		
External Audit Liaison	Other	2	2	1.5		
Peer Review	Other	1	10	0		
Contingency	Other	2	12	0		
<b>Total Other</b>			<b>77</b>	<b>46.50</b>		
<b>Other Fraud Work</b>						
National Fraud Initiative (NFI)	Governance	1	10	26.5		
Counter Fraud Annual Plan/Report	Governance	1	4	1		
Proactive Fraud Testing	Governance	2	15	4.5	Adequate	Adequate
Reactive investigations	Governance	2	15	65		
Review Counter Fraud Strategy	Control	2	5	0		
Review/Monitor Fraud Risk Register	Control	2	5	0		
Fraud awareness and whistle blowing initiatives	Control	2	4	0		
<b>Counter Fraud Activities</b>			<b>58</b>	<b>97</b>		
<b>Total Internal Audit &amp; Counter Fraud</b>			<b>794.00</b>	<b>544.00</b>		
<b>Other Risk and Governance Work</b>						
Annual Gov Statement	Governance	1	10	14.5		
MAF and MAF Challenges	Governance	1	10	17		
MAF Process Review	Governance	2	5	2		
Risk Management Support	Risk	1	5	12.5		
Road Risk Mgmt Group	Risk	1	5	1		
Review/Monitor Corporate Risks	Risk	1	5	0.5		
Review Monitor Departmental Risks	Risk	1	10	0.5		
Business Continuity Champions Meetings	Risk	1	2	1		
Risk Annual Plan/Report	Risk	2	4	4.5		
<b>Risk Management Activities</b>			<b>56</b>	<b>53.5</b>		
<b>Grand Total</b>			<b>850.00</b>	<b>597.50</b>		

Summary of Internal Audit Opinions 2020/21



Summary of Other/Unplanned Work 2020/21



## Appendix B

### Summary Quality Assurance & Improvement Programme Activities

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



**Blackburn with Darwen Borough Council**

**Annual Governance Statement**

**For the year ended 31 March 2021 and up to the date  
of the June 2021 Audit & Governance Committee**

# ANNUAL GOVERNANCE STATEMENT

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

Blackburn with Darwen Borough Council recognises that there always will be risks that it must manage effectively. Whilst it recognises that due diligence will not always ensure that it gets things right first time, it continues to put in place assurance frameworks and enhance existing arrangements that are intended to ensure that its system of governance is fit for purpose and has flexibility to meet the challenges that the change agenda brings. During the year, the Council has had to put in place processes to allow it to respond to Covid and the challenges the pandemic has had on its ability to continue to deliver priority services. As a result, alternative processes have been put in place to ensure that effective governance and decision-making arrangements have continued to operate during the year.

The Resources Directorate has continued to promote the Council's strategic approach to governance and assurance. The key developments and on-going arrangements in governance 2020/21 included the following:

- Continuing review and refresh of the Council's Constitution.
- Completion and review of director assurance statements, which closely reflect the seven principles of good governance in support of the Annual Governance Statement.
- Council IT infrastructure and support processes were reviewed externally by Mersey Internal Audit Agency during 2020/21. An action plan is in place to address key findings.
- The Council's evidence submitted for the 2020/21 NHS Data Security and Protection Toolkit (DSPT) met the standards required to achieve compliance and enable the Council to continue to exchange data with the NHS.
- The IT infrastructure was assessed as sufficiently secure to connect to the Public Services Network.
- Continuing embedding of information security awareness through the annual refresh of the e-learning toolkit, and monitoring staff completion of mandatory training.
- On-going participation in the National Fraud Initiative.
- Ongoing use and review of the risk register template to improve the monitoring arrangements.
- Revision of the Medium Term Financial Plan and Capital Programme.
- Annual Audit & Governance Committee self-assessment arrangements to evaluate its effectiveness against best practice guidance.
- The on-going formalised, structured member training and development programme including mandatory and optional courses.
- The Audit & Governance Committee routinely inviting senior officers to attend meetings and holding them to account for actions to address significant issues identified by Audit & Assurance in respect of key systems.
- The effective management of the election arrangements with the Borough.
- The review of significant partnerships and external bodies the Council is represented on to confirm the Council representation is appropriate and the governance arrangements in place are adequate.
- The implementation of the new Children's Advice and Duty Service has freed up resources leading to a reduction in the volume of work in the service, resulting in a reduction in social workers caseloads and led to substantial savings across the service. It has also embedded strong partnership working.
- Regular deep dive review and challenge of corporate risks by the Audit & Governance Committee.
- The 2018 Local Government Association (LGA) Corporate Peer Challenge concluded that the Council demonstrates a deep understanding of its local place and the challenges and opportunities these present for communities across Blackburn with Darwen.

## **SCOPE OF RESPONSIBILITY**

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Blackburn with Darwen Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Audit & Governance Committee fulfils the core functions of an audit committee, as identified in the Chartered Institute of Public Finance and Accountancy (CIPFA) *Audit Committees - Practical Guidance for Local Authorities and Police 2018*. It monitors and responds to the work of internal and external audit and has overall responsibility for reviewing the framework of corporate governance.

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

## **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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

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

The governance framework has been in place at Blackburn with Darwen Borough Council for the year ended 31 March 2021 and up to the date of approval of the annual statement of accounts.

## THE GOVERNANCE FRAMEWORK

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

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

### **1. Identify and communicate the vision and intended outcomes for citizens and service users.**

A key part of the corporate culture at Blackburn with Darwen Borough Council is for residents, elected members and staff to have a clear overview of the Council's priorities for service delivery. This is communicated in the form of a published Corporate Plan.

In March 2019, Council Forum agreed the refresh of a new corporate plan for 2019-2023. The Plan and its eight new priorities was launched after Annual Council in May 2019; after extensive consultation with residents, staff and members. It was also agreed that a new performance framework should be developed to outline key performance indicators (KPIs) and reporting mechanisms to ensure the Council's performance against the new priorities can be measured. At that, time there was also a change to Executive Member Portfolios.

Robust performance management arrangements have continued in 2020/21 to monitor 73 performance measures and ensure the delivery of the Corporate Plan. However, since early March, the Council has been responding to the emergencies of the Coronavirus pandemic. Therefore, in some instances data was not available for all 73 KPIs.

Member and officer led challenge processes have been supported by the Policy & Research team, with reports to the Leader of the Council and Corporate Leadership Team (CLT). The focus has been on improving services, delivery of the corporate priorities and strengthening accountability to Elected Members.

Six monthly corporate plan performance challenge meetings take place in late October / early November for quarters 1 and 2 prior to reporting to Policy Council in early December; and again in late April / early May for quarters 3, 4 and for the year-end outturn prior to reporting to the Executive Board in June.

Priority issues are highlighted and discussed with all directors and the Chief Executive; and are administered by a Policy & Research Officer and an Audit & Assurance Officer. These issues are highlighted for progression to CLT prior to being included in performance reports, which are discussed with the Leader of the Council and challenged at PDS prior to final overall performance reporting and challenge at Executive Board or Policy Council.

A challenge summary is produced by the Policy & Research officer and is used to brief the Chief Executive. The summary includes data for discussion on the Corporate plan, Management Accountabilities Framework (MAF) and any other key items pertinent for discussion; for example, HR data (sickness and Health & Safety), Business Plans, good news stories, key dates etc.

The PDS Challenge process includes a pre-brief with the Leader of the Council prior to the Leader challenging each Executive Member and the Executive Member group overall. This process has served to satisfy and sharpen the level of political ownership and engagement in



the performance management process, whilst also strengthening the accountability of senior officers around monitoring and reporting against corporate priorities.

The Policy & Research team provide the Executive Board / Policy Council with a report on the performance of all the Council's Corporate Plan performance measures.

The report also includes areas of underperformance, which are explained in more detail by an exception report. As part of the transparency agenda, any performance indicators that are collected and reported are likely to be listed on the internet and may be subject to public scrutiny. Therefore, key performance indicators must be relevant and robust.

As the Borough went into the first full lockdown of the pandemic, the Council began to identify its critical functions and priorities and assess its ability to fulfil them. Information was gathered from every service to support a corporate response and situation reports began to be compiled regularly for the whole organisation. This information was used to assess the services with the greatest need for additional support and those with some capacity to assist, and since then the Council's resources have been actively managed throughout the year. The main focus has been on care-related services, and resources were concentrated on supporting the most vulnerable individuals.

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

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

## **2. Review the Corporate Plan and Vision and translate into objectives for the authority and its partnerships.**

The Council's corporate plan 2019-2023, has been developed for everyone - councillors, staff, partners, residents, businesses – who can all support the Council and the Borough in being the best it can possibly be. We cannot do this on our own. We need our public and private sector partners to work with us to create jobs; build and improve homes; increase skills and qualifications; support communities; improve health and wellbeing etc.

The Council continues to work in partnership with other organisations in many different partnerships, with other councils, businesses, public sector bodies as well as the voluntary, faith and community sector.

It values these Partnerships, and these are evident in established mature partnership structures, e.g. Health and Well-being Board, The Hive business network and more recent over the last 18 months the development of the Our Communities, Our Future Board.

In working with the Ministry of Housing, Communities & Local Government (MHCLG) the four priorities in Blackburn with Darwen's Our Community, Our Future strategy are:

1. To increase economic prosperity for all the borough's communities as an essential prerequisite for social integration.
2. To strengthen relationships between the borough's diverse communities (focussed predominantly on adults).

3. To build connections and strengthen relationships between young people who live in the borough's diverse communities.
4. To connect the borough's disadvantaged communities to shared spaces – linking people and neighbourhoods to zones of employment, physical assets, community shared spaces and social action.

We are also working with Sport England, leading on Pennine Lancashire's 'Together an Active Future' partnership, which is moving forward into the £3m Pathfinder phase. This exciting 'test and learn' period will enable the six Local Authority areas to work together with people and partners to create ideas and test different solutions that can be used to understand why not enough people access the wide range of activities, that are already available in Blackburn with Darwen, and to change ways of working to better support people who are inactive and affected by poor mental wellbeing. However, the Pilot will, through whole system change, look to have a direct impact on the whole population, the majority of whom experience below average health and wellbeing and could benefit from increased levels of physical activity.

At the same time as developing the Corporate Plan and ambition, the Council's policy, research and partnerships team worked with officers to identify what will be done to deliver the ambition and how progress against this delivery will be measured. The success of the Corporate Plan will be measured through a new performance management framework with Key Performance Indicators (KPIs) which are measurable and meaningful.

The policy, research and partnerships team also work with service departments to ensure that appropriate responsibilities for delivery are built into departmental business plans.

### **3. Measure the quality of services for users.**

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

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

Customer / resident satisfaction with the services they receive, for the council tax that they pay, has always been a key priority for the Council, and as such key measures are included in the current Corporate Plan and customer service is an embedded principal in all council work and specific arrangements exist within statutory services around adults and children social care

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

The Council is legally and constitutionally obliged to maintain and keep up to date its constitution. The Council Constitution was updated in March 2021 to reflect the resolutions/decisions made at Full Council since July 2019. This included changes in organisational structure previously noted and agreed, statutory changes and changes to the delegations.

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

the organisational structure and portfolios made by the leader at Annual Council in May 2021, and a review of the officer delegated powers.

The Council has adopted the Executive and Leader model. The Council's Constitution sets out the relative roles and responsibilities of Executive and, Officers and Committees of the Council. It defines, through the procedure rules, how day-to-day activities must be undertaken and it allocates statutory responsibilities to designated posts/positions. . The decision-making processes are also defined by the Constitution and Executive Member decisions and "key decisions" may only be taken after both the Finance and Legal departments have been consulted and considered any implications. The Constitution also sets out the overview and scrutiny arrangements, including the review ('call-in') of executive decisions.

At the start of the pandemic, decision-making meetings were paused until national legislation was enacted and local technology was put in place to permit on-line meetings. Since then all council meetings, including scrutiny and other business has been conducted through remote means to ensure that the Council has continued to be governed in accordance with its constitution and decisions have been properly made. Therefore we have continued operating under our existing governance arrangements through-out the period and in accordance with legislation through digital means, i.e. On-line meetings, live streaming as a means of public access and digital approval/authorisation of documents.

No existing delegations or powers have been altered, nor have any additional powers/delegations been provided to the Chief Executive or any other officers. There is a delegated power in the constitution for the Chief Executive to incur expenditure or take action in an emergency or disaster, which was used as required at the start of the pandemic. This power was used after consultation with/approval from the Leader, formally recorded as an officer decision, and published as usual.

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

Following the reduction of the executive level posts from two to one in 2019, a more efficient internal departmental structure was implemented during the year, which included the appointment of four Strategic Directors. This took effect from 1 February 2021. Three Deputy Director roles have also been established, remodelled from existing Heads of Service roles. This change supports continued working across services and across different departments on key themes and priority projects. This builds on and retains the strengths in the leadership team that we already have, whilst ensuring that we remain resilient and ready for the challenges and opportunities now and into the future. The overall commitment is to strengthen our resilience and strategic capacity, provide for improved succession planning and career pathways for senior management, development opportunities for other staff and more collaborative working across departments, without increasing overall costs.

A revised format has been implemented for CLT meetings. This has increased the Team's focus in the right areas and improved its effectiveness as a senior team. Themed meetings take place fortnightly, covering strategy and performance. The Extended Leadership Team meets monthly alternating workshop sessions and bite sized update meetings. This has provided flexibility to discuss items such as borough events, elections, constitutional matters, urgent operational issues and planning for member meetings. Team activities have also been undertaken to develop CLT working together effectively as a group.

The Council is proactive in supporting the development of partnership bodies both with other public sector agencies, like health and the police, and with representation from the business and community sectors. The policy, research and partnerships team produce an Annual Significant Partnerships Governance checklist, which is reviewed and audited by internal audit prior to the final report being taken to Audit & Governance Committee. Governance arrangements are also set out in the Constitution.

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

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

**5. Develop, communicate and embed the codes of conduct and define the standards of behaviour for members and staff.**

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

**6. Review the effectiveness of the decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.**

The Constitution provides the framework for decisions making. It includes delegations to various committees, Executive Members and officers, and also scrutiny arrangements for holding decision makers to be held to account. The decision making process is set out in Article 13 of the Constitution and responsibilities are identified in Part 3. The Monitoring Officer also holds and maintains a record of sub-delegations by each Chief Officer, and is responsible for ensuring lawfulness and fairness of decision-making.

External formal monitoring of the Council's data quality arrangements are no longer required by external audit. However, the Council's previous monitoring arrangements have continued to be operated. Council processes have been reassessed in light of the requirements of the Single Data List published by the Department for Communities and Local Government. Training and awareness raising sessions continue to be delivered as and when required, alongside formal checks on performance indicator files and monitoring / recording processes. The Data Quality Policy (Performance Data) was revised in April 2019 to reflect the changes in reporting arrangements and staff within the Council. As the Policy & Research team have been responding to the emergencies of the pandemic, the policy has not been refreshed in 2020/21. Refreshing the Policy is part of the team's work plan for 2021/22.

Work is continually underway to assess the Council's compliance with the Government's Code of Practice on Transparency, and any areas recommended for improvement will be addressed and monitored through existing data quality arrangements.

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

The Council revised its Equality Impact Assessment (EIA) Toolkit and reviewed its decision-making processes in 2016/2017 to embed a robust and mandatory process. This helps demonstrate due regard of the impact of service reviews on protected groups, staff and local residents, whilst ensuring a level of bureaucratic balance with the introduction of a new 'screening' element to the EIA process and in line with legislative requirements. This process continues to work well and the Policy and Research team continue to support colleagues with the process.

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

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

## **7. Review the effectiveness of the framework for identifying and managing risks and demonstrate clear accountability.**

Overarching responsibility for risk management lies with the CLT. Chief Officers are identified as owners of the risks identified in the Corporate Risk Register. The corporate risk register is considered by CLT on a six monthly basis. Risk management reports, including a summary of the corporate risk register, are also presented at each Audit & Governance Committee meeting. The Committee also carries out a detailed review and challenge of a selection of corporate risks on a regular basis during the year.

The Corporate Risk Management Strategy and Framework sets out the structure of the risk management groups and risk management roles and responsibilities. It also includes the terms of reference for the groups responsible for monitoring risk management arrangements and activity, and includes risk management guidance for decision makers and self-challenge questions for report writers. The Risk Management Toolkit and risk register provide a consistent approach to risk management across the Council. Each department has its own risk register and is required to consider risk at each departmental management meeting.

During the year, the Council has had to respond to and manage a significant number of new and emerging risks due to the need to respond to the impact that Covid has had on the Council's services and activities and the local community. The primary focus has been on the new risks relating to the Council's response and recovery from the pandemic, whilst maintaining as much business as usual activity as possible, safely and effectively.

The Executive Member and Executive Board Decision templates include a section to record and consider key risks as part of the decision making process. The Management Accountability Framework (MAF) Director's Exception/Dashboard Report also contains a risk section.

Directors are required to confirm that there are sound corporate governance, control and risk management arrangements operating within their Departments, in accordance with the Council's procedures and practices that uphold the Code of Corporate Governance, on a six monthly basis, to identify any areas of concern and action that they are taking to address these, via their MAF Dashboard Report. This is report reviewed, along with progress against the Corporate Plan priorities, as part of the Programme Area Meetings and reported to the Chief Executive and the Audit & Governance Committee through the MAF thematic summary included in the Audit & Assurance Progress Reports.

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

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

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

The Departmental Business Continuity Plans and the Functional Emergency Plans are constantly being reviewed and streamlined. Over the last two years all of the departmental business continuity plans have been reviewed and updated to reflect the Covid19 challenges the Council has faced and the Corporate Plan has been fully updated too. The structure of the organisation has also changed resulting in plans being further amended. The Emergency Plans now have Standard Operating Procedures (SOPs), essentially a "plan on a page" to assist Strategic Officers quickly assess information when/if they have to attend the Strategic Co-ordinating Centre at Police Headquarters. The Corporate BC Plan contains all Critical/Priority Functions and essential prioritised services at the White Dove Centre in times of IT outage etc.

The corporate Emergency and Business Continuity plans are tested annually in alternate years. The planned corporate exercise for March 2020 was changed from the original intent of flood response (Emergency Planning); to planning to test the LRF Pandemic Influenza Plan as Covid-19 has just been declared a national and global emergency. This was cancelled due to the wholesale response to the emergency. We are still supporting the response/recovery phases of this global emergency and all departmental plans are flexing to meet the needs of each department. The Resilience & Emergency Planning Service delivers an annual corporate training programme to staff and volunteers to ensure that they are all trained in their roles they are either expected to perform or volunteer to perform for the Council. The Resilience & Emergency Planning Service has responded to a number of concurrent emergencies in the community whilst supporting the response to Covid-19.

The Resilience & Emergency Planning Service is currently delivering a programme of training/exercising, emergency preparedness and response to an emergency or disruption. This

is now a mandatory service provision to **all** Schools in the borough, including Independent, Free, Academy and Community schools to ensure consistency. The Resilience & Emergency Planning Service has also supported the Council's preparedness around the EU Exit.

The Corporate Health and Safety policy clearly states that health and safety is the responsibility of **all** employees and managers within the Council, with clear leadership from Chief Officers. The Chief Executive retains overall responsibility for the management of health and safety in the Council. The Policy, which was updated and reissued in May 2019, along with the system of safety procedural and guidance documents, outline the arrangements in place to meet the Council's statutory duties.

The Health and Safety Committee meet quarterly for senior managers to discuss key issues and actions taken to address these. Accident, incident and near miss statistics and trends are reported at this forum and improvements to health and safety are discussed and agreed. Incident data is also provided to Chief Officers on a monthly basis. Health and Safety Task Groups and Task and Finish Groups are also commissioned from time to time as appropriate.

Employees receive health and safety training upon induction and in line with role requirements thereafter. A range of classroom courses and e-learning training is available to all members of staff. Further to re-issuing the Health and Safety Policy in 2019, the Chief Officers agreed to some mandatory health and safety e-learning for all employees, to be refreshed on a three yearly basis. Currently these are Health and Safety in the Workplace, Manual Handling and Fire Safety Awareness.

A rolling health and safety audit programme is in place for the Council, with higher risk departments and services prioritised. Service Level Agreements are offered to schools across the Borough for a health and safety service, with over 50 schools purchasing this service from the team. During recent months in lockdown due to COVID-19, we have continued to work closely with both schools and council teams, reviewing risks and supporting their plans for a safe return to the workplace. Our service provision will continue and we will look for new and innovative ways to deliver this. Other forms of health and safety support during the pandemic have been via our staff partaking on advisory groups such as the Education Response Team, the Social Care Covid Response Group and the Events Safety Advisory Group. This has allowed us input to enable more robust due diligence systems across these important areas, both during lockdown and as sectors once again begin to re-open.

The Council has an online portal for staff to report all accidents, incidents and near misses. All reports are investigated and steps are taken to reduce the chances of a recurrence. Seven (7) incidents were reported to the HSE via RIDDOR in the 2020-21 period. This compares to three (3) e incidents during 2019/20 and eleven (11) RIDDOR events in 2018/19.

#### **8. Ensure effective counter-fraud and anti-corruption arrangements are developed and maintained.**

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

The Council's Counter Fraud Policy Statement and Strategy was approved in March 2016. The Statement and Strategy have been prepared in accordance with the CIPFA Code of Practice on managing the risk of fraud and corruption for public service organisations (2014). The document

sets out the Council's approach to the management of fraud risks and defines responsibilities for action.

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

**9. Ensure effective management of change and transformation.**

The Council has reviewed the Digital Strategy and is in process of launching the plan for the next 3 years. The work on this area is governed by the Modern Working Design Authority. The Digital Strategy and programme plan supports the Council's vision of leading a skilled and modern workforce with a positive workplace culture equipped with the right technology and new ways of working to deliver better service.

The Design Authority maintains a consistent, coherent and complete perspective of the Digital programme design. The aim is that business operations can be changed and benefits secured in a coordinated manner across the organisation to remove barriers, maximise the use of new technology and explore new ways of working to enable us to work smarter, more efficiently and achieve better outcomes.

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

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. In March the Finance Council approved the Chief Executive assuming the Section 151 Officer responsibilities when the previous Director of Finance left the Council at the end of April 2021, pending the appointment of a new post holder. The Council has recently recruited an experienced Section 151 Officer who will take over the role in August.

**11. Ensure the assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)*.**

The Council's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit.

The Statement identifies that the Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:

- i. objectively assessing the adequacy and effectiveness of governance and management of risk, giving an evidence based opinion on the of all aspects of governance, risk management and internal control; and
- ii. championing best practice in governance and objectively commenting on responses to emerging risks and proposed developments.

To perform this role the Head of Internal Audit must:

- i. be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit & Governance Committee;
- ii. lead and direct an internal audit service that is resourced to be fit for purpose; and
- iii. be professionally qualified and suitably experienced.

**12. Ensure effective arrangements are in place for the discharge of the monitoring officer function.**

The functions of the Monitoring Officer are set out in the Council's Constitution. The role of Monitoring Officer forms part of the specific responsibilities of the Director of HR, Governance and Engagement.



**13. Ensure effective arrangements are in place for the discharge of the head of paid service function.**

As Head of the Paid Service, the Chief Executive is responsible for ensuring that Directors and Members both understand the need for sound internal controls and governance arrangements and to apply these in practice.

**14. Undertake the core functions of an audit committee.**

The Audit & Governance Committee provides independent assurance and high level focus on the audit, assurance and reporting arrangements, which underpin good governance and compliance with financial standards. It provides independent assurance on the adequacy of the risk management framework, and internal control environment and to the extent that these meet the objectives of the Local Code of Corporate Governance. It oversees the internal and external audit arrangements, helping to ensure efficient and effective assurance arrangements are in place. This includes the integrity of financial reporting and annual governance processes. It also provides independent scrutiny of the Council's financial and non-financial performance to the extent that it affects its exposure to risk and weakens the control environment.

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

The Audit & Governance Committee has continued to monitor its own effectiveness against the criteria outlined in the CIPFA Audit Committees Practical Guidance for Local Authorities and Police. The overall results reported to the Committee in March 2021 showed that there is a strong belief by its members that the Committee is operating effectively.

**15. Ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.**

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

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

The Council's evidence submission for the 2021/22 NHS Information Governance Toolkit (now known as DSPT) was submitted and uploaded by the Council's Data Protection Officer on 22<sup>nd</sup> March 2021. This has been accepted by NHS assessors with an accreditation of 'standards met'. Subject to NHS audit, this will enable the Council to continue to exchange data with NHS bodies.

Risks identified during 2020/2021 still include 28 outstanding Social Care subject access requests that carry risk of noncompliance with legislation, as they are significantly overdue. Whilst compliance with new Social Care subject access requests have achieved the target rate of 90%, thanks to an additional FTE allocated to this programme of work during 2020/2021, this resource is not being carried forward into 2021/2022. . There remains a significant risk that we

will struggle to continue to meet the 90% compliance rate due to reduced capacity given the 1xFTE that has been assisting with Social Care SARS compliance for the last 12 months has come to an end.

The consequences of this risk include enforcement action and potential civil monetary penalties issued to the Council by the Information Commissioner. The statistics on compliance will continue to be escalated to CLT via the Quarterly SIRO report. Steps are in hand to address this issue as part to the re-structuring of Departments and transfer of staff. This should provide greater flexibility to manage this area.

During 2020/2021 there were 15 complaints made to the Information Commissioner's Office (ICO). This is an increase on the 2019/20 total of three. Whilst ordinarily this would be a cause for concern, 40% (6) of these complaints relate to one individual. The ICO will continue to monitor the number of complaints issued against Blackburn with Darwen Council. There is currently an increased risk of mandatory inspection of our processes should this rate of complaints continue to be received.

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

#### **16. Whistleblowing and for receiving and investigating complaints from the public.**

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

#### **17. Identify the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.**

The Council remains committed to elected member training and development, and continues to assess the development needs of all Elected Members. A training needs assessment is carried out following Council elections. There is a robust induction programme for newly elected members to the Council and portfolio areas. The Council also maximises the development opportunities offered by North West Employers Organisation. The Council has also developed more on-line training so that this is available in a more flexible way.

The Council has invested additional resource in 2021/22 to develop a leadership framework and offer a range of leadership and management development, building on the work that is currently being undertaken with the senior leadership team. There is also investment in coaching, to be able to offer coaching and mentoring for aspiring leaders.

The Council is also taking on two graduates, under the LGA's National Graduate programme.

#### **18. Establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.**

As well as a constantly updated online version of The Shuttle a hard copy magazine called the Shuttle Extra is now published annually and delivered to homes throughout the borough. Both

the hard copy and online versions contain latest news, decisions and service updates and information about the Council budget and Council Tax. Automatic updates whenever a new article is published on the Councils website are also available via social media channels. Media enquiries are dealt with promptly following agreed protocols. Commercial services across the council also operate their own marketing. Stakeholder communication is part of normal service delivery both at a corporate level and within services and projects.

The Council is committed to working together with residents; businesses and partners, to develop a local solution to local problems. By making volunteering easier and working with these groups, the Council is supporting and helping to implement their ideas to improve their streets, neighbourhoods and towns. The Lancashire Volunteer Partnership is also a very significant asset to the way we work and empower communities. This has been very visible during Coronavirus pandemic.

The Council has engaged with a number of established community groups throughout the pandemic, to work together to support the local community. As a result, there are now a number of Covid Community Champions in place. These volunteers work with Council staff to help share the latest public health information from the Council and local NHS to make sure that their neighbourhoods remain healthy, safe and well.

The Council website provides access to Council papers, including Committee agendas, minutes, relevant reports and decisions. Since March 2020, there has been a dedicated section on the website providing local Coronavirus information, advice and support for residents and businesses.

The Council takes the views of all the groups into account when preparing its budgets. In advance of final decisions on the budgets, the potential impact on individuals, services and the voluntary and community sector is considered. As each service is reviewed and final recommendations are made Equality Impact Assessments are undertaken.

#### **19. Enhance the accountability for service delivery and effectiveness of other public service providers.**

The Council is proactive in supporting the development of partnership bodies both with other public sector agencies, like health and the police, and with representation from the business and community sectors.

The Local Strategic Partnership is responsible for monitoring the Plan for Prosperity and there is a governance framework in place for the significant partnerships register.

Blackburn with Darwen was one of the first areas in the country to set up a new Health and Wellbeing Board as part of government changes to the NHS. The board, run by Blackburn with Darwen Council, leads on improving the strategic co-ordination of planning and buying local health services, social care for both children and adults and public health services to promote more local control over those services. All organisations working in those areas will, through the board, develop a shared understanding of local need and agree the best strategy to meet that with the funding and resources available.

The Blackburn with Darwen Community Safety Partnership (CSP) has merged with the CSP's of Burnley and Rossendale following agreement by members and the Police and Crime Commissioner of Lancashire. Blackburn with Darwen administers the new Pennine Lancashire Community Safety Board and retains its duty as a Local Authority alongside the Police, Fire Service, Clinical Commissioning Groups, National Probation Service and Community Rehabilitation Company to work together to reduce crime and anti-social behaviour.

The Partnership has grown in size and strength and now includes a wide range of partners from both the statutory and voluntary sector from across the Sub Region. Collectively it is achieving positive outcomes for vulnerable individuals, families and communities.

Beyond the borough, the Council continues to work with Councils and partners across Lancashire on a range of work programmes including economic development, housing, skills, environment and health and wellbeing. As part of this work programme the Council is the accountable body for the Lancashire One Public Estate Programme.

Work is also ongoing with colleagues from the NHS, other local authorities, the community and voluntary service and other partners to transform the health and social care system across Pennine Lancashire local delivery partnership under the Healthier Pennine Lancashire programme. The programme is part of the Healthier Lancashire and South Cumbria Integrated Care System which is delivering the area's Sustainability and Transformation Plan (STP).

## **20. Incorporate good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**

The Council continues to undertake sound governance arrangements with its partners.

Significant partnerships have continued to be identified and assessed since 2012 via the refreshed toolkit, which was updated in 2016/2017 following an audit review. The Significant Partnerships Register was taken to Audit & Governance Committee in March 2021 and the Register will be reviewed in six months to capture any changes before the annual review. The Register now incorporates all significant partnerships developed to respond to Covid-19.

The shared management arrangements, and associated governance controls, with Capita ended in March 2018. Staff delivering the core services under the partnership agreement transferred to the Council on 1 January 2019. The call off of specialist services under the partnership agreement still continues, as and when required.

The Council is also the host authority for the Lancashire Police and Crime Panel. The Council provides legal and secretarial advice and support to enable the Panel to carry out the functions and responsibilities set out in the Police Reform and Social Responsibility Act 2011 and the Regulations made under it.

## **21. Financial Management (FM) Code of Practice.**

CIPFA launched the FM Code of Practice in November 2019. It was developed on behalf of MHCLG in the context of increasing concerns about the financial resilience and sustainability of local authorities.

The Code clarifies how Chief Finance Officers should satisfy their statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972 and emphasises the collective financial responsibility of the whole leadership including the relevant elected members.

Local authorities are expected to demonstrate that the requirements of the Code are being satisfied and full compliance is expected for 2021/22 (i.e. from April 2021), with 2020/21 acting as a preparatory year.

The Code is set by CIPFA on behalf of MHCLG. Compliance with the Code is obligatory but is not currently referenced in legislation meaning that it is not statutory guidance. However, it draws heavily on existing statutory guidance:

- Role of the Chief Financial Officer in Local Government;
- Prudential Code for Capital Finance; and
- Code of Practice on Local Authority Accounting in the United Kingdom

The FM Code has six key themes aimed at strengthening the financial resilience and sustainability of local authorities:

- (i) Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- (ii) **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- (iii) Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- (iv) Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- (v) Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- (vi) The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

Performance against the six key themes is measured by 19 standards, which are arranged over seven sections:

- (i) The responsibilities of the chief finance officer and leadership team
- (ii) Governance and financial management style
- (iii) Long to medium-term financial management
- (iv) The annual budget
- (v) Stakeholder engagement and business plans
- (vi) Monitoring financial performance
- (vii) External financial reporting

The first full year of compliance with the FM Code is due for 2021/22. An assessment has been made of the Council's current compliance with the 19 Standards in the Code. The assessment has identified that the Council is well placed to evidence compliance with the Code from 1 April 2021.

**Progress during 2020/21 on significant governance issues identified in the 2019/20 Annual Governance Statement**

Title	CIPFA Criteria	2019/20 Issue	2020/21 Action taken
<p><b>1. Children’s Services Financial Position</b></p>	<p>1,2,3,4</p>	<p>The Children’s Services budget position continues to face demand pressures in 2019/20 in line with those experienced in 2018/19, due to an increase in the volume of work being referred to the Social Work Service and sustained pressure on the out of borough budget due to the number of placements and complexity of needs. The number of social workers with higher than the recommended caseload is also a concern. These issues have led to a need for an increase in social workers to manage demand.</p> <p>The Portfolio continues to mitigate demand pressures as far as possible and is utilising underspends on other areas of activity to offset placement pressures to reduce the portfolio’s forecast overspend.</p> <p>Measures have been implemented to manage the “front door” and assessment activity more effectively, and the Department continues to explore options to re-focus, and build capacity, in more cost-effective ‘in-house’ services. However, these strategies will take at least twelve months to impact on the whole of the service in order to affect real change and before there are fewer numbers of ‘looked after’ children and a resultant reduction in the cost pressures.</p>	<p>The portfolio has managed to reduce expenditure substantially during 2020/21 when compared with 2019/20, as the strategies implemented to reduce demand have proven to be successful. The largest reduction can be seen on the Commissioned Placements budget where expenditure is expected to be in the significantly less than the previous year.</p> <p>In addition, the work conducted to establish a joint commissioning framework with Health has brought in additional contributions towards placement costs and packages of care.</p> <p>The final outturn position for the portfolio will be heavily dependent on the allocation of funds awarded to the Council in relation to Covid-19</p>
<p><b>2. Adult Social Care Commissioning</b></p>	<p>1,2,3</p>	<p>Pressures for 2019/20 have increased due to the uplift in provider rates whilst the baseline budget remained unchanged. This was managed within the Portfolio during 2019/20 but cannot be sustained in the longer term due to the risk of market collapse, burn out or lower assurance and quality. Providers are also being more commercial and selective, and there is diminishing resilience in the sector with the potential that providers may withdraw from the market.</p>	<p>As anticipated in the half-year update there have been pressures on the commissioning budget as a direct impact from the Covid 19 pandemic. Occupancy levels within the residential and nursing sector have fallen significantly in the most recent wave of Covid-19, with some providers struggling to maintain their provision within the care market. The</p>

		<p>A comprehensive range of Demand Management strategies remain in situ and the impact that these are having will continue to be monitored during 2020/21. These are designed to delay, deflect or offer alternative solutions. An associated action plan has been developed to ensure adherence at every level within the department. This includes scrutiny of decision-making and commissioning spend. However, there is a risk that complexity of cases and morbidities start to rise, which would increase budget pressures.</p>	<p>department has continued to support providers as far as possible to provide some stability but this does result in significant pressure on social care activity and financial costs.</p> <p>Recent engagement with providers in relation to the Provider Fee uplifts has further highlighted the escalating costs of care as a direct result of the Covid-19 pandemic (Insurance, PPE, Infection control and staffing) so our negotiations have been particularly challenging. In addition to providing for National Living Wage increase, it is critical to begin to address the risks associated with our low starting base for fees in comparison to our nearest neighbours. Indeed, more than ever, our providers are identifying a risk to their ongoing sustainability, as they believe the Council's uplifts do not meet the cost of care within the sector. As far as possible these additional costs are factored in to the Council's Medium Term Financial Strategy. However, Covid-19 is most certainly likely to have an enduring impact on the care market and potential for some providers to exit the market, impacting on the local authority's ability to meet its statutory duties. The pandemic has also had a significant impact on providers' ability to meet increasing CQC quality standards and this is an area which will require resource investment from the department in the new year.</p> <p>The department has a strong monitoring and performance management approach to commissioned care but there are significant improvements which can be made. The benefits of merging Adult Social Care Finance with the</p>
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			Commissioning team are now evident in the work we are beginning to do across the team to review services, together with our work across the wider Lancashire and South Cumbria system, Pennine Lancashire Integrated Partnership and ADASS groups on market shaping and the development of our commissioning strategies but this remains challenging within existing resources whilst continuing with a Covid-19 response.
<b>3. Impact of COVID-19 on the financial position of the Council</b>	1,2,3,4,5,6	<p>The Council is experiencing increased costs, significant loss of income, and has received insufficient government funding to respond to the issues arising from Cov-19. The position is exacerbated, as the Council's capacity to address the financial position arising from the required response to the virus is limited, given the low level of Unallocated and Earmarked Reserves at its disposal.</p> <p><b>Half year Issue Update:</b> As reported to Policy Council on 3rd December 2020, we are facing significant financial pressures from the increased costs and losses of income due to the pandemic. Some of the additional financial pressures we are currently forecasting for the year, as reported in our latest monthly Covid-19 financial return to MHCLG, include: £7.252 million on Adult Social Care including the costs of PPE, the costs of setting up the food hub and associated costs to distribute food to shielded and vulnerable groups, providing support to the social care market and meeting the additional demand pressures arising due to Covid-19. £0.842 million on Children's Social Care, including the additional costs of care packages for extended placements due to the pandemic £1.367 million on testing, contract tracing and outbreak management £10.113 million in respect of the loss of sales, fees, charges and commercial income.</p>	<p>The Government has provided numerous funding packages for local government over the course of the year, and will continue to do so in the first quarter of 2021/22. These have ensured that the council, unlike several other authorities publicised in the national press, has not had to issue a Section 114 notice, nor has it had to seek further financial assistance and intervention from central government.</p> <p>As the continuing response to and recovery from Covid-19 spans financial years, funding received in the financial year 2020/21 can be carried forward into 2021/22 to support ongoing response and recovery work with a final outturn to be provided to Government in June 2022. Indeed the specific funding will be critical during 2021/22 as we deliver Covid-related activity alongside more Council services returning to business as usual.</p> <p>To support our continued emergency response into and throughout the current year, 2021/22, resource will continue to be made available for front line activity including site marshals, testing team, public protection, Help Hub,</p>



			<p>education/social care/crises response and our core public health Covid incident management teams. We will also retain a focused Covid programme management team to co-ordinate activity such as governance, reporting, communications, testing, contact tracing, vaccination support. We will also ensure all of our council premises and spaces remain safe and Covid-secure. This more dedicated response resource will enable other services to focus on returning to business as usual as far as is possible in the circumstances.</p> <p>As with other public sector organisations, we are also dealing with a backlog and rise in demand across many of our services including social work support for vulnerable adults and children, legal, registrars, public protection, youth provision, employment and business support. To acknowledge the adjustments to services in continuing to respond to the pandemic, and operate within Covid-safe guidelines, we have allocated additional resource in this first phase to manage increased demand and provide capacity to deal with backlogs due to Covid-19.</p>
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## **REVIEW OF EFFECTIVENESS**

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The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by the work of the members of the Council's CLT who each sign an annual assurance certificate regarding the effectiveness of the governance arrangements in place, the Head of Audit & Assurance's annual opinion report, and by comments made by the external auditors and other inspection agencies.

The Council regularly reviews its Constitution and has delegated to the Audit & Governance Committee responsibility for reviewing the effectiveness of the governance framework and for reporting to the Executive Board where it thinks that there are issues that must be considered by the Executive.

The Scrutiny Committees set their own annual work plans and report to the Council both quarterly and annually. These Committees continue to monitor the performance and delivery of the Executive, engaging and challenging through a variety of scrutiny review methodologies, traditional reviews, appreciative and collaborative inquiries. Where appropriate, Members will utilise Task and Finish Groups outside of Committee to scrutinise and work with Officers on a wide range of issues. Overview and Scrutiny arrangements have been reviewed and revised and their effectiveness will be monitored.

The Audit & Governance Committee, in addition to having responsibility for reviewing the Corporate Governance Framework, also has responsibility for reviewing the effectiveness of risk management arrangements. The Committee receives an annual risk management report. The 2020/21 report concluded that "the Council continues to maintain robust and effective risk management processes".

The Standards Committee promotes and maintains high standards of Member conduct and monitors the operation of the Code of Conduct. A new Member's Code of Conduct was approved by Council on 30 August 2012 in accordance with the Localism Act 2011. This included new arrangements for dealing with member complaints. The Committee also examines the training needs of Members relating to the Code of Conduct and if necessary make appropriate recommendations.

The Standards Committee reviews the Member Code of Conduct and Complaints procedures on an annual basis and the latest versions are included as part of the Constitutional updates to Council.

Any matters following investigation, which require a hearing for determination of a potential breach of the code of conduct would be considered by the Hearings Panel (Sub Committee of the Standards Committee) who would make appropriate recommendations.

## **External inspection and assurance by External Audit during the year:**

The 2019/20 Annual Audit Letter issued by the Council's external auditor noted that:

- They issued an unqualified opinion on the Council's 2019/20 financial statements on 4 February 2021 and did not identify any key audit matters relating to irregularities, including fraud.
- Their audit work did not identify any evidence of management over-ride of controls.
- The audit opinion noted that key audit issues were reported to the Audit & Governance Committee, as those charged with governance, on 12 January. .
- They made a small number of recommendations to support the Council in strengthening its internal controls and financial reporting. These were agreed with management and will be followed up during the 2020/21 external audit.
- The Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant supporting guidance. They confirmed that both documents were consistent with the financial statements and with their knowledge of the Council.
- Based on their review they concluded that the Council had put in place appropriate arrangements to ensure recommendations raised by external inspectors were appropriately considered and addressed.
- With regards to financial sustainability they concluded that there were appropriate arrangements in place for the in-year reporting and monitoring of the financial position.
- They were satisfied that in all significant aspects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020. This was reflected in the audit report to the Council on 4 February 2021.
- They confirmed that they carried out work in line with instructions provided by the National Audit Office and issued an assurance statement to confirm the Council was below the audit threshold.

The external auditors also noted that no matters were identified which required them to exercise their additional statutory powers or duties in the course of their audit.

We have been advised of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee / PAG and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## SIGNIFICANT GOVERNANCE ISSUES

A key element of the annual governance review process is also to identify any significant internal control issues. The Council has adopted the approach recommended by CIPFA which has identified what may be considered generally as a significant issue. These criteria are:

1. The issue has/may seriously prejudice or prevent achievement of a principal objective;
2. The issue has/may result in a need to seek additional funding to allow it to be resolved;
3. The issue has/may result in significant diversion of resources from another aspect of the business;
4. The issue has/may lead to a material impact on the accounts;
5. The issue, or its impact, has/may attract significant interest or seriously damaged the reputation of the Council;
6. The issue has/may result in formal action being taken by the Section 151 Officer and/or the Monitoring Officer;
7. The audit committee, or equivalent, has advised that it should be considered significant for this purpose, or
8. The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

Significant governance issues identified during 2020/21 are outlined in the following table:

Title	CIPFA Criteria	Issue / Actions being taken	Responsible officer(s)
<b>Children's Services Financial Position</b> (brought forward from 2017/18)	1,2,3,4	<p>The Children's Services budget position continued to face demand pressures in 2020/21 and these are expected to continue into 2021/22. However, the portfolio managed to reduce expenditure substantially during 2020/21 in comparison with 2019/20, as the strategies implemented to reduce demand have proven to be successful.</p> <p>In addition, the work conducted to establish a joint commissioning framework with Health has brought in additional contributions towards placement costs and packages of care.</p> <p>The final outturn position for the portfolio will be heavily dependent on the allocation of funds awarded to the Council in relation to Covid-19.</p>	Strategic Director Children's & Education
<b>Adult Social Care Commissioning</b>	1,2,3	<p>Pressures for 2020/21 have continued within the Adults Commissioning budget due to increased demand for social care services. Costs within the Commissioning budget have escalated over the winter months due to Covid-19 and we are beginning to see an increase in the acuity of care needs as a direct impact of the Covid-19 pandemic.</p> <p>Some of our providers have been impacted significantly by Covid-19 and have suffered</p>	Strategic Director Adults & Health

		<p>much reduced levels of occupancy within their care homes. As such, the Portfolio has provided occupancy payments during the course of the pandemic to support those providers and to enable providers to maintain financial sustainability and reduce the risks of providers of exiting the market.</p> <p>Recent engagement with providers in relation to the Provider Fee uplifts has further highlighted the escalating costs of care as a direct result of the Covid-19 pandemic.</p> <p>In addition, the portfolio has incurred additional staffing costs and commissioned costs around Crisis support as a direct result of the pandemic.</p> <p>The department has a strong monitoring and performance management approach to commissioned care but there are significant improvements which can be made. The benefits of merging ASC Finance with the Commissioning team are now evident in the work we are beginning to do across the team to review services, together with our work across the wider Lancashire and South Cumbria system and ADASS groups on market shaping and the development of our commissioning strategies but this remains challenging within existing resources and the Covid-19 response.</p>	
<p><b>Long term financial sustainability of the Council</b></p>	<p>1,2,3,4,5,6</p>	<p>The Government has provided numerous funding packages for local government over the course of the year, and will continue to do so in the first quarter of 2021/22. These have ensured that the council, unlike several other authorities publicised in the national press, has not had to issue a Section 114 notice, nor has it had to seek further financial assistance and intervention from central government.</p> <p>As the continuing response to and recovery from Covid-19 spans financial years, funding received in the financial year 2020/21 can be carried forward into 2021/22 to support ongoing response and recovery work with a final outturn to be provided to Government in June 2022. Indeed the specific funding will be critical during 2021/22 as we deliver Covid-related activity alongside more Council services returning to business as usual.</p> <p>To support our continued emergency response into and throughout the current year, 2021/22, resource will continue to be made available for front line activity including site marshals, testing team, public protection,</p>	<p>Chief Executive and Directors</p>

		<p>education/social care/crises response and our core public health Covid incident management teams. We will also retain a focused Covid programme management team to co-ordinate activity such as governance, reporting, communications, testing, contact tracing, vaccination support. We will also ensure all of our council premises and spaces remain safe and Covid -secure. This more dedicated response resource will enable other services to focus on returning to business as usual as far as is possible in the circumstances.</p> <p>As with other public sector organisations, we are also dealing with a backlog and rise in demand across many of our services including social work support for vulnerable adults and children, legal, registrars, public protection, youth provision, employment and business support. To acknowledge the adjustments to services in continuing to respond to the pandemic, and operate within Covid-safe guidelines, we have allocated additional resource in this first phase to manage increased demand and provide capacity to deal with backlogs due to Covid-19.</p> <p>The financial position is made more uncertain due to the provision of a one year funding settlement from Government for 2021/22, the challenges arising from the continuing impact of Covid in the Borough and the financial response these will require, and the longer term impacts on income streams, service needs, ability to make savings and ability to collect local taxes, alongside business as usual activity. The financial impact of Covid on the Borough will need to be measured over the long term not just the next financial year.</p>	
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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:** ..... **Leader** ..... **Chief Executive**

**Date:** ..... .....



**TO:** Audit & Governance Committee

**FROM:** Director HR, Governance & Engagement  
Strategic Director, Resources

**DATE:** 29 June 2021

**PORTFOLIOS AFFECTED: All**

**WARDS AFFECTED: All**

**TITLE OF BRIEFING PAPER     Audit & Governance Committee Annual Report**

**1.     PURPOSE**

The draft Audit & Governance Committee Annual Report 2020/21 is attached for consideration and approval (Appendix A). This summarises the work undertaken and reports considered by the Committee during the year to demonstrate that it has fulfilled its agreed terms of reference.

**2.     RECOMMENDATIONS**

The Committee is asked to:

- Consider and approve the Committee’s Annual Report; and
- Refer the report to Full Council for endorsement.

**3.     BACKGROUND**

The CIPFA ‘Audit Committees: Practical Guidance for Local Authorities and Police’ 2018 edition incorporates CIPFA’s Position Statement on Audit Committees in Local Authorities and the Police as well as setting out the purpose and core functions of an audit committee. This notes that although no single model of committee is prescribed, all should report regularly on their work and at least annually report an assessment of their performance.

**4. RATIONALE**

The Audit & Governance Committee is a key component of the maintenance of an adequate and effective governance framework. Through its annual report the Committee can demonstrate its effectiveness in fulfilling its role to provide independent assurance regarding the adequacy of risk management, the overall governance and associated control environment, and also scrutiny of the Council’s financial and non financial performance to the extent that it affects its exposure to risk and weakens the control environment.

## **5. KEY ISSUES**

Having an effective Committee brings many benefits to the Council, such as:

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

The Committee's activities during 2020/21 were designed to make a positive contribution to the continual improvement of control, governance and risk management arrangements across the Council, as well as performing the roles set out for the Committee in the Council's Constitution.

The Committee has had the opportunity to examine and challenge the arrangements for effective governance. The Annual Report indicates the breadth of the Committee's work in ensuring that every aspect of the Council's work should be compliant with standards and transparent to its stakeholders. The reports received by the Committee during 2020/21 indicate that there has been thorough coverage of the Committee's Terms of Reference. In this way, the Annual Report demonstrates the value of the Committee to the Council and public, ensuring that governance is on a sound footing.

Good practice guidance exists for the effective operation of audit committees across the public sector, including the most recent publication by CIPFA noted above. That guidance includes a Self-Assessment of Good Practice. This was completed on behalf of the Committee during the year and was considered at its meeting on 14 January 2020. Appendix 2 of the attached report sets out the result from the self-assessment. The guidance also included a tool for audit committees to use to evaluate their effectiveness. The results of this assessment are set out in Appendix 3 to the attached report for consideration.

## **6. POLICY IMPLICATIONS**

There are no direct policy implications arising from this report.

## **7. FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

## **8. LEGAL IMPLICATIONS**

There are no direct legal implications from this report.

## **9. RESOURCE IMPLICATIONS**

The resource implications are within the report.



**10. EQUALITY AND HEALTH IMPLICATIONS**

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

**11. CONSULTATIONS**

Chair of the Audit & Governance Committee.

Contact Officer: Colin Ferguson, Head of Audit & Assurance - Ext 5326  
Date: 16 June 2021  
Background Papers: CIPFA Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition).

# Blackburn with Darwen Borough Council



**Draft  
Audit & Governance  
Committee  
Annual Report  
2020/21**

## 1. Background to the Governance Framework

### 1.1. What drives governance policy?

- 1.1.1. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, the Council is also responsible for ensuring that there are sound systems of control and governance which facilitate the effective exercise of the Council's functions and which include adequate arrangements for the management of risk.
- 1.1.2. Effective corporate governance is a fundamental feature of any successful public sector organisation. Corporate governance initially became a major issue after several high profile failures in the private sector. As a result, there were several reviews directed at improving governance in that sector.
- 1.1.3. The trend for strengthening governance arrangements spread to the public sector and resulted in the joint Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) document Delivering Good Governance in Local Government – a Framework, in 2007. The Framework, published in 2007, was intended to be used as best practice for developing and maintaining a locally adopted code of governance. It was intended to assist authorities in reviewing the effectiveness of their own governance arrangements by reference to best practice and using self-assessment.
- 1.1.4. In 2016 CIPFA/SOLACE published a revised Framework to ensure that local government continues to develop and shape its own approach to governance, taking account of the environment in which it now operates. The new Framework applied to annual governance statements prepared for the financial year 2016/17 onwards. It is based on the International Framework: Good Governance in the Public Sector published by CIFA and the International Federation of Accountants in 2014 and contains seven core principles.
- 1.1.5. The International framework defines governance as follows:  
“Governance comprises the arrangements put in place to ensure the intended outcomes for stakeholders are defined and achieved.”
- 1.1.6. It also states that:  
“To deliver good governance in the public sector both governing bodies and individuals working for public sector entities must try to achieve their entities objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and stakeholders.”
- 1.1.7. Blackburn with Darwen Borough Council operates through a governance framework that brings together an underlying set of legislative requirements, governance principles and corporate policies and management processes.
- 1.1.8. The Council recognises the seven core principles of good governance identified by CIPFA/SOLACE to ensure that the intended outcomes for stakeholders are defined and achieved, while acting in the public interest at all times. These are:
  - A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;

- B. Ensuring openness and comprehensive stakeholder engagement;
  - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
  - D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
  - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
  - F. Managing risks and performance through robust internal control and strong public financial management; and
  - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 1.1.9. The Council's local Code of Corporate Governance was revised during 2016 to ensure that it complied with the latest requirements. It was updated again during 2018/19 as part of the annual review of the Constitution, to provide improved clarity and explanation and was approved by full Council in May 2018.

## 2. **Blackburn with Darwen Borough Council Audit & Governance Committee**

### 2.1. **Why do we need an Audit Committee?**

- 2.1.1. Whilst there is currently no statutory requirement to have an audit committee they are widely recognised as a core component of an effective governance framework and therefore reflect good practise. Regardless of a specific legislative or regulatory framework, Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer to have responsibility for those affairs. To be truly effective, the Chief Financial Officer requires an effective audit committee to provide support and challenge, as well as an adequate and effective internal audit. Both these elements are now enshrined in the 'Public Sector Internal Audit Standards' and the supporting 'Local Government Application Note' published by CIPFA. The Council's Audit & Governance Committee has a key role in overseeing and assessing the internal control, risk management and corporate governance arrangements in place and advising on the adequacy and effectiveness of these arrangements. This role is formalised in the Committee's terms of reference.
- 2.1.2. The Council's Audit & Governance Committee is properly constituted and is given sufficient authority and resources by the Council. The Committee has the right to obtain all the information it considers necessary and to consult directly with senior managers. In line with best practice from both the public and private sectors, the Audit & Governance Committee can report its observations and concerns directly to the Executive Board.
- 2.1.3. Good corporate governance requires independent and effective assurance about the adequacy of financial management and of management arrangements for achieving the organisation's objectives. These responsibilities require an independent and challenging approach. Through these mechanisms, Committee Members are able to use their skills and experiences to influence the Council's governance, internal control processes and risk management arrangements.

- 2.1.4. An effective Committee can bring many benefits to the Council, including:
- increasing public confidence in the objectivity and fairness of financial and other reporting;
  - providing additional assurance through a process of independent and objective scrutiny;
  - raising awareness of the need for internal control and the implementation of audit recommendations; and,
  - reinforcing the importance and independence of internal audit.

## **2.2. What does an audit committee do?**

- 2.2.1. Audit committees are a key component of corporate governance. They increase public confidence in the objectivity and fairness of financial and other reporting. They also provide a high-level focus on assurance and the organisation's arrangements for governance, managing risk and maintaining an effective control environment.
- 2.2.2. Good practice is contained within CIPFA's document 'Audit Committees – Practical Guidance for Local Authorities and the Police' (2018 Edition). The latest edition of the document updates the core functions of an audit committee in relation to governance, risk management, internal control and audit. The introduction of the Public Sector Internal Audit Standards, along with annual governance statements and associated guidance has also been considered in relation to their impact on an audit committee.
- 2.2.3. During 2020/21 the Audit & Governance Committee consisted of six cross party elected Members. The Committee's purpose, as proscribed in its terms of reference, are to:
- provide independent assurance of the adequacy of the risk management framework, overall governance and the associated control environment and the extent to which these meet the objectives of the Local Code of Corporate Governance;
  - provide independent review of the Council's governance, risk management and control frameworks;
  - oversee the financial reporting and annual governance processes; and
  - oversee internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- 2.2.4. The Audit & Governance Committee provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. It also provides assurance, on behalf of the Council, about the extent to which the objectives of the Local Code of Corporate Governance, as set out in its Constitution, are being met. This purpose is reflected in the Committee's Terms of Reference which are included at Appendix 1 of this report.
- 2.2.5. The CIPFA guidance includes a greater focus on the factors that support improvement. These include the knowledge and skills that Audit Committee members require and a focus on where the Audit Committee adds value. The publication provides practical support to the Committee in evaluating the existing Committee arrangements and any planned improvements.
- 2.2.6. The guidance includes a self-assessment checklist of good practice to assist both Members and Officers who are involved in the operation of the Committee. The checklist was reviewed and updated by Audit & Assurance on behalf of the Committee during 2020/21. It was presented for

consideration at the Committee's meeting on 30 March 2021, along with an evaluation of the effectiveness of the Committee completed by Audit & Assurance on behalf of the Committee. It also included a summary of the results of individual members own self-assessments of the Committee's effectiveness. The results of the assessments against the CIPFA best practise and evaluation of effectiveness are included at Appendix 2 and 3 of this report for reference. The 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.

- 2.2.7. The Audit & Governance Committee met four times during the 2020/21 financial year. Timings of the meetings throughout the year are designed to coincide with the governance timetable. The July meeting received various annual assurance reports including the Head of Audit Annual Audit Opinion and the Treasury Management Annual Report. The Council's 2019/20 Annual Governance Statement was also received and approved. The January meeting approved the 2019/20 Statement of Accounts, and received the 2019/20 External Auditor's Findings Report. The External Auditor's Annual Audit Letter for the year ended 31 March 2020 was considered at the March 2021 meeting along with the results of the Committee's self-assessment and the 2020/21 Significant Partnerships Register.
- 2.2.8. The Committee's terms of reference and outline work programme (see Appendices 1 and 4), and associated reports it receives, are designed to enable its Members to make a positive contribution to the continual improvement of control and governance processes and arrangements across the Council, as well as performing the roles as identified by the Constitution. Member attendance details are set out in Appendix 4
- 2.2.9. As well as the assurance provided to the Committee from the key reports received from the Council's External Auditor, the Committee also places reliance on the work carried out by Audit & Assurance in delivering the annual internal audit plan. Assurance is gained throughout the year from considering the quarterly progress reports received. These provide the Committee with an overview of the activity carried out by internal audit during the period, including counter fraud activity, and an overview of all audit reports finalised. Emphasis has been on limited or no assurance reports. Where these opinions are in respect of key or fundamental systems senior officers have been invited to update the members on progress of implementing recommendations from these reports to provide further assurance to the Committee regarding the implementation of agreed actions.
- 2.2.10. The Committee also receives a full year overview of internal audit work when the Internal Audit Annual Opinion Report is presented, alongside the Annual Counter Fraud Report. The former report provides the Head of Audit opinion on the Council's overall position in relation to the adequacy and effectiveness of risk, governance and internal control systems, based on the work completed by the internal audit team, as required by the Public Sector Internal Audit Standards.
- 2.2.11. The details of the Committee's work programme for 2020/21 and associated reports received, (see Appendix 4), demonstrate how the Committee has fulfilled its terms of reference during the year and its commitment to monitoring and helping improve the Council's risk, control and governance environments' in the year ahead.

2.2.12. In addition to these meetings, an induction and refresher session was held for the Committee members to explain the purpose of the Committee and their role and responsibilities. The members were also provided with links to a CIPFA webinar on internal audit for audit committee members, the CIPFA Counter Fraud Workbook for Councillors and counter fraud training and awareness information. There has also been mandatory finance training for all members to provide them with an overview of the Local Authority financing regime prior to the Finance Council meeting in March 2021 where the 2020/21 budget was presented for approval. The Committee also had a briefing session on the Statement of Accounts prior to their approval. This highlighted key facts and figures for consideration.

### **2.3. How do officers support the Committee?**

2.3.1. The Audit & Governance Committee is supported by:

- The Chief Executive, as Head of the Paid Service, with overall responsibility for the Council's management and executive arrangements;
- The Director of HR, Legal & Engagement, as the Monitoring Officer, who is required by law to ensure that the Council acts within its legal powers at all times; and,
- The Director of Finance, as Section 151 Officer, who is responsible under the law for ensuring the proper administration of the Council's financial affairs.

2.3.2. The Director of HR, Legal & Engagement leads on constitutional, legal, and human resource issues. The Director of Finance takes the lead on financial, audit, risk management and internal control matters. The Head of Audit & Assurance also has a key role to play in supporting the Committee because of the importance of the Internal Audit Service to governance. These Officers are responsible for making the Committee aware of any relevant changes in regulations, guidance, and codes of practice.

2.3.3. The Committee is also supported by External Audit colleagues, who attend each meeting to update members on the progress and results of their work, as well as providing regular sector updates for consideration. These highlight key findings and messages from national reports and studies and include questions for consideration by the Committee.

2.3.4. During the year the Committee continued its cycle of corporate risk reviews. Corporate risk owners and/or key contacts for the risk areas have provided briefings to the Committee on a selection of risk register entries. This has included details regarding the background to the risk identified, the risk assessment process and control arrangements in place to manage or mitigate the relevant risk should it occur. This review and challenge process has improved the Committee's oversight and understanding of the likelihood and potential impact of the corporate risks identified by the Council and on the achievement of related corporate priorities.

### **2.4. Effectiveness of the Audit & Governance Committee**

2.4.1. The Committee considers that it has been effective in fulfilling its terms of reference during 2020/21. The details provided in this report and the reports presented and considered by its members during 2020/21 demonstrate that

adequate consideration has been given to all the core areas identified to enable the Committee to fulfil its role and responsibilities.

- 2.4.2. The Committee's terms of reference set out a range of activities that provide appropriate assurance to the Council in terms of how it manages risk, and ensures adequate and effective control and governance arrangements exist and operate effectively to secure the efficiency and effective use of its resources. Training opportunities have been made available to members during the year to update their skills and knowledge to ensure that they are able to fulfil their role as members of the Committee.
- 2.4.3. The Committee has been active during the year in carrying out its duties in monitoring internal and external reports to ensure that it is satisfied with the effectiveness of controls and the governance and risk management arrangements in place, in accordance with its role and functions set out in its terms of reference in Appendix 1.
- 2.4.4. Based on the reports and information presented to the Audit & Governance Committee for consideration during the 2020/21 it is the members view that the Council has sound financial controls, risk management and governance arrangements in place.
- 2.4.5. The Committee also has the opportunity to invite those senior officers and managers to account for services or functions where they consider there have been significant financial, internal control or governance weaknesses identified. No significant areas of concern were identified during 2020/21 where this was required. The members continue to challenge any impairment in stewardship and control of public funds and assets, seeking assurance that prompt and proportionate management actions have been taken. This provides the Council with assurance that effective internal control arrangements were in place during the year and that appropriate action has been taken to address any concerns raised as a result of any of the inspection and assurance processes in place. This is evidenced by the details provided in Appendix 4 through the various reports received and considered by the Committee at its meetings during the year to support its work programme and how each of these enable the Committee to fulfil its terms of reference.
- 2.4.6. The External Auditor's 2020 Audit Findings Report for Blackburn with Darwen Borough Council included an opinion on value for money. The External Auditor was required to carry out sufficient work to be satisfied on whether the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources during the year ended March 2020 and to provide a conclusion on this. In doing this work the main considerations the Auditor focussed on were:
- Financial sustainability; and
  - Implementation of regulator recommendations.
- 2.4.7. Based on the work they performed to address the significant risks, External Audit were satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020. They did not identify any significant difficulties in undertaking their work on Council arrangements to draw to the Committee's attention. There were no matters where no other evidence was available or matters of such significance to their conclusion or that they required written representation from management.



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

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

The purpose of the Audit and Governance Committee is to:

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

Governance, Risk and Control:

The Audit and Governance Committee will:

1. Review the Council's corporate governance arrangements against the good governance framework including the ethical framework and consider the local code of governance.
2. Review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and controls.
3. Consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements;
4. Consider the framework of assurance (including the Management Accountabilities Framework) and ensure that it adequately addresses the risks and priorities of the Council;
5. Monitor the effective development and operation of risk management in the Council;
6. Monitor progress in addressing risk-related issues reported to the Committee;
7. Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions;
8. Review the assessment of fraud risks and potential harm to the Council from fraud and corruption;
9. Monitor the Counter Fraud strategy, actions and resources; and
10. To review the Governance and Assurance arrangements for significant partnership or collaborations.

Internal Audit

The Audit and Governance Committee will:

1. Approve the internal audit charter.
2. Approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
3. Approve significant interim changes to the risk-based internal audit plan and resource requirements.
4. Make appropriate enquiries of both management and the Head of Audit & Assurance to determine if there are any inappropriate scope or resource limitations.

5. Consider reports from the Head of Audit & Assurance on internal audit's performance during the year. These will include:
  - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
  - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
  - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
6. Consider the Head of Audit & Assurance's annual report, including:
  - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
  - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion and the implications of any significant matters identified – these will assist the Committee in reviewing the Annual Governance Statement.
  - c) An annual risk management report.
7. Consider summaries of specific internal audit reports as requested.
8. Receive reports outlining the action taken where the Head of Audit & Assurance has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
9. Contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
10. Consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
11. To provide free and unfettered access to the Chair of the Audit and Governance Committee Chair for the Head of Audit and Assurance, including the opportunity for a private meeting with the Committee.

### External Audit

The Audit and Governance Committee will:

1. Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments;
2. Consider the external auditor's annual letter, relevant reports, and the report to those charged with governance prior to publication of the annual accounts;
3. Consider specific reports as agreed with the external auditor;
4. Comment on the scope and depth of external audit work and to ensure it is effective and gives value for money;
5. Commission work from internal and external audit; and
6. Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

### Financial Reporting

The Audit and Governance Committee will:

1. Review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council; and

2. Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### Treasury Management

The Audit and Governance Committee will:

1. Monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice;
2. Ensure effective scrutiny of the treasury management strategy and policies;
3. Review the treasury management risk profile and adequacy of risk management processes; and
4. Consider reports on treasury management activity during the year.

### Accountability Arrangements

The Audit and Governance Committee will:

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

### Authority

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

### Frequency of Meetings

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

### Outline Programme

In order to meet its principal responsibilities during the year the Committee will consider the following reports/activities:

<b>PROGRAMME ACTIVITY:</b>	<b>TERMS OF REFERENCE NUMBER</b>
<b>Governance, Risk and Control</b>	
Annual Statement (AGS)	1,2,3,4
AGS Progress Report	1,2
Risk Management Annual Report	4,5,6
Internal Audit Opinion Report	2,5,7
External Audit VFM Conclusion	3
MAF Update	4
Risk Management Update	5,6
Corporate Health, Safety & Wellbeing Annual Report	4,5,6
IA Progress & Outcomes Report	7,8,9
Reports from Other Committees or agencies	3,4,5,6,7

Significant Partnerships Report	10
<b>Internal Audit</b>	
Annual Plan	1,2,4
IA Progress & Outcomes Report	3,4,5,7,8
Risk Management Annual Report	8
Annual Opinion Report	6,9,10,11,12
<b>External Audit</b>	
Annual Audit Letter	1,4,5
Annual Plan	2,5
Progress Report	2,3
Findings Report	2,5
Value For Money Conclusion	3,5
Fees Letter	4,5
<b>Financial Reporting</b>	
Statement of Accounts	1
External Audit Findings Report	2
<b>Treasury Management</b>	
Strategy Report	1,2
Progress Report	1,3,4
Annual Outturn Report	1,3,4
<b>Accountability Arrangements</b>	
Committee Annual Report	1,2,3
Committee Self-assessment	2,3

The programme itself will develop over time as new statutory responsibilities are introduced and the timetable may vary, for example, as the Council is required to close its accounts earlier each year.

#### Membership

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

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

A quorum shall be three Members.

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

#### Attendance

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

To achieve these objectives the Committee will depend principally on the attendance of the Chief Executive, Director of Finance and Customer Services, the Director of HR, Legal & Corporate Services and the Head of Audit & Assurance or their nominated

representatives. The Council's external auditors, external advisors and Directors may be requested to attend as and when appropriate.

### Reporting

The Annual Audit and Governance Committee Report will be formally reported to Full Council.

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

**CIPFA PRACTICAL GUIDANCE ON AUDIT COMMITTEES – GOOD PRACTICE SELF-ASSESSMENT**

REF	GOOD PRACTICE QUESTIONS	YES	PARTIAL	NO	ACTION REQUIRED
<b><i>Audit Committee purpose and governance</i></b>					
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?	√			
<b><i>Functions of the committee</i></b>					
7	<p>Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?</p> <ul style="list-style-type: none"> <li>▪ good governance.</li> <li>▪ assurance framework. including partnerships and collaboration arrangements,</li> <li>▪ internal audit.</li> <li>▪ external audit.</li> <li>▪ financial reporting.</li> <li>▪ risk management.</li> <li>▪ value for money or best value.</li> <li>▪ counter-fraud and corruption.</li> <li>▪ supporting the ethical framework</li> </ul>	√			
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?	√			

REF	GOOD PRACTICE QUESTIONS	YES	PARTIAL	NO	ACTION REQUIRED
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	√			
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	√			
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	√			
<b>Membership and support</b>					
12	Has an effective audit committee structure and composition of the committee been selected?  This should include: <ul style="list-style-type: none"> <li>▪ separation from the executive.</li> <li>▪ an appropriate mix of knowledge and skills among the membership.</li> <li>▪ a size of committee that is not unwieldy.</li> <li>▪ consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement).</li> </ul>	√			
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?	√			

REF	GOOD PRACTICE QUESTIONS	YES	PARTIAL	NO	ACTION REQUIRED
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?	√			
<b>Effectiveness of the committee</b>					
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			√	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.
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?	√			



**CIPFA'S AUDIT COMMITTEES PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES (2018 EDITION)****Evaluating the Effectiveness of the Audit Committee****Assessment key**

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

**Blackburn with Darwen Borough Council Audit Committee Effectiveness Assessment 2020/21**

<b>Areas where the audit committee can add value by supporting improvement</b>	<b>Examples of how the audit committee can add value and provide evidence of effectiveness</b>	<b>Self-evaluation, examples, areas of strength and weakness</b>	<b>Overall assessment: 5 – 1 See key above</b>
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 Significant Partnerships Register.</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
		The Committee Chair is a member of the Primary Assurance Group, which reviews the AGS and related assurance reports.	
Contributing to the development of an effective control environment.	<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
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<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 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>	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>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>	<p>4</p>
<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 &amp; Assurance has right of access to and regular briefings for the Chair of the Audit &amp; 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.</p> <p>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 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>5</p>

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>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
<p>Supporting the development of robust arrangements for ensuring value for money.</p>	<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, Payment of Creditors, and Corporate Contract &amp; 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

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>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</p>	<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
<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 an annual report from the committee.</p>	<p>Audit &amp; 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>Consideration of Partnership arrangements is not currently included in the Committee's terms of reference. However, a corporate Partnership Governance Framework is in place, which includes a Governance Checklist and the Committee receives a report on the Council's Significant Partnerships Register annually.</p>	4

### 2020/21 Member Attendance and Committee Work Programme

Only four meetings were held during the year due to the impact of the pandemic and the requirement for legislation to be enacted to allow virtual meetings to take place. The following Member attendance was recorded:

Councillor/Date	29 July 2020	26 November 2020	12 January 2021	30 March 2021
Ron Whittle - Chair	✓	✓	✓	✓
Maureen Bateson	✓	✓	✓	✓
Mahfooz Hussain	A	A	✓	✓
Andy Kay	✓	✓	✓	✓
Abdul Patel	A	A	✓	A
Neil Slater	A	A	✓	A

✓ = attended meeting    A = sent apologies

N/A = Not a Committee Member at the time of the meeting.

<b>Audit &amp; Governance Committee Work Programme 2020/21</b>					
<b>PROGRAMME ACTIVITY:</b>	<b>TERMS OF REF. NUMBER</b>	<b>JULY</b>	<b>NOVEMBER</b>	<b>JANUARY</b>	<b>MARCH</b>
<b>Audit &amp; Governance Committee Work Programme 2020/21</b>					
<b>Governance, Risk and Control</b>					
Annual Statement (AGS)	1,2,4	✓			
AGS Progress Report	1,2			✓	
Risk Management Annual Report	4,5,6,7	✓			
Annual Counter Fraud Report	7,8,9	✓			
Annual Internal Audit Opinion Report	1,2,7	✓			
External Audit Findings incl VFM	3			✓	
External Audit Annual Audit Letter incl VFM Conclusion	4,5,7				✓
MAF Update	4,5,6		✓		
Risk Management Update	4,5,6		✓	✓	✓
IA Progress & Outcomes Report	4,5,6,7,8	✓	✓	✓	✓

<b>PROGRAMME ACTIVITY:</b>	<b>TERMS OF REF. NUMBER</b>	<b>JULY</b>	<b>NOVEMBER</b>	<b>JANUARY</b>	<b>MARCH</b>
Significant Partnerships Register	10				√
<b>Internal Audit</b>					
Annual Plan & Internal Audit Charter	1,2,3,4	√			√
IA Progress & Outcomes Report	3,4,5,7,8,11	√	√	√	√
Annual Internal Audit Opinion Report	4,6,9,10,11	√			
<b>External Audit</b>					
Annual Audit Letter	1,5,6				√
Audit Fee Letter	1,3,4,5	√			
Finalisation of Ext Audit Fees 2018/19	4,5	√			
External Audit Fees and Statutory Accounts Deadlines	4,5				√
Annual Plan	2,3,4	√			
Progress Report	2,3,5	√	√	√	√
External Audit Findings Report	2,5				√
Value For Money Conclusion	2,3,4,5				√
<b>Financial Reporting</b>					
Statement of Accounts	1			√	
External Audit Findings Report	1,2			√	
External Audit Annual Audit Letter	1,2				√
<b>Treasury Management</b>					
Strategy Report	1,2			√	√
Progress Report	1,2,3,4	√	√	√	√
Annual Outturn Report	1,2,3	√			
<b>Accountability Arrangements</b>					
Committee Annual Report	1,2,3	√			
Committee Self-Assessment	2,3				√