

# Public Document Pack

## Audit & Governance Committee

Tuesday, 28th June, 2022

6.30pm

Meeting Room A  
Town Hall, Blackburn.

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### AGENDA

**1. Welcome and Apologies**

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

**2. Declaration of Interests**

To receive any declarations of Interest in items on the agenda.

**DECLARATIONS OF INTEREST FORM**

**5**

**3. Minutes of the meeting held on 29th March 2022.**

To approve as a correct record and to sign the minutes of the meeting held on 29<sup>th</sup> March 2022.

**29th March 2022**

**6 - 10**

**4. Annual Health and Safety Report 2021/22**

The Assistant Director, Chief Executive's Department will provide the Committee with the 3032/33 Health and Safety Annual Report.

**Agenda Item 4 Annual Health & Safety Report 2021-22**

**11 - 15**

**5. External Audit Annual Report 2020/21**

The Council's External Auditors will provide the Committee with their 2020/21 Annual Report.

**Agenda Item 5 Ext Auditor's Annual Report 2020-21-  
BWD v1 JF2 updated**

**16 - 44**

**6. Treasury Management Report- March 2022 to May 2022**

The Director of Finance will provide the Committee with a

report on recent Treasury Management Activity.

**Item 6 Treasury Mgmt Report to Audit and Governance Cttee - May 2022** **45 - 56**

**7. Treasury Management Annual Report 2021/22**

The Director of Finance will provide the Committee with an annual report on Treasury Management activity for the financial year 2021/22

**Item 7 Treasury Outturn Report AG Cttee 21-22** **57 - 70**

**8. Audit and Assurance -Progress and Outcomes to May 2022.**

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

**Agenda Item 8 AA Progress Report to 31 May 2022 Final** **71 - 76**

**9. Outcome from Government Technical Consultation on the Local Audit Framework.**

The Director of Finance will provide the Committee with details of the outcome from the Government technical consultation on the Local Audit Framework

**A&G Cttee Agenda Item 9 Local Audit Framework - Outcome of Technical Consultation** **77 - 79**

**10. New CIPFA Guidance on Audit Committees**

The Director of Finance will provide the Committee with details of the updated Position Statement for Audit Committees in Local Authorities and Police 2022 published by the Chartered Institute of Public Finance and Accountancy.

**AG Cttee Agenda Item 10 - New CIPFA Guidance on Audit Cttees 2022** **80 - 87**

**A&G Cttee Agenda Item 10 - Appendix 1 New CIPFA Guidance on Audit Cttees - Assessment of BwD A&G Cttee Arrangements**

**11. Annual Risk Management Report 2021/22.**

The Head of Audit and Assurance will provide the Committee with the Annual Risk Management Report for 2021/22.

	<b>Agenda Item 11 Annual Risk Management Report 2021.2022 Final</b>	<b>88 - 111</b>
	<b>Agenda Item 11 Appendices for Annual Risk Mgmt Report 2021.2022</b>	
<b>12.</b>	<b>Annual Counter Fraud Report 2021/22</b>	
	The Head of Audit and Assurance will provide the Committee with the Annual Counter Fraud Report for 2021/22.	
	<b>Agenda Item 12 Counter Fraud Annual Report 2021.22</b>	<b>112 -</b>
	<b>Agenda Item 12 Appendix A Counter Fraud Annual Report 2021-22 Final</b>	<b>119</b>
<b>13.</b>	<b>Head of Internal Audit Annual Opinion Report 2021/22</b>	
	The Head of Audit and Assurance will provide the Committee with the Annual Internal Audit Opinion Report for 2021/22	
	<b>Agenda Item 13 Head of Internal Audit Annual Audit Opinion Report 2021.22</b>	<b>120 -</b>
	<b>Agenda Item 13 Appendix A Head of Internal Audit Annual Opinion Report 2021.22 Final</b>	<b>143</b>
<b>14.</b>	<b>Annual Governance Statement for 2021/22</b>	
	The Director of Finance will provide the Committee with the draft Annual Governance Statement for 2021/22.	
	<b>A&amp;G Cttee Agenda Item 14 BwD Draft Annual Governance Statement 2021 -2022</b>	<b>144 -</b>
		<b>175</b>
<b>15.</b>	<b>Audit and Governance Committee Annual Report 2021/22</b>	
	The Chair of the Committee will present the draft Audit and Governance Committee Annual report for 2021/22.	
	<b>Agenda Item 15 Audit Governance Committee Draft Annual Report 2021.22</b>	<b>176 -</b>
	<b>Agenda Item 15 - Appendix Audit Governace Committee Draft Annual Report 2021.22 Final</b>	<b>203</b>
<b>16.</b>	<b>Exclusion of the Press and Public</b>	
	The Press and Public may be excluded during consideration of the following items.	

Date Published: Monday, 20 June 2022  
Denise Park, Chief Executive



## DECLARATIONS OF INTEREST IN ITEMS ON THIS AGENDA

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

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

MEETING: **AUDIT AND GOVERNANCE COMMITTEE**

DATE:

AGENDA ITEM NO.:

DESCRIPTION (BRIEF):

NATURE OF INTEREST:

DISCLOSABLE PECUNIARY/OTHER (delete as appropriate)

SIGNED :

PRINT NAME:

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

**PRESENT** – Mahfooz Hussain (in the chair.) Councillors Jon Baldwin, Maureen Bateson, Abdul Patel and Neil Slater

**OFFICERS** – Dean Langton (Director of Finance), Colin Ferguson (Head of Service Audit and Assurance), Paul Conlon (Democratic Services),

The Councils Auditors- John Farrar (Grant Thornton)

## RESOLUTIONS

1. **Welcome and Apologies**

The Chair welcomed everyone to the meeting.

2. **Declarations of interest**

No Declarations of interest were made by members of the Committee.

3. **Minutes of the meeting held on 19<sup>th</sup> January 2022**

The Minutes of the meeting held on 19<sup>th</sup> January 2022 were submitted.

**RESOLVED** – That the Minutes of the meeting held on 19<sup>th</sup> January 2022 be approved as a correct record and signed by the Chair.

4. **Significant Partnerships**

The Significant Partnerships Register a requirement within the Council Constitution. The annual update of the Register is an opportunity to ensure that partnerships throughout the local authority are well governed and that appropriate oversight is in place. The report provides evidence to the Committee to meet its responsibility to review the governance and assurance arrangements in respect of significant partnerships that the Council is involved with. It notes that the recent audit review of the arrangements provided substantial assurance on the control environment and adequate assurance in respect of compliance with the controls relating to this area.

**RESOLVED-** 1. That the significant partnerships submitted for inclusion in the 2021/22 register be approved.

2. That the updated key lines of enquiry within the Code of Audit Practice and the important role of partnerships be noted.

5. **External Audit: Audit Findings Report 2020/21**

The report sets out Grant Thornton's progress in delivering their responsibilities as the Council's external auditors in respect of the audit of the 2020/21 financial statements. The focus of their work is on the outstanding areas of work, which includes responses a small number of queries relating to revaluations of property plant and equipment, and the Council's accounting for infrastructure assets in light of a national issue, which is noted below.

There are five main areas have been finalised since the last report to note that are highlighted. These are:

- The valuation of Heritage Assets - These valuations have been amended to reflect the insurance values as these provide a more recent value. The valuations used for the balance sheet previously were several years old. The balance sheet has been increased by £16.3m as a result.
- Pension Liability – The auditors are satisfied that the Council's pension liability figure reported agrees with the revised actuarial report.
- Property, Plant & Equipment - Work on this area is close to completion. An adjustment is required for a number of these assets with the final figure yet to be agreed. It is expected to be approximately £3.8m.
- Infrastructure Assets - A national issue has been identified relating to this area, which is explained in the report. The auditors are awaiting guidance to be issued on this.
- Minimum Revenue Provision (MRP) - The report sets out the auditors observations and challenges with regards to the Council's recent change in MRP Policy.

The updated Audit Findings report will be issued on completion of the audit.

The report includes the results of the Financial Reporting Council (FRC) review of the work of local auditors and the Institute of Chartered Accountants in England & Wales (ICAEW) quality assurance work. Nine Grant Thornton files were selected as part of the FRC process of which six were assessed as good and three required improvement. This represented a year on year improvement. The ICAEW assessed the files selected at the highest grade for both financial statements and VfM elements of the audit.

A sector update was also included for Members consideration/reference. This was a summary of emerging national issues and developments, which Grant Thornton have noted, that may have an impact on the Council.

In response to a members question the Committee was informed that the value placed on Heritage Assets was based on the insurance valuation and this followed CIPFA guidance.

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

## **6. Application of Accounting Policies**

The Committee considered a report seeking approval to the accounting policies to be used in preparing the 2022/23 financial statements. There were two main changes to those applied in the preparation of the 2020/221 Statement of Accounts and these were:

- a policy on the Council's role as agent for the Business Improvement Districts; and
- a revised policy for the valuation of heritage assets reflecting an update following the 2020/21 audit of the Council's Statement of Accounts 2020/21.

The report highlighted the results of a recent CIPFA consultation on time limited charges to the Code of Practice on Local Authority Accounting in the UK relating to pausing the valuations of property plant and equipment for a period of up to two years and deferred the implementation of IFRS 16 Leases for a further year and other points on this area were awaited at the time of the report.

Guidance was also awaited on the emerging issue associated with the de-recognition of costs associated with infrastructure costs which was referred to the External Audit Progress report and depending on the outcome, this may lead to a change in policy regarding this area.

**RESOLVED-** That the Committee note the use of Accounting Policies as set out in the report, for the preparation of the Councils Statement of Accounts 2021/22

## **7. Closure of Accounts 2021/22 – Assessment Going Concern Status**

The Committee considered a report of the Director of Finances assessment of the Council 'going concern' status in respect of the production of the 2021/22 Statement of Accounts. The concept assumed that the Council, its functions and services, would continue in operational existence for the foreseeable future and it underpinned the Statement of Accounts drawn up under the Local Authority Code of Accounting Practice.

The report provided the Committee with details of arrangements and evidence to support the conclusion that the Council remains a going concern in 2021/22 and for the following 12 months, based on the information available at the time of the report.

**RESOLVED-** That the outcome of the assessment made of the Council's status and a 'Going Concern' for the purposes of preparing the Statement of Accounts for 2021/22

## **8. Treasury Management Report – December 2021 to February 2022**

The Committee received a report providing a summary of the treasury management activity and performance in the period. It noted that the Bank of England base rate has increased twice during the period and was at 0.5% at 3 February. The Council had approximately £41m invested at 28 February 2022 and short term loans of £20m. Short term borrowing had continued to be used during the period. The activity was within the agreed Prudential and Treasury indicators set by the Council for the current year. The Treasury Management Strategy for 2022/23 was also included in Appendix 6 to the Treasury Management Report. The strategy report had been approved by Executive Board on 10 March 2022. The content of the strategy remained largely similar to the previous year.

**RESOLVED-** That the Committee note the Treasury Management position for the period.

## **9. Audit & Assurance Progress & Outcomes December 2021 to February 2022**

The Committee received a report setting out the progress on the audit work during the period compared to the approved audit plan. An update on progress of the outcome of the follow up of data matches from the National Fraud initiative since the previous report was also provided. The overall opinions for the ten internal audits completed in the period were summarised along with a commentary on the part limited assurance opinion audit. This would not have a significant impact on the overall control environment in place within the Council.

**RESOLVED-** That the Committee receive the report and the outcomes achieved to 28<sup>th</sup> February 2022 against the annual Audit and Assurance Plan 2021/22, as approved by the Committee on 31<sup>st</sup> March 2021.

#### **10. Audit & Assurance Plan 2022/23, Three Year Strategic Plan and Internal Audit Charter**

The Committee were informed that It was a statutory requirement for the Council to have an effective internal audit in place to evaluate the effectiveness of its risk management, control and governance processes. The arrangements should take account of the requirements of the Public Sector Internal Audit Standards. The proposed 2022/23 risk based audit plan was presented to the Committee for approval. This identified an audit resource of 734 days and set out the areas included for audit review during the year. This would allow Audit & Assurance to provide independent assurance to assist the Committee with its responsibility oversee the effectiveness of governance arrangements in the Council and an annual audit opinion on the overall risk management, control and governance arrangements in place for 2022/23. Progress against the approved plan will be reported to the Committee during the year.

The plan also identified the resources available for counter fraud and risk management activity and support provided by the Audit & Assurance team.

**RESOLVED-** that-

- the 2022/23 Annual Audit and Assurance Plan and draft three year Strategic Audit Plan be approved.
- The Internal Audit Charter be approved
- Notes that reports dealing with both progress against the Plan and outcomes achieved will be submitted to each meeting of the Committee, and,
- Notes that Plan Changes will be reported during the year.

#### **11. Risk Management Report 2021/22 Quarter 3 Review**

The Committee received a report providing a summary of the corporate risk register as at the end of December 2021 and highlights the top two risks that the Council has identified and is managing. Changes had been made during the period in respect of the Public Health related risk to reflect the Public Health recovery from the pandemic and the measures required to reduce the health inequalities and improve health outcome for the boroughs residents. A new risk had been added relating to recruitment and retention of staff. There had not been any changes in any of the scores for the remaining risks in the period.

A corporate Risk Management Policy Statement had been approved by the Executive Member for Finance and Governance.

**RESOLVED-** That-

- The Corporate Risk Register as at the end of the third quarter 2021/22 be noted.
- That the committee note the risk management activity that has occurred during the period.
- That the Strategic Director for Resources, be invited to attend the session prior to the next meeting to discuss corporate risk and a review of its assessment, control and monitoring.

#### **12. Audit & Governance Committee – Effectiveness Assessment 2021**

Members received a copy of the Practical Guidance for Local Authority and Police Audit Committees published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This includes a good practice self-assessment checklist and toolkit to evaluate a Committee's effectiveness against the principles set out in CIPFA Position Statement. The checklist and evaluation had been completed by the Head of Audit & Assurance on behalf of the Committee and were presented for the Committee's consideration. Members of the Committee had also completed individual self-assessment questionnaires on the effectiveness of the Committee. The results of each of these assessments are set out in appendices to the report and these all provide evidence to support the overall conclusion that the Committee is operating effectively.

**RESOLVED-** That that the Committee consider that the results of the assessment now submitted to be evidence to confirm the Committees effectiveness and that it is operating in accordance with best practice.

signed: .....

Date: .....

Chair of the meeting  
at which the minutes were confirmed



## BLACKBURN *with* DARWEN BOROUGH COUNCIL HEALTH & SAFETY ANNUAL REPORT 2021-22

### ACCIDENTS, INCIDENTS AND NEAR MISS DATA

There have been **618** reported incidents over the last year. This compares to the preceding two years as below.

2019-20	2020-21
735	385

The Health, Safety & Wellbeing Team review each reported incident and, where necessary, further information is requested from departments to ensure that appropriate measures are considered and have been put in place to reduce or eliminate the risk of reoccurrence.

Clearly, Covid will have influenced the figures for 2020-21, whereby many staff worked from home. Whilst there was some return to the workplace in 2021-22, this has been gradual and still contained periods where homeworking was advised for those able to do so.

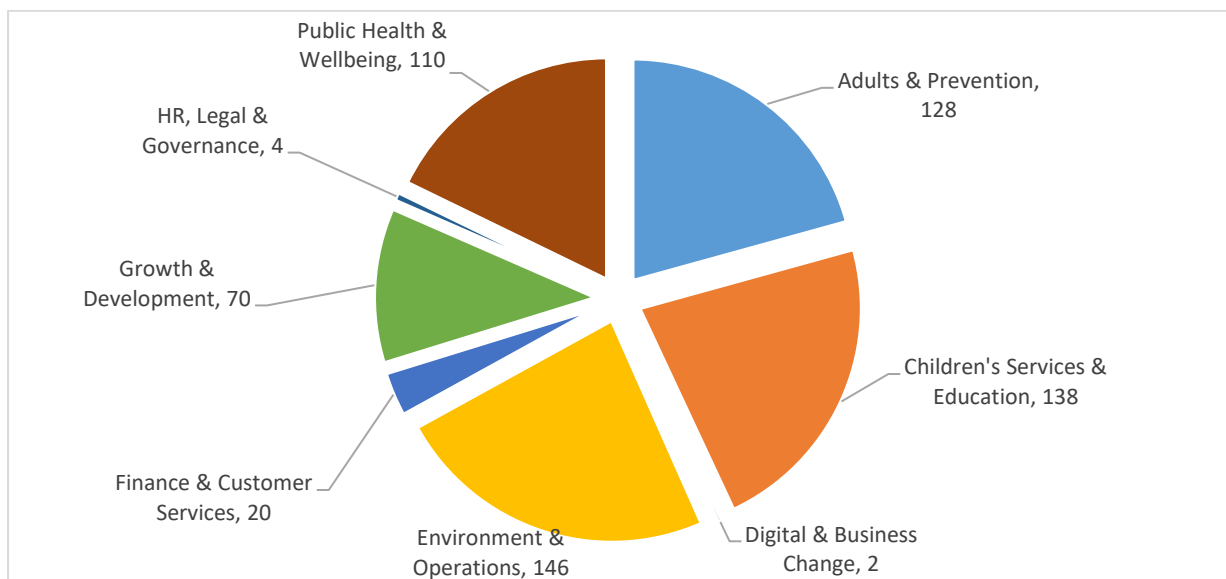
#### RIDDOR Reports

Adjusted figures show five (5) for the period, which is below the KPI. This compares to six (6) for the 2020-21 period.

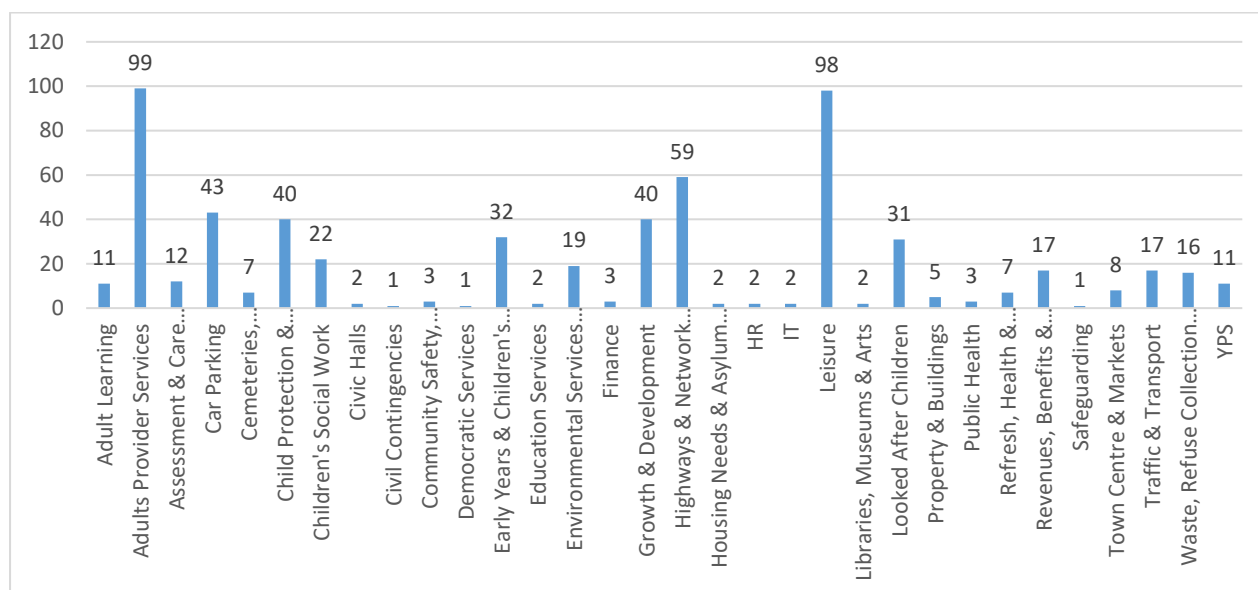
RIDDORS for this year included:

- 1 x dangerous occurrence
- 2 x slips, trips, falls leading to over 7 day absences
- 2 x assaults leading to over 7 day absences.

#### Incidents by Department

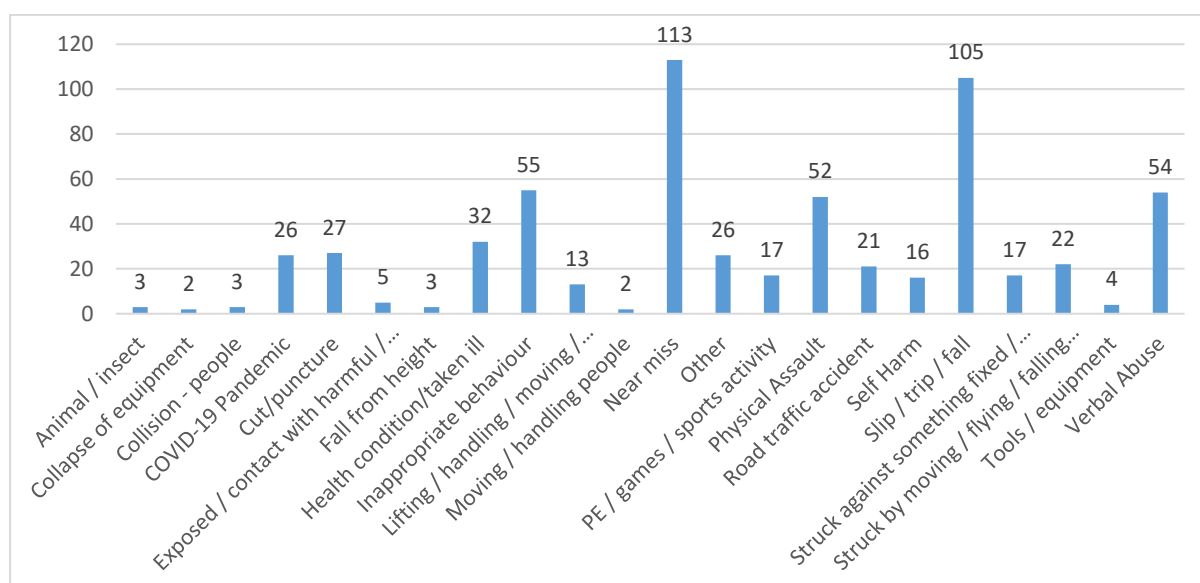


## Incidents by Division



Adults Provider Services have the highest number of reports, very closely followed by Leisure. These services are very good at reporting all incidents and are also some of the main services that deal with members of public and services users, therefore higher numbers of reported incidents can be expected from these settings.

## Incidents by Type



'Near miss' is the highest reported incident category, which is really positive to see, we know that the more near misses we have reported and are dealt with, the less likely we are to have more significant incidents leading to harm.

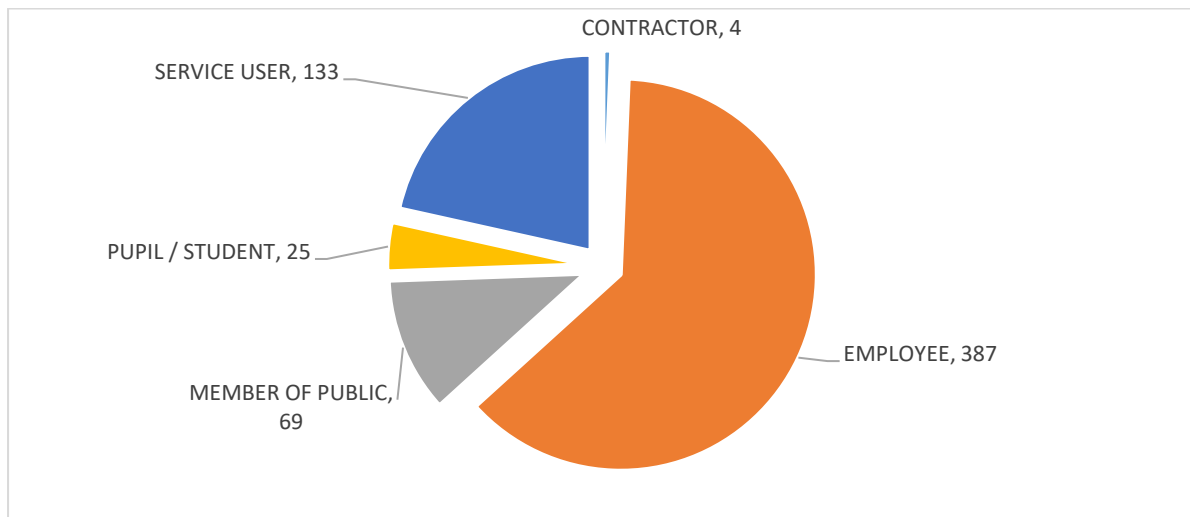
'Slip, trip and fall' is the second highest incident category, which is common every year. All of these incidents are investigated with appropriate follow up action, where required. In addition to this the team have undertaken some targeted work on reducing the number of these incidents, which will continue.

One of the areas of focus for the next year will be violence and aggression towards staff.

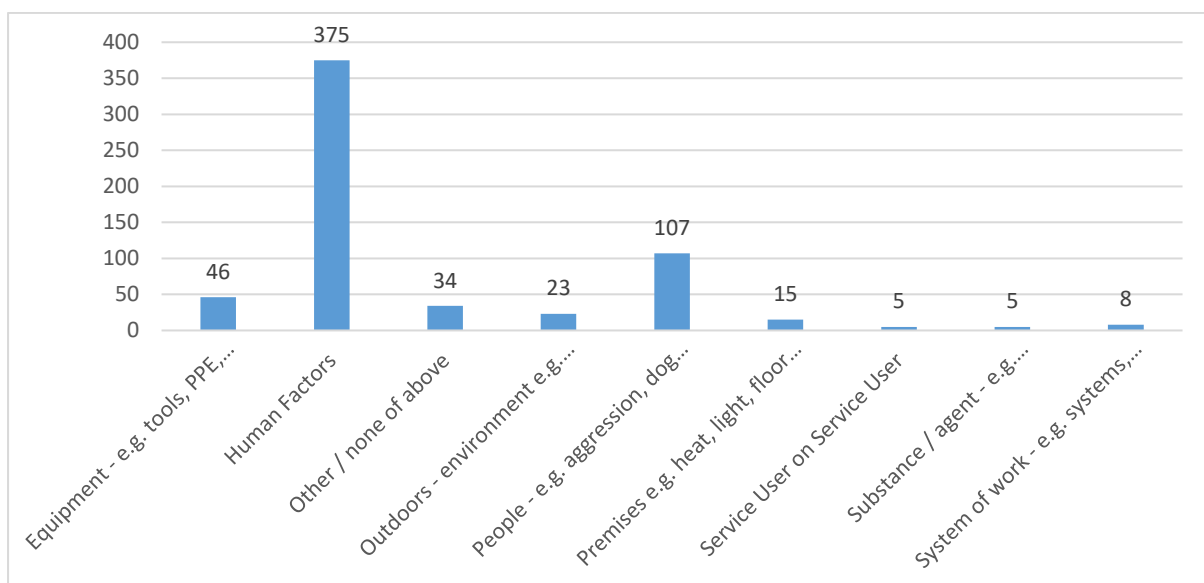
'Inappropriate behaviour', 'verbal abuse' and 'physical assault' are the highest number of incidents combined. There will be a small focus group established to focus on this area as well as a round of Personal Safety Training made available to frontline services.



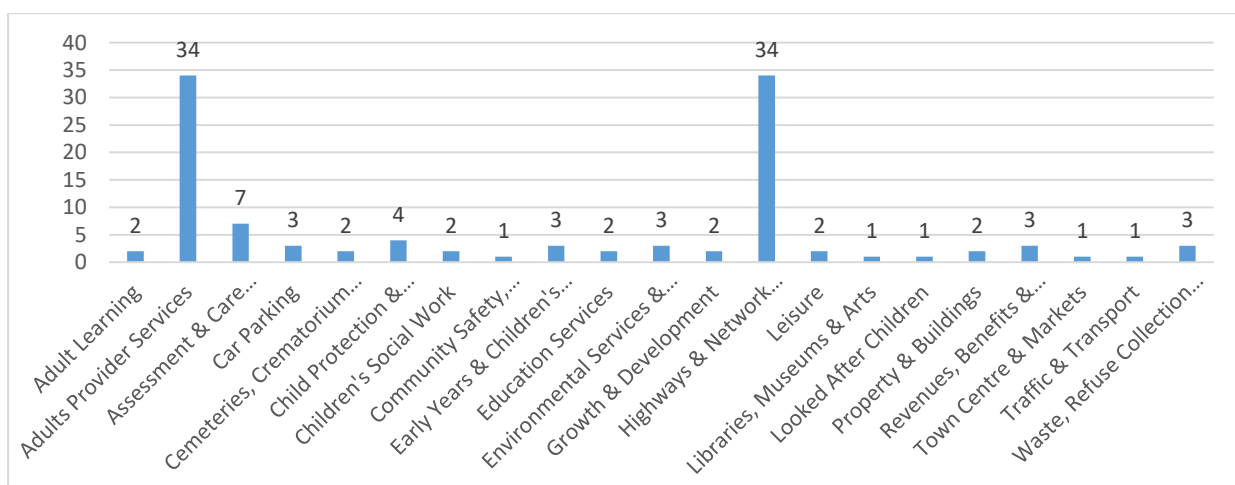
## Category of Person



## Incidents by Immediate Cause

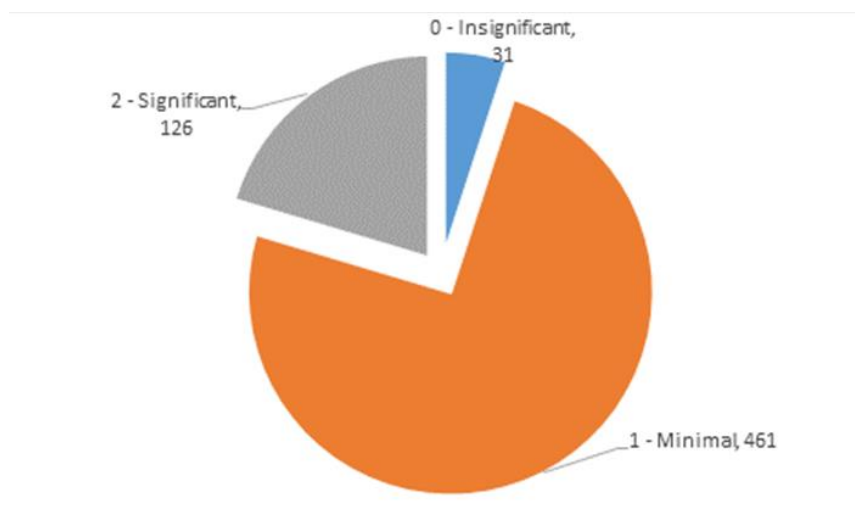


## Near Misses



Some targeted work will be undertaken to ensure all departments are reporting 'near misses'.

## Managerial Implications



The majority of incidents reported have a minimal impact on the council. However, there were 126 incidents in the last year that were classed as 'significant'. These would have required full managerial investigation and potential procedural overhauls.

## Quarterly Comparisons

Aspect	Q1	Q2	Q3	Q4
Total incidents	124	105	136	247
Pure incidents	108	83	123	188
Slips, Trips, Falls	31	19	26	29
Highest A + I (Department)	Adult Provider Services (17)	Adult Provider Services (23)	Leisure (31) (APS second with 15)	Adult Provider Services (44) Leisure (41)
RIDDOR	3	0	1 (re-adjusted)	1
Near Miss	16	22	13	59

Quarter 4 was the busiest quarter for incidents, possibly because more people returned to work at this time. There was also an increase in near miss reporting; however, even taking this into account, reported incidents were still much higher than previous quarters. Trends that appear in certain departments during a particular quarter can temporarily inflate figures higher than the average. Once that trend has been tackled, the figures should stabilise.

RIDDORS were adjusted in Quarter 4 to alleviate anomalies.

## **KEY HIGHLIGHTS**

The team whilst being heavily involved in offering covid advice and guidance have maintained health and safety consultancy support across the council and to schools, some of the key highlights of work this year include:

- Reviewed all accidents, incidents and near misses reported to the team which follow up advice given where required, including undertaking full investigations for more significant incidents
- Ongoing support to all departments, schools, multi faith settings, community partners and supermarkets on Covid safety – including outbreak management advice and advice on those who are vulnerable
- Undertaken 45 full Health & Safety audits at schools as part of the Service Level Agreement

- Delivered various training to schools, including H&S Responsibilities, Working From Height and Manual Handling
- Numerous Display Screen Equipment assessments have been undertaken and advice given to both staff and managers in order to support hybrid working and wider return to office spaces
- Working in conjunction with Insurance, identifying risks and threats to the council and supported in the defence of several civil claims against BwDBC
- Conducting high and medium risk petrol filling station visits on behalf of Public Protection (relating to fire, explosion and environmental risk) as well as advising on emergency response following petrol leaks
- Provision of inspections, advice and training at the Davyfield Road depot, namely Environment and Highways operations
- Concentrated advice and support at Albion Mill, which is ongoing
- Conducting a slips, trips and falls survey across council premises and advising upon appropriate control measures to reduce number of incidents
- Participation in the Events Safety Advisory Group advising on safety matters for events as well as offer covid safe advice for events.
- Health and Safety advice, assessment for the 2021 elections
- Facilitating and deliver the corporate Health & Safety Consultative Committee
- The provision of support for frontline services suffering from acts of violence and aggression
- Delivery of health surveillance to teams exposed to noise and vibration
- IOSH Health & Safety Training for Directors was delivered and well received
- Health & Safety Training was delivered to members of the extended leadership team.

## **PLANS & PRIORITIES FOR 2022-23**

- The Corporate Health and Safety Policy has now been reviewed and updated and will be rolled out to the organisation
- Service Level Agreements for schools have been renewed and the level of custom maintained, with 51 schools purchasing our service
- All health and safety guidance documents and templates will be reviewed and updated where required
- Dedicated support from the team will be provided to services based Davyfield Road and to Leisure Services
- A 'back to basics' campaign will commence over the summer with reminders to all on various Health & Safety topics, including DSE, fire safety, risk assessments etc.
- A focus group on violence and aggression will be established with the aim of reducing the number of incidents
- Health and Safety Groups at key sites will be established and will feed into the wider Health & Safety Consultative Committee
- Full H&S audits will be undertaken at high risk locations and services
- Compliance checks will be sent out to services/buildings to allow for self-compliance audits to be undertaken
- A review of the governance arrangements for the Events Safety Advisory Group will be undertaken
- A programme of health and safety training will be developed and made available to staff.

# Final Auditor's Annual Report on Blackburn with Darwen Council

2020-21

June 2022

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# Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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C – Use of formal Auditor's powers	

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. 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.

# Executive summary



## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness.

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified.

	No significant or improvement weaknesses in arrangements identified.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and improvement recommendations made.

## Overall commentary

Overall, we have not identified any significant weaknesses and related key recommendations, including in relation to the Council's response to COVID-19. We have identified a small number of financial sustainability and governance related improvement recommendations, which management has accepted and will implement.



## Financial sustainability

The Council is operating in an increasingly uncertain financial environment. For the second successive year, the Comprehensive Spending Review was a single year spending review. Blackburn with Darwen, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, the Council has maintained a good financial position. An underspend position of £10.628m was achieved in 2020/21 primarily as a result of the Council receiving Covid funding, some of which will be utilised in 2022.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council. We have identified a small number of improvement recommendations relating to the review of the Medium Term Financial Strategy (MTFS), level of reserves, reporting of mandated and discretionary expenditure and the Council's Minimum Revenue Provision (MRP) policy. Further details can be seen on pages 7-15 of this report.



## Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Council and the changes instigated as a response to the pandemic.

Our work on both business as usual governance and adapted structures has not identified any significant weaknesses in arrangements. However, we have identified one improvement recommendation relating to the need to update Council policies that are several years old. Further details can be seen on page 19 of this report.



## Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements or key recommendations in relation to delivering economy efficiency and effectiveness.



# Statutory and key recommendations



The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.

Our work has not identified any significant weaknesses in arrangements and therefore we have not made any key recommendations.

Appendix C outlines the Use of auditor's statutory powers. These powers include the use of written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.

Our work has not identified any significant and pervasive weaknesses in arrangements and therefore we have not made any statutory recommendations or had to discharge any other wider powers under the Local Audit and Accountability Act 2014, for the 2020/21 audit year.

The range of recommendations that external auditors can make is explained in Appendix B.



# Opinion on the financial statements



## Audit opinion on the financial statements

Our work on the audit of your financial statements is substantially complete, except for a national issue that has arisen with regards to the audit of Infrastructure assets. CIPFA has set up an urgent task and finish group to consider this issue, with a view to produce a bulletin and possible amendments to the accounting code. Once issued we will consider the impact on the audit of your financial statements.

We are unable to complete our work in this area as the Council is still awaiting the appropriate guidance and tools from the Department to complete its submissions.

## Preparation of the accounts

The Council provided draft accounts for audit in advance of the national deadline on 2<sup>nd</sup> August 2021.

## Grant Thornton provides an independent opinion ensuring the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.

## Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was reported to the Council's Audit and Governance Committee on 18 January 2022. We have concluded that the other information published with the financial statements, including the Narrative report and Annual Governance Statement, was consistent with our knowledge of the Council and the financial statements we have audited.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.





# Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Page 21



## Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 7 to 24.

# Financial sustainability



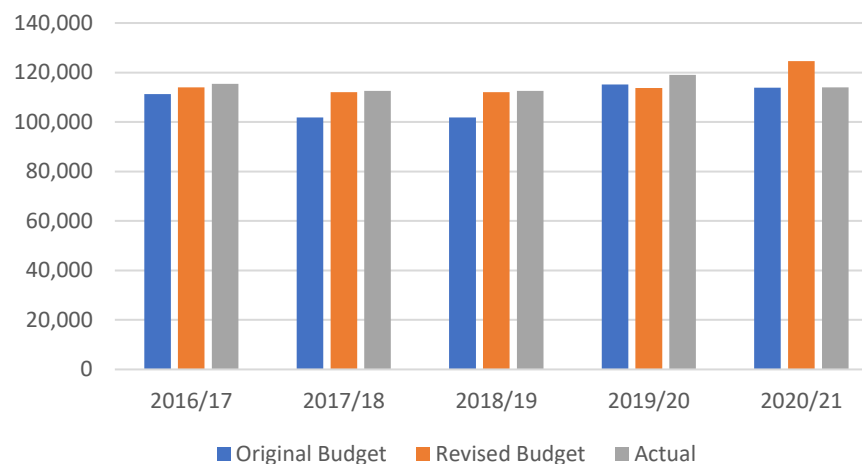
## We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Overview of the arrangements to ensure financial sustainability

The Council has suitable arrangements in place for planning and managing its finances. Covid-19 has had a large impact on the Council's finances during 2020/21, with a change in the demand for some services, service closures with staff redeployed to support response efforts, alongside a significant loss of income from fees and charges. Some of the Government's initiatives to respond to the Covid-19 pandemic were supported by additional funding, with the Council receiving significant additional funding in 2020/21. The receipt of the Government Covid funding has ultimately led to the Council delivering an overall underspend of £10.6m. A comparison of the outturn performance for the last five years shows that the underlying trend has been for the Council to overspend slightly, however, following the receipt of the Covid funding in 2020/21 an underspend was reported.

Outturn v Budget 2016/17 - 2020/21



The Council's Medium Term Financial Plan (MTFP) approved in March 2021 covered the financial period up to 2023/24 and is revised annually alongside the budget setting process. The budget and MTFP are prepared in conjunction with and reflect the Council's key strategies. The budget setting process is contributed to by Directors and their associated departments, plans are discussed with the Leadership team including members with the budget approved by the Finance Council.

The Council's MTFP highlighted a budget gap of £5.6m in 2022/23 rising to £8.3m in 2023/24. The Council acknowledges that there are some future uncertainties given the lack of information provided by Central Government in relation to future funding levels.

## Key Financial Assumptions

The assumptions applied by the Council as part of preparing the budget and MTFP appear reasonable. The Council factored in assumptions around future funding levels, in particular the Settlement Funding Assessment, levels of Business Rates related grants, Covid 19 grant support and Council Tax receipts based on estimates for housing growth within its tax base.

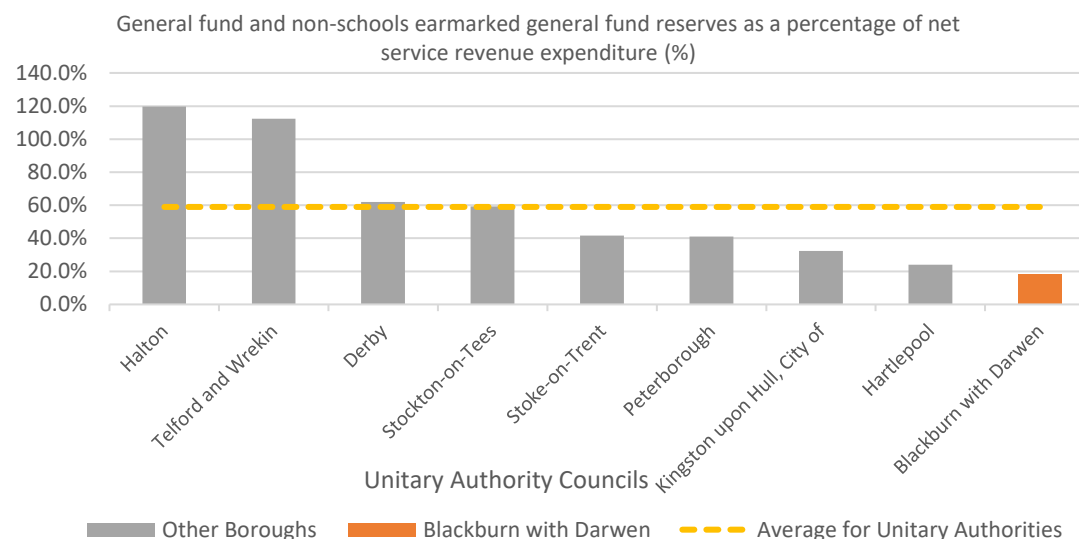
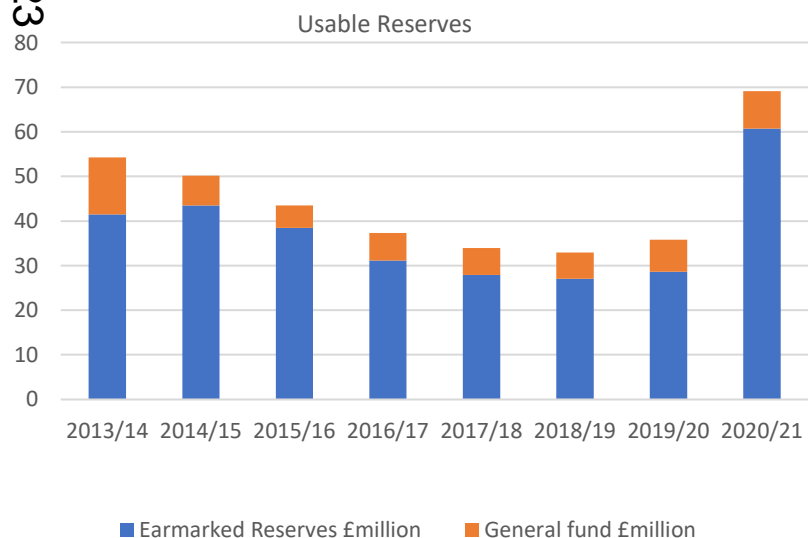
# Financial sustainability

A review of forecasted cost pressures shows they included a provision for a 2% pay award, as well as expectations made for National Living Wage increases. Management included inflationary uplifts on the more volatile areas of expenditure such as utilities and waste, whereas for more 'general consumables', any increases were contained within existing budgets. The Council also made a provision for the known increases in employer pension contributions. The Council checks its assumptions with peers such as the North West Chief Finance Officers and SIGOMA (Special Interest Group of Municipal Authorities). Overall there is no evidence that the Council's MTFS is based on unrealistic assumptions.

The Council's financial plans are kept under review and updated annually as part of the annual budget setting process. Given recent rises in inflation and other macro-economic uncertainty, a formal mid-year review of the in-year MTFS, including assumptions, would help improve the accuracy of forecasts and financial plans. We recommend that under the current economic climate the Council introduce formal and frequent reporting to members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates. This will provide transparency on the sector wide uncertainties the Council is subject to and the potential impact of these on its financial sustainability. This is reflected in our improvement recommendation on page 11.

The budget report for 2020/21 was presented to the Finance Council in February 2020. In line with Section 25 of the Local Government Act 2003, a separate report was also prepared which confirmed the robustness of the estimates within the overall budget, and the adequacy of the proposed level of financial reserves. For a number of years the Council has commented on the level of usable reserves used to support shortfalls in income. This trend was reversed in 2020/21 with the Council's level of usable reserves increasing by £33.3m to £69.2m. This represents a significant increase in the level of reserves, largely in earmarked reserves, which are held for specific purposes. The level of reserves however is artificially high as a result of the way the Council has had to account for Covid monies. The overall increase for 2020/21 is similar to that of many other local authorities. The level of the Council's usable reserves since 2013/14 can be seen below. A comparison with the Council's nearest neighbours, based on similar demographics, shows that Blackburn with Darwen has the lowest level of General Fund and non-school earmarked reserves as a percentage of net revenue expenditure. It remains important that the level of reserves is kept under regular review. We have made an improvement recommendation reflecting this on page 12.

Page 23



# Financial sustainability

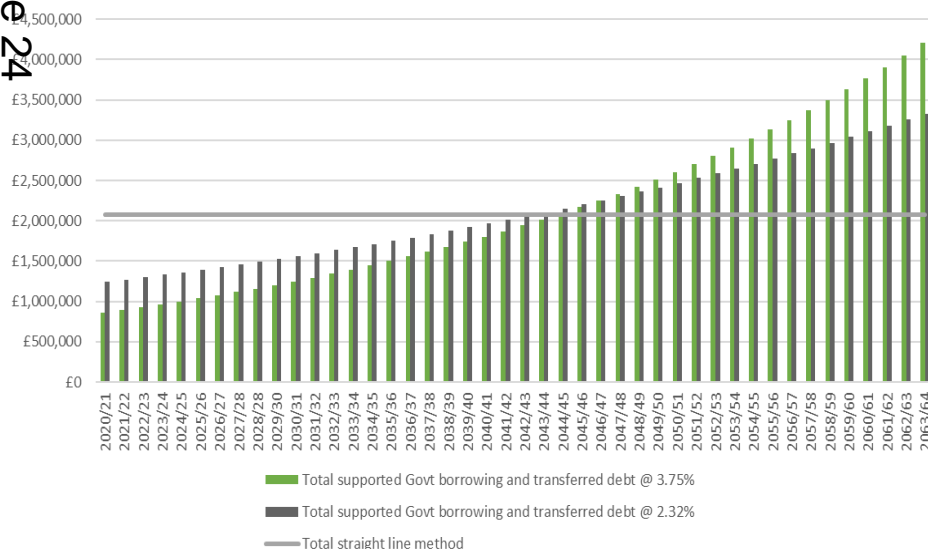
## Minimum Revenue Provision (MRP)

Local authorities are normally required each year to set aside some of their revenues as provision for debt. More precisely, the provision is in respect of capital expenditure financed by borrowing or long term credit arrangements. With regard to MRP, authorities have a base requirement under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 to make a prudent provision each year for financing their capital investment. The regulations give local authorities flexibility in how they calculate MRP, providing the calculation is 'prudent'. This requirement is supported by statutory guidance issued by the Ministry of Housing, Communities and Local Government (previously the Department for Communities and Local Government).

In the 2021/22 Capital Strategy Report dated 1 March 2021 presented to the Finance Council the Council proposed changes in its MRP policy for 2020/21 and subsequent years. The changes relate to capital expenditure financed from debt arising up to 2007/08, all new Government-supported borrowing arising from 2007/08 and historic debt entered into prior to unitary authority status. The Council has adopted an annuity method of calculating MRP, rather than a straight-line basis that had previously been applied for these areas of capital expenditure. It was not clear in the Capital Strategy that the financial impact of this change to an annuity based calculation was quantified and explained to members at the time. The graph below shows that whilst the overall MRP charge related to capital expenditure financed from Government-supported borrowing (£78m) and transferred debt (£15.3m) remains unchanged, the profile of the charge over time does change.

Page 24

Profile of MRP charge on supported government borrowing and transferred debt 2020/21 - 2063/64



Note: the above chart reflects actual forecast MRP charges, unadjusted for the time value of money. The chart does not include debt service charges (interest).

The graph highlights that the Council's MRP charge on supported borrowing and transferred debt based on a straight line basis would have been £2.07m per annum. The impact of the change to an annuity method is a reduced MRP charge for 2020/21 of £0.863m, progressively rising to £4.21m by 2063/64.

Whilst in the short to medium term the MRP charge reduces, this is only temporary with increases required in future years. It is important that the full impact of such policy changes are fully understood by key decision makers as well as the longer term impact such policy decisions will have in future years. The absence of the full financial impact being outlined within the Capital Strategy questions whether members had a full understanding of the impact that their decision would have in future years. We have raised an improvement recommendation regarding the need for greater explanation and impact assessment of such policy decisions.

A key component of the annuity charge basis of calculating MRP is the choice of and application of an annuity rate. The Council applied the 2015 PWLB Annuity New Loan Rate (3.75%) for a new 44 year loan within its revised 2020/21 MRP calculations. It is unclear to us why the Council chose to use the 2015 rate in 2021. Had the Council applied the prevailing PWLB 2021 rate (2.32%) at the time the policy change was made the effect would have been a £0.4m higher MRP charge in 2020/21, with MRP rising at a slower rate in later years than if the 2015 PWLB rate had been applied. The overall effect of the change to an annuity basis is that the Council's total MRP charge for 2020/21 was £ 5.688m, a reduction of £0.8m compared to the previous year when the straight line basis was adopted.

# Financial sustainability

Capital receipts are sums received by the Council in respect of a disposal of an interest in a capital asset. The uses to which capital receipts can be put are defined in regulation and these include financing capital expenditure and repaying the principal of an amount borrowed. As capital receipts are not a revenue resource, they cannot be applied 'in lieu of MRP'. The Council's application of capital receipts has served to reduce the impact of unfunded capital expenditure on the Council's CFR. Over the period from 31/3/17 to 31/3/21 the Council's CFR has increased from £297.5m to £300.7m.

A recent Grant Thornton benchmarking exercise comparing MRP charged in 2020/21 as a percentage of the Capital Financing Requirement (CFR) at the end of 31 March 2021. This exercise included data from 62 large authorities across the country. The Council's 2020/21 MRP charge of £5.688m was 1.91% of its closing CFR, below the median of 2.15% and simple average of 2.68% noted across our sample.

Whilst there are clearly short to medium term benefits to the policy change, it is important that the Council is assured that its MRP charge is prudent and that it has been prepared in line with statutory guidance.

## Funding gaps and achievable savings

The Council's MTFP up to 2023/24 originally highlighted a budget gap by the end of 2023/24 of £6.3m, whilst acknowledging some of the financial uncertainties around some of the figures included in its long-term financial plan. The latest version of the Council's financial plan shows that the budget gap up to 2023/24 is now anticipated to be £2.885m, with the Council having set a balanced budget for 2022/23. The Council has identified budget efficiency proposals for the next 3 years, however these are at a relatively high level with a need for more granular detail to underpin these. We have made an improvement recommendation to address this point.

## Financial planning

The Council's financial plans are regularly reviewed. Revenue and capital monitoring reports are taken to Executive Board on a quarterly basis and any ongoing financial implications are incorporated into the following year's budget strategy.

The Corporate Plan sets out strategic priorities, which are referenced within the Council's financial planning. Both the MTFP and the Capital Programme clearly show that plans are driven by the Council's eight strategic priorities. The Capital Programme is focused on regeneration of the borough, through the improvement of leisure facilities, strengthening the night-time economy, as well as aiming to facilitate housing and business growth.

The Council's actual capital spend in 2020/21 was £21.1m, an outturn of 83.9% against a revised capital budget of £25.2m. The main area of slippage was £3.3m in relation to the Council's school's capital programme. A number of capital schemes were delayed due to the Covid pandemic, resulting in them being re-profiled and budgets carried forward into 2021/22.

We are satisfied there is a clear linkage between the MTFP and the priorities set out in the Council Corporate Plan. Whilst discretionary spending is subject to close scrutiny we noted that mandatory and discretionary spend is not clearly differentiated in the financial planning reports, which underpin the budget and MTFP. We have identified the area of reporting on mandatory/discretionary spend as an improvement recommendation.

We have not noted any evidence of the Council failing to update financial plans regarding changes in Government policy or that the Council has not considered the financial impact of legal or regulatory proceedings against it.

## Conclusion

The Council is well managed and there is a high level of understanding of its budgetary position, budgetary pressures and any savings required. There is an established process by which the budget is regularly reviewed, and issues reported on a timely basis to those charged with governance. We have identified opportunities for improvement as set out overleaf.



# Improvement recommendations



## Financial Sustainability

### 1 Recommendation

Introduce a formal and more frequent review (at least mid-year) of in year MTFP assumptions with appropriate reporting to Members.

Refine formal reporting to Members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFP.

#### Why/impact

Regular review of MTFP assumptions will help to ensure ongoing accurate financial forecasting and allow for appropriate timely action. Reporting a mid-year review of the MTFP assumptions, sensitivity analysis and scenario planning to members will provide the opportunity for challenge, scrutiny, oversight and improve the accuracy of forecasting.

#### Auditor judgement

Greater agility on financial management is required given current financial uncertainties, regular review and challenge of the MTFP assumptions to help ensure financial forecasts remain accurate.

#### Summary findings

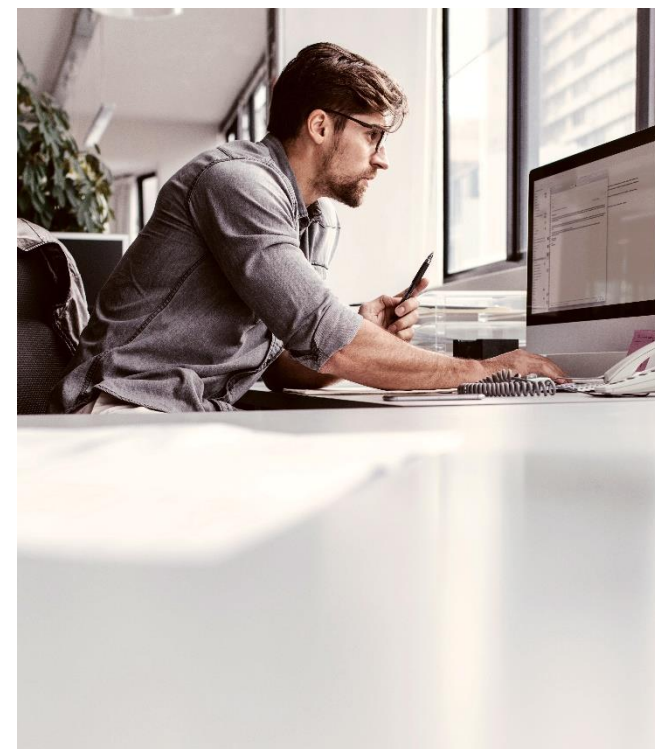
MTFP assumptions are updated annually as part of the annual budget setting process.

Sensitivity analysis and scenario planning is undertaken as part of the development of the budget, however this analysis is not formally presented to members.

#### Management comment

The Council approved a Financial Strategy at its meeting on 28th February 2022. This included details of the Medium Term Financial Plan 2022/25. A subsequent update of the Medium Term Financial Plan 2023/26, and the assumptions on which it is built, has been reported to the Executive Board in June 2022. A further update will be provided in October 2022 and at Finance Council in February 2023. This pattern of reporting will be replicated in subsequent years.

In providing an update on the Medium Term Financial Plan 2023/26, details of the assumptions used and the extent to which they are sensitive to changes have been highlighted in the covering report. Equally, scenario planning has been undertaken on a range of assumptions to provide Councillors with 'best', 'base' and 'worst' scenarios. These scenarios will be subject to review with the Medium Term Financial Plan.



# Improvement recommendations



## Financial Sustainability

**Recommendation** The Council should continue to monitor the level of its reserves to ensure it remains satisfied that they are at an appropriate level.

**Why/impact** It is important that reserves are not automatically seen to 'balance the books' but that there is a plan to maintain the reserves at an appropriate level.

**Auditor judgement** Robust monitoring of reserves levels allows the Council to assess the adequacy of its reserves and to assist decision making.

**Summary findings** The Council's General Fund and non-schools earmarked reserves are amongst the lowest when compared to that of its nearest neighbours as a percentage of net service revenue expenditure

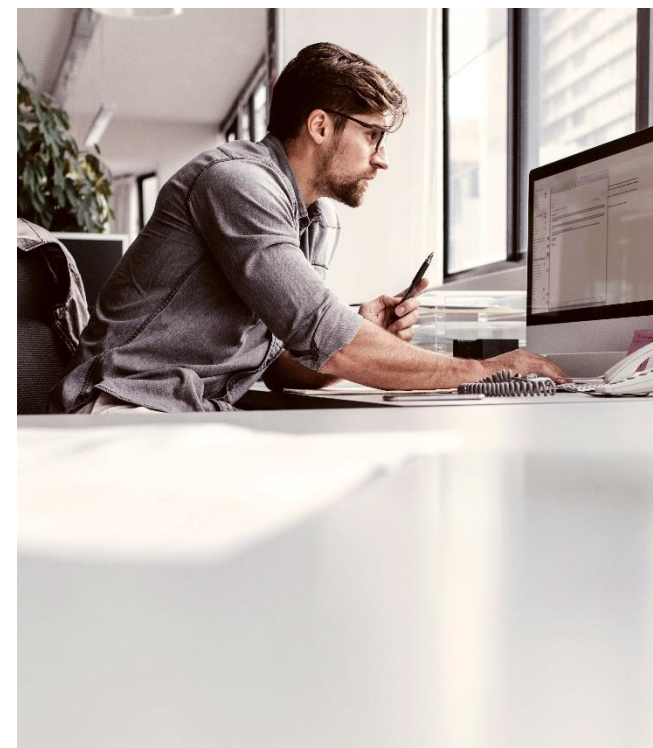
**Management comment**

The Council maintains its reserves under regular review. The management of reserves is undertaken in compliance with CIPFA guidance on Local Authority Reserves.

Annually, as required by regulations, the Director of Finance (as s151 Officer) undertakes a review of the adequacy of reserves and balances. The outcome of this review is report to the meeting of Council as part of the Statement on the Robust of Estimates and Adequacy of Reserves. This is so that Councillors can consider this review in the context of the budget being set.

Details of the reserves are report to the Executive Board on a quarterly basis as part of the Corporate Budget Monitoring report.

A further review of reserves is undertaken as part of the process of closing the Council's accounts and producing the Statement of Accounts. This is to ensure that the reserves remain adequate in the context of decision taken in setting the budget.



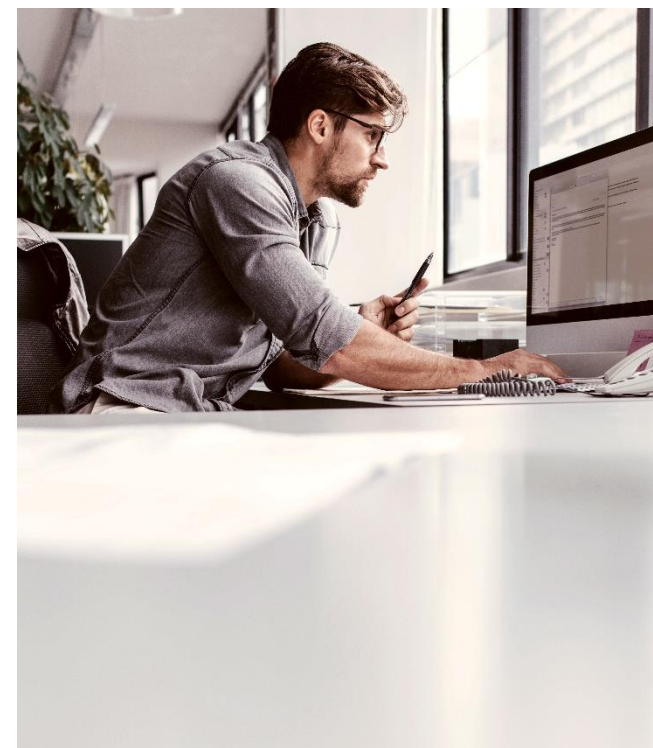
The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations



## Financial Sustainability

<b>Recommendation</b>	Provide a clear distinction between mandatory and discretionary spending in the budgetary information to members and ensure it is published on the website.
<b>Why/impact</b>	This would help residents to understand the difference between these types of spending and would help inform them as to any spending which is made as a result of manifesto pledges or following a decision by the Council to undertake a specific project outside or in addition to its statutory obligations.
<b>Auditor judgement</b>	The different categories of spending could be made clearer. Currently it is not apparent whether any of the Council's spending is discretionary.
<b>Summary findings</b>	No distinction is made in the financial information reported to TCWG between mandatory and discretionary spending.
<b>Management comment</b>	<p>Whilst it is acknowledged that an analysis of mandatory and discretionary expenditure would provide Members, those charged with governance and the general public with useful information on the Council's range of service activities, the Council is concerned with obtaining value for money from all activities necessary to achieve its corporate objectives. This will include both mandatory and discretionary activities.</p> <p>In this respect, a simple analysis of mandatory and discretionary spending is not considered that useful. That said, details of the Council's budgets, by Portfolio and by cost centre within each Portfolio, has been produced and this has been published in the form of a Budget Book for 2022/23 on the Council's website.</p>



The range of recommendations that external auditors can make is explained in Appendix B.

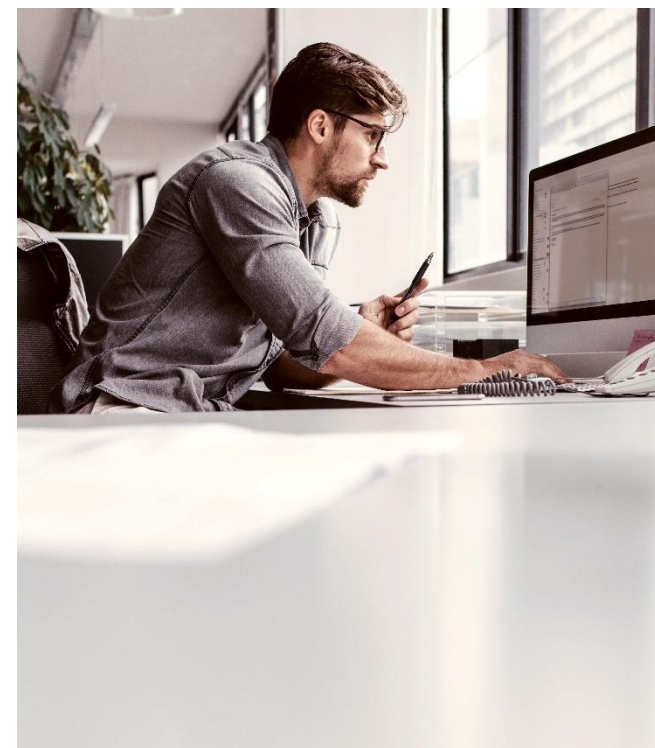


# Improvement recommendations



## Financial Sustainability

<b>Recommendation</b>	The Council should satisfy itself that its MRP policy results in a prudent MRP charge, in particular that the calculation of MRP appropriately reflects the nature of and period of expected benefits of capital expenditure and appropriate annuity rates are applied.
<b>Why/impact</b>	The Council's MRP policy backloads the MRP charge for supported government borrowing and transferred debt to future years, which results in a higher charge in future years.
<b>Auditor judgement</b>	The future financial implications of the 2020/21 change in MRP policy were not fully explained in the March 2021 report to Finance Council.
<b>Summary findings</b>	The Council revised its MRP policy in 2020/21 moving from a straight line basis to an annuity method. Committee reports at the time did not appear to explain the full financial implications of the policy change.
<b>Management comment</b>	The Council will undertake a review of its MRP Policy and the outcome of this review will be reported to Councillors for consideration and approval.



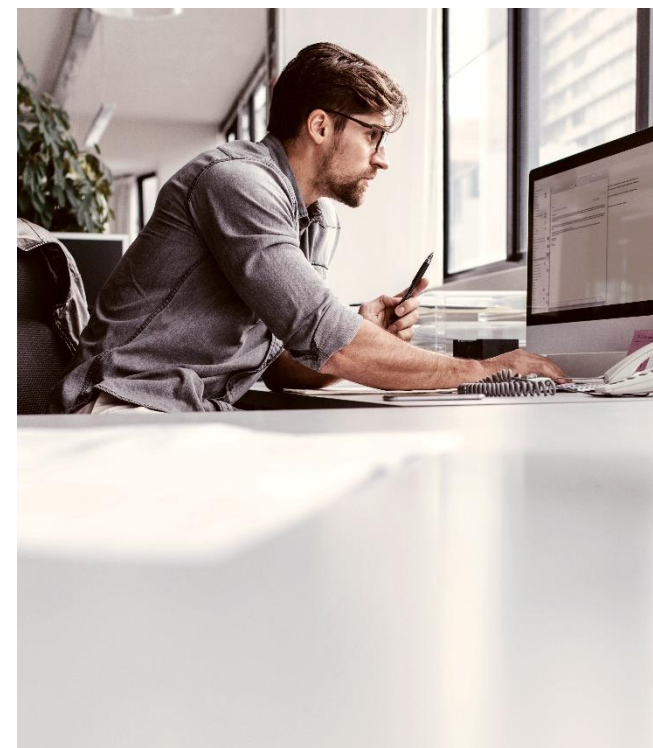
The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations



## Financial Sustainability

<b>Recommendation</b>	The Council should identify efficiency initiatives that are at a relatively detailed level to help bridge the budget gap.
<b>Why/impact</b>	It is important that the Council identifies and delivers efficiency savings for it to achieve a balanced budget position on an annual basis.
<b>Auditor judgement</b>	Current budget efficiency proposals are at a relatively high level and there is a need to be able to demonstrate at a granular level the initiatives that underpin these.
<b>Summary findings</b>	The Council has made progress in identifying efficiency proposals to help address the budget gap, but these need to be scheme specific.
<b>Management comment</b>	Following the approval of the Financial Strategy and the update to the Medium Term Financial Plan, work has begun on the development of budget options for Councillors to consider in the development of the budgets 2023/26. The outcome of this work, which will be undertaken in conjunction with Executive Members and the Corporate Leadership Team, is expected to be a range of budget options which both seek to bridge the budget gap and ensure there are sufficient resources to deliver the Council's corporate objectives.



The range of recommendations that external auditors can make is explained in Appendix B.

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## Monitoring and assessing risk

The Council has a well established risk management framework in place. The arrangements include reports to the Corporate Leadership Team (CLT) and the Audit and Governance Committee. 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 with risk management reports, including a summary of the corporate risk register presented at each Audit and 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 Council's Corporate Risk Management Strategy and Framework sets out the structure of the risk management groups and risk management roles and responsibilities within the Council. It includes the terms of reference for groups responsible for monitoring risk management arrangements and activity, as well as risk management guidance for decision makers and self-challenge questions for report writers. Each department has its own risk register and is required to consider risk at each departmental management meeting.

The Corporate risk register is clearly set out, with a risk owner and concise description of the key controls in place to manage each identified risk. A Risk Management Toolkit provides a consistent approach to risk management and scoring of risks across all portfolios. There are currently 15 open corporate risks. The Council's highest rated risks, with a risk score of over 20, are listed below and are in line with our understanding of the Council and the environment in which it is operating.

- Failure to deliver a balanced budget and Medium Term Financial Strategy may result in a Government Commission taking control of the authority's finances.
- 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.
- Due to the breakdown of community relations or a deterioration of community cohesion, greater risk of hate crime, extremism, radicalisation or polarisation of communities.
- Failure to prevent data loss and privacy incidents (Information Governance) leading to financial/Data loss, disruption or damage to the reputation of the Council.
- High profile serious/critical safeguarding incident/case that is known to Council services in light of Covid-19 working arrangements.
- Cyber Risk - Risk of financial/Data loss, disruption or damage to the reputation of an organisation from compromise of its IT systems.
- Insufficient budget for service delivery if MTFP income targets from the Growth Agenda are not met.
- 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.

### Assurance over the effective operation of internal controls

In developing its Annual Governance Statement, the Council formally reviews its corporate governance arrangements against the Local Code of Corporate Governance. The Council carries out a comprehensive review of the effectiveness of its governance framework including its system of internal control. The Annual Governance Statement is compliant with the CIPFA code. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks.

The Council has appropriate Internal Audit arrangements in place, provided by an in-house team. Despite the impact of Covid-19, sufficient work was carried out across the Council to support the Head of Internal Audit Opinion. The Audit and Governance Committee is provided with regular updates throughout the year on progress against Internal Audit's plan. Overall opinions for each completed audit are reported to the Committee along with a summary of key issues for any limited or part-limited opinions. The Head of Audit and Assurance's opinion for 2020/21 was that adequate assurance can be placed upon the Council's framework of governance, risk management and internal control.

The Council is aware of its responsibilities and compliance against legislation and regulatory standards. The Council's Strategic Head of Legal Services, as the Council's Monitoring Officer, provides advice and guidance to officers and members on the Council's decision-making process and ensures the Council's actions are compliant with legislation and regulatory standards.

The Council has a constitution in place which is regularly reviewed and updated. The Constitution contains Codes of Conduct for Members and officers. New Members accept the 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 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 sign the staff Code of Conduct as part of their induction. The Council also has a suite of policies aimed at strengthening controls and providing guidance around appropriate process and procedures, these policies cover anti-fraud, whistleblowing as well as detailed financial policies and procedures. We have made one improvement recommendation around the need to ensure that the anti-fraud and whistleblowing policies are kept updated, as they are several years old.

### Leadership and committee effectiveness/decision making

Appropriate leadership is in place. The Council operates a Leader and Executive arrangement whereby the Leader appoints two deputy leaders to form an Executive Board, which consists of up to 10 members. Portfolios are allocated to Executive Board members. The Council also operates through its various committees, including Council Forum, Finance Council, Audit and Governance, a Standards Committee and three scrutiny committees.

Our attendance at the Audit and Governance Committee and review of other committee minutes indicates that key strategic decisions are subject to healthy challenge and are supported by detailed

papers. Senior officers are open to conversations during committee meetings. The Audit and Governance Committee provides appropriate challenge of financial and non-financial items.

### Budgetary Setting process

The budget setting process is multi-layered and thorough, with several stages. The budget setting process starts in September each year and includes leadership meetings with Directors to identify cost pressures from within their portfolios. The budget strategy is contributed to by every Director and their associated departments. Plans are discussed with the Leadership team including members and are signed off at Finance Council in February each year. The process ensures that plans are not created in silo, any conflicting or competing elements are addressed early prior to budget sign off.

Where it is appropriate to do so, there is internal and external engagement on matters that ultimately feed into the development of the Council's financial plans. The extent of external engagement in 2020 and 2021 has understandably been restricted, given the impact of the Covid-19 Pandemic.



### Budgetary control

There are good systems in place for oversight of the budget. The Finance Department engages with budget holders to assist in budget setting. As part of its normal budget monitoring procedures, Finance teams undertake regular assessments of the forecast outturn position to inform the normal financial planning processes. This will include various iterations of the outturn forecast based on an understanding of likely activities.

The Council's Executive Board receive detailed quarterly budget monitoring reports on both the General Fund Revenue Budget and the Capital Programme. These reports include both the proposed changes to the budget and the forecast outturn. The detailed quarterly budget monitoring reports include information on related service activity and detailed analysis of variations including relevant explanations for service financial performance.

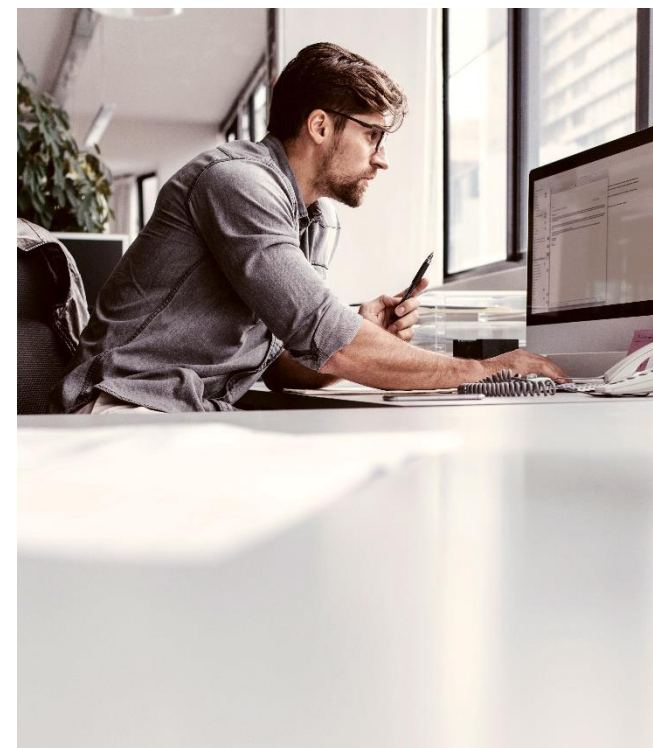
Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified an opportunity for the Council to update some of its anti-fraud and whistleblowing policies to ensure they remain accurate and relevant.

# Improvement recommendations

## Governance

<b>Recommendation</b>	Ensure that the anti-fraud and whistleblowing policies are kept updated.
<b>Why/impact</b>	It is important that guidance and policies remain accurate and up to date so that members, staff and the public have the correct information to make informed decisions.
<b>Auditor judgement</b>	Our review identified that the Council's anti-fraud and whistleblowing policies were several years old.
<b>Summary findings</b>	Our work identified that some policies had not been updated for a number of years including the Whistleblowing Policy statement (2015) and Counter Fraud Policy Statement (2016).
<b>Management comment</b>	Both Anti-Fraud and Whistleblowing Policies will be updated as required.



The range of recommendations that external auditors can make is explained in Appendix B.



# Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## Performance review, monitoring and assessment

The Council has appropriate performance monitoring arrangements in place. The Council's performance against strategic priorities highlighted within its Corporate Plan are reviewed half yearly and reported to the Policy Council in December for consideration. Year-end results are also reported to the Executive Board in June. The reports clearly link the performance of 73 key performance indicators to the Council's strategic priorities in a format that is easy to understand and informative. Each portfolio is asked to allocate a red, amber or green forecast to the measures that they own. The level of performance reporting is enhanced by exception reports which provides commentary for the reasons for any underperformance, likely impact on continued performance and the activities that have been put in place to address any issues.

Review of the 2020/21 yearly performance report shows that of the 73 indicators:

- 3% (2 actual) forecast as "red", where performance is, or is likely to be off track
- 21% (15 actual) forecast "amber" where delivery is on track and currently being managed
- 59% (43 actual) forecast "green" or on track
- 17% (13 actual) of the measures where data and or a RAG rating was currently unavailable.

The two indicators identified as "red" were around reducing health inequalities and improving health outcomes, and in particular reducing smoking in adults and the proportion of people receiving drug treatment who successfully completed treatment and did not re-present within six months. A review of the exception reports for these two indicators showed them to be sufficiently detailed to help understand the reasons for the under performance as well as providing information on future expectations.

The Council also assesses its performance against others. Benchmarking the Council's own performance in certain areas against other similar sized councils or against national averages can highlight specific areas for improvement or reassurance that performance is either better or in line with expectations. The Council uses benchmarking opportunities across a number of its services. Data on Children's services, including the number of contacts received by the Council, the number of child protection plans in place and numbers of looked after children per 10,000 population are benchmarked through the North West Association of Directors of Children's Services (ADCS) where the Council's information is compared to that of other north west councils as well as national averages. Similarly CIPFA Finance statistics are also used to compare costs of other council services in Blackburn with Darwen.



# Improving economy, efficiency and effectiveness

## Partnership working

The Council is an active member of a number of partnerships across Lancashire. Examples of its partnership working including arrangements with Blackburn with Darwen Clinical Commissioning Group as part of the Better Care Fund, with Lancashire Resilience Forum dealing with Covid Response and Recovery; with both Blackpool and Cumbria councils on the care market; with Pennine Lancashire Building Control Services and with Lancashire Enterprise Partnership for economic regeneration, as well as working with Lancashire County Council.

The integration of the health and social care agenda across Lancashire and South Cumbria (LSC) presents significant challenges and opportunities, which include:

- continuing to contribute to the appropriate governance structures, culture, behaviour, trust and stakeholder empowerment arrangements to enable effective use of resources;
- agreeing a decision making framework to collectively agree on what services are best commissioned at a LSC wide and a local level; and
- working within the financial capital and revenue envelopes.

The Council should continue to engage constructively as the local Integrated Care Systems and Integrated Care Boards evolve.

## Procurement

The Council has recently revised its Procurement Strategy (2022- 2025), which sets out the Council’s strategic approach to procurement activity. Whilst not being intended to be an operational guide to procurement, it highlights the Council’s approach to social value including its priorities and approach to local spend, whilst also focusing on the Council’s goal to be carbon neutral by 2030 and how the strategy can play a key role in achieving this.

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## PROCUREMENT STRATEGY

2022 - 2025

The Council uses the Chest e-Tendering System as the standard electronic tendering system for tendering services and works. It is a fully automated procurement system and replaces most of the manual tendering that was commonplace several years ago. The Council recently participated in a Local Government Association (LGA) benchmarking exercise for procurement which identified a number of areas of strength to be built on together with some opportunities to strengthen the Council’s procurement arrangements. Notable strengths were the working the Council does with its partners as well as managing strategic risks. Areas for improvement included engaging Councillors, contract and relationship management and obtaining social value. Implementation of the strategy and policy will help address these areas for improvement

The Procurement Strategy sets out the roles and responsibilities of the different teams in departments in relation to procurement. This largely reflects the roles and responsibilities that currently exist but also seeks to enhance the role of elected members in line with the feedback from the LGA assessment. The strategy then sets out 5 priorities for procurement and an Action Plan to deliver those priorities.

Contract management is handled at department level, with the exception of some of the Council’s major contracts such as Building Schools for Future and its Partnership agreement with Capita which are managed by the Contracts and Procurement team.



# Improving economy, efficiency and effectiveness

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

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# COVID-19 arrangements



Since March 2020 COVID-19 has had significant impact on the population as a whole and how local government services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

## Financial sustainability

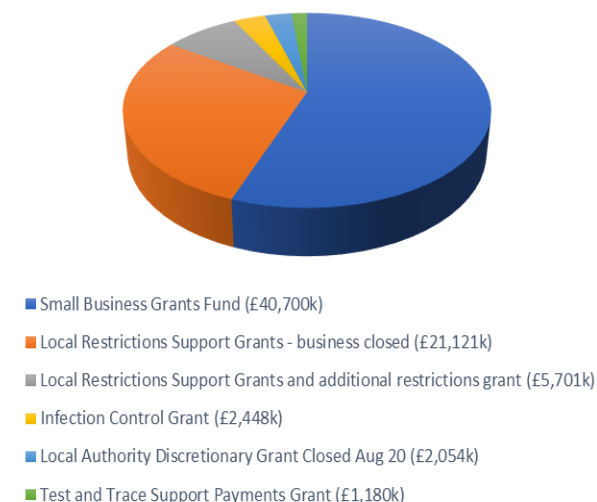
The impact of COVID-19 has cut across the Council, impacting both its income in the collection rates of Council Tax and Business Rates and creating cost pressures. The Council has incurred additional operating and staff costs alongside a reduction in its income.

As part of the Covid-19 response, the Government announced a range of grant schemes to support businesses which were to be administered by local billing authorities. Throughout the period, authorities have been responsible for paying over the grants to businesses and have then been reimbursed by the government using a grant under Section 31 of the Local Government Act 2003 [S31]. During 2020/21 the Council received Covid grants and reliefs totalling £73.2m. The Government also introduced a sales, fees and charges losses support scheme which reimbursed 75p in every pound after the Council had met the first 5% of eligible income losses, mainly excluding commercial income.

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. Indeed, this specific funding will be critical as the Council continues to deliver Covid-related response and recovery activity alongside an increasing number of Council services returning to business as usual.

Page 8 highlighted the impact seen on the Council's reserve position as a result of the Covid funding received from central government which is to be utilised over the 2-year period through to March 2022.

**Covid Grants and Reliefs 2020/21**



The Council has maintained good oversight of its finances and additional Covid-19 expenditure and income losses throughout the pandemic. These were identified early on and were subject to detailed scrutiny and monitoring. Separate cost centre ledger codes were established for grant income and various costs to capture all Covid costs. Detailed reporting to the Executive Board and Council Forum provided members with timely information on the financial and social impact of the pandemic on the residents of Blackburn and Darwen.

# COVID-19 arrangements

## Governance

While the Council generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions announced on the 16 March 2020, the Council adjusted some of its internal control processes to support effective governance throughout the pandemic. As soon as was lawful to do so, the Council started holding members' meetings online. Appropriate levels of scrutiny and challenge continued to be applied.

The Council responded quickly to the Covid-19 pandemic, it 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.

The Council continued to promote its strategic approach to governance and assurance. The existing scheme of delegation arrangements operated throughout the pandemic. No new delegations were introduced for Officers or Executive Members. There are existing delegations in the constitution to allow the Chief Executive to take any action, including incurring expenditure in an emergency or disaster. Decisions taken under this power have been recorded and published as an Officer Decision, in accordance with usual reporting arrangements, also prior to taking such decision, the Chief Executive consulted with the Leader of the Council. Departmental business continuity plans were reviewed and updated to reflect the Covid-19 challenges the Council faced. The Council has also kept its risk registers up to date to reflect the new risks. The Council recorded and assessed two Covid related risks on its Corporate Risk Register during 2020/21, the two risks identified being:

- 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; and
- 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.

The Council has also 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.

## Improving economy, efficiency and effectiveness

The Council maintained its reporting of performance against the targets throughout the year to monitor delivery of the Council's Corporate Plan.

When lockdown restrictions were announced, all staff were requested to work from home where possible. The Council has been mindful of the impact on the pandemic on its most important resource, its staff. In aiming to maintain staff wellbeing, the Council has been able to maintain an efficient and effective delivery of its statutory services.

## Conclusion

Our review has not identified any significant weaknesses in the Council's VFM arrangements for responding to the Covid-19 pandemic.

# Appendices

# Appendix A - Responsibilities of the Council



## Role of the Section 151 Officer:

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Section 151 Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Section 151 Officer is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local Council accounting in the United Kingdom. In preparing the financial statements, the Section 151 Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Financial Sustainability pages 11-14 Governance, page 18

# Appendix C - Use of formal auditor's powers

We bring the following matters to your attention:

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014

## Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public issue report under Schedule 7 of the Local Audit and Accountability Act 2014.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply to court under Schedule 28 of the Local Audit and Accountability Act 2014.

## Advisory notice

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice under Section 31 of the Local Audit and Accountability Act 2014.

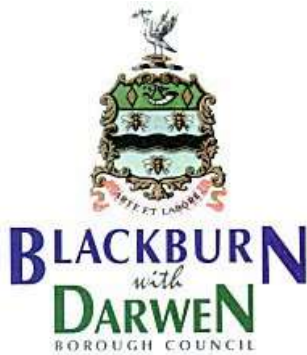
## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.







## BRIEFING PAPER

**REPORT to :** Audit and Governance Committee

**LEAD OFFICER:** Director of Finance

**DATE:** 28<sup>th</sup> June 2022

**WARD/S AFFECTED:** All

### TREASURY MANAGEMENT REPORT – 2022/23

Based on monitoring information for the period 1<sup>st</sup> March 2022 – 31<sup>st</sup> May 2022

#### 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 2022/23, approved at Executive Board in March 2022, 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

4.1.1. The Bank of England Bank Rate was increased twice during the period. At the start of the period, the Bank Rate was 0.50%, rising firstly to 0.75% on 17 March 2022 and increasing further to 1.00% on 5 May 2022.

#### **4.2. Investments Made and Interest Earned**

- 4.2.1. 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 £35M and £70M. Investment balances continued to be unusually high during this period, because of funds received from central government. Funds received from central government included additional funds in respect of extra costs and the distribution of grants to businesses and households, in relation to the response to the COVID-19 pandemic and cost of living assistance. It is intended that investment balances will ultimately reduce in future to between £10M and £20M.
- 4.2.2. 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 have started to rise over the period, following the Bank Rate increases, averaging around 0.60% throughout the period. Bank deposit account rates have also increase during the period, paying 0.10% by the end of the period.
- 4.2.3. For limited periods, funds were also placed with the Government’s Debt Management Account Deposit Facility (at 0.30 - 1.00%). The other fixed term investments made were:

Start Date	End Date	Counterparty	Amount £	Rate
16-Feb-22	21-Mar-22	Thurrock Metropolitan Borough Council	£5,000,000	0.75%
21-Mar-22	11-May-22	Thurrock Metropolitan Borough Council	£5,000,000	0.95%
11-May-22	2 days notice	Thurrock Metropolitan Borough Council	£5,000,000	1.10%
17-Dec-21	19-Sept-22	Moray Council	£5,000,000	0.08%
11-Apr-22	12-Apr-22	New Forest District Council	£2,500,000	0.60%
12-May-22	11-Aug-22	Cornwall Council	£5,000,000	0.93%

- 4.2.4. At 31<sup>st</sup> May, the Council had approximately £65.8M invested, compared to £41.2M 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 0.57%. For comparison, the Sterling Over Night Rate (SONIA) increased over the period, averaging 0.72%.

#### **4.3. Borrowing Rates**

- 4.3.1. The cost of long-term borrowing through the PWLB (Public Works Loan Board) is linked to central government's own borrowing costs.
- 4.3.2. The cost of short-term borrowing, based on loans from other councils, have risen during the period, following the Bank Rate rises. Interest rates on loans from 3 months out to a year were priced at rates between 1.10% to 1.75% by the end of the period.
- 4.3.3. The Council continues to use short-term borrowing, with balances having increased slightly over the period, but should we need to borrow over the longer term this may be more expensive. Should the need arise, we will review the options available.

#### **4.4. Short Term Borrowing in the 3 Month Period**

- 4.4.1. 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.

4.4.2. 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.

4.4.3. Up to the end of May 2022, there was an increase in short-term borrowing of £5M, as loans of £5M were repaid and £10M of new loans were taken (listed below).

New loans taken in the period				
Start Date	End Date	Counterparty	Amount £	Rate
21-Mar-22	20-Mar-23	Derbyshire Pension Fund	5,000,000	1.20%
20-Apr-22	20-Oct-22	West Midlands Combined Authority	5,000,000	0.80%

**10,000,000**

No further short term deals have been agreed.

**4.5. Current Debt Outstanding**

	28 <sup>th</sup> February 2022		31 <sup>st</sup> May 2022	
	£'000	£'000	£'000	£'000
TEMPORARY DEBT				
Less than 3 months	5,000		10,000	
Greater than 3 months (full duration)	15,000		15,000	
		20,000		25,000
LONGER TERM DEBT				
Bonds	18,000		18,000	
PWLB	125,302		123,528	
Stock & Other Minor Loans	262		22	
		143,564		141,550
Lancashire Council County – Transferred Debt		13,175		13,039
Recognition of Debt re PFI Arrangements		59,899		59,559
<b>TOTAL DEBT</b>		<b>236,638</b>		<b>239,148</b>
LESS: TEMPORARY LENDING				
Fixed Term		(14,350)		(35,255)
Instant Access		(26,828)		(30,540)
<b>NET DEBT</b>		<b>195,460</b>		<b>173,353</b>

4.5.1. 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) £123.5M borrowed from the PWLB at fixed rates, at an overall average rate of around 4%. Loans repayable on maturity range from 3.06% to 7.875%, and EIP (Equal Instalment of Principal) loans from 1.7% to 3.77%.
- (c) Debt managed by Lancashire County Council after Local Government Reorganisation, which is repaid in quarterly instalments across the year, charged provisionally at 1.82%.
- (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**

- 4.6.1. Appendix 3 shows the current position against the Prudential and Treasury Indicators set by the Council for the current year.
- 4.6.2. **IFRS16:** The implementation of the new IFRS 16 Leases accounting standard was due to come into force for local authorities from 1st April 2022. Following a consultation CIFPA/LASAAC announced an optional two year delay to the implementation of this standard a decision which was confirmed by the Financial Reporting Advisory Board in early April 2022. Authorities can now choose to adopt the new standard on 1st April 2022, 1st April 2023 or 1st April 2024. The Authority intends to adopt the new standard on 1st April 2024.
- 4.6.3. It should be noted that the operational and authorised borrowing limits for 2022/23 include an element in respect of these changes to accounting for leases. A report is to be taken to Executive Board and Council to update the Prudential Indicators for 2022/23 onwards.
- 4.6.4. 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 2022 was £239.1M, which is below both our Operational Boundary (£374.4M) and our Authorised Borrowing Limit (£384.4M) for 2022/23.
- 4.6.5. 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 – any borrowing cannot be taken if this Limit is (or would be caused to be) breached.
- 4.6.6. 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.
- 4.6.7. The Council still holds part of its debt portfolio in loans of less than a year’s duration – short-term loans currently still represent a relatively cheap way to fund marginal changes in the Councils debt. This remains under review, with regular updates from the Council’s treasury management advisors, Arlingclose.

### **Interest Risk Exposures**

- 4.6.8. Our **Variable Interest Rate Exposure** (see second graph at Appendix 4) ended the period at -£27.8M, against the **limit** set for this year of £125.3M.
- 4.6.9. 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).
- 4.6.10. Our **Fixed Interest Rate Exposure** was around £128.5M, against the **limit** of £280.6M. 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.
- 4.6.11. This limit was set to allow for the possibility of much higher levels of new long-term, fixed rate borrowing. There are still significant levels of short-term debt.

### **4.7. Codes of Practice and MRP – Consultation and Proposed Changes**

- 4.7.1. CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 4.7.2. The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. The Council has taken advantage of the option to defer introducing the revised reporting requirements until the 2023/24 year.
- 4.7.3. To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.
- 4.7.4. Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.
- 4.7.5. Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version. The Authority will follow the same process as the Prudential Code, i.e. delaying changes in reporting requirements to the 2023/24 financial year.
- 4.7.6. Government have recently consulted on changes to the capital framework: Minimum Revenue Provision. The outcome of this consultation is unlikely to have an impact on the Council, this will be reviewed in detail once the outcome of the consultation is issued and an update will be provided in due course.

## 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

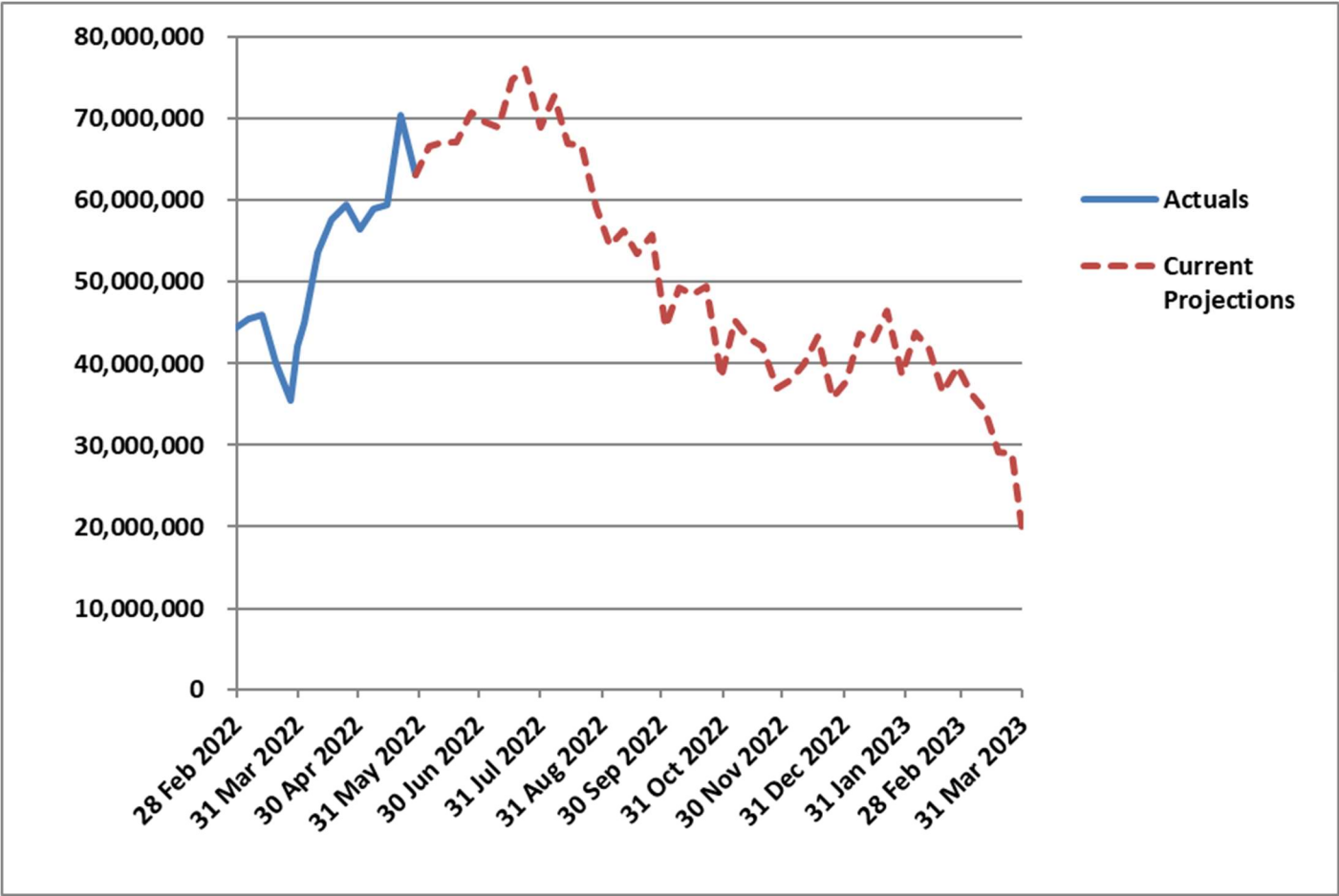
The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect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

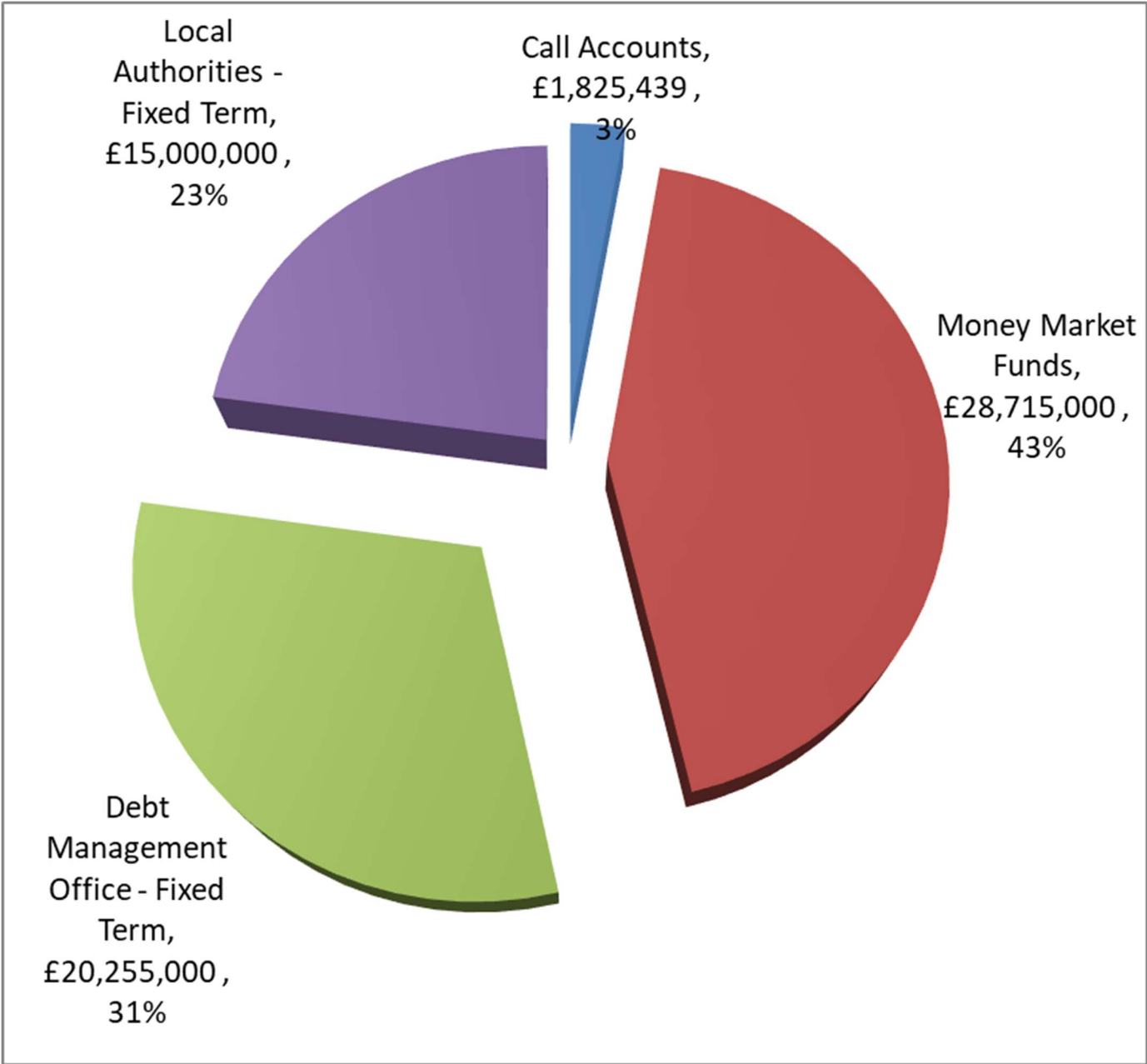
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<b>CONTACT OFFICER:</b>	Jody Spencer-Anforth – Finance Manager	extn 507748
	Dean Langton – Director of Finance	extn 666703
<b>DATE:</b>	June 2022	
<b>BACKGROUND PAPERS:</b>	CIPFA Guidance - CLG Investment Guidance - Council Treasury Management Strategy for 2021/22 approved by Executive Board 11 <sup>th</sup> March 2021 - Council Treasury Management Strategy for 2022/23 approved by Executive Board 10 <sup>th</sup> March 2022	



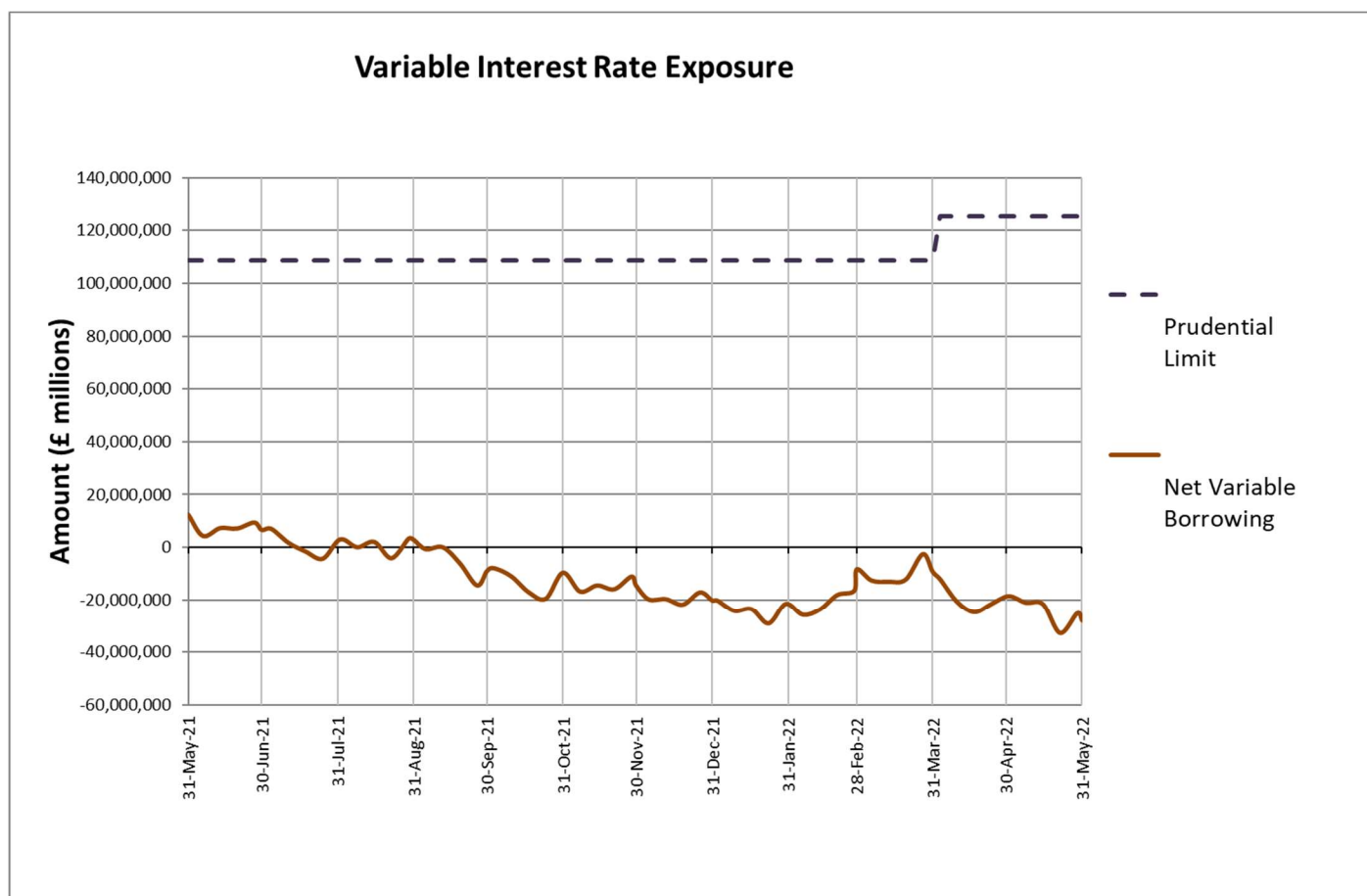
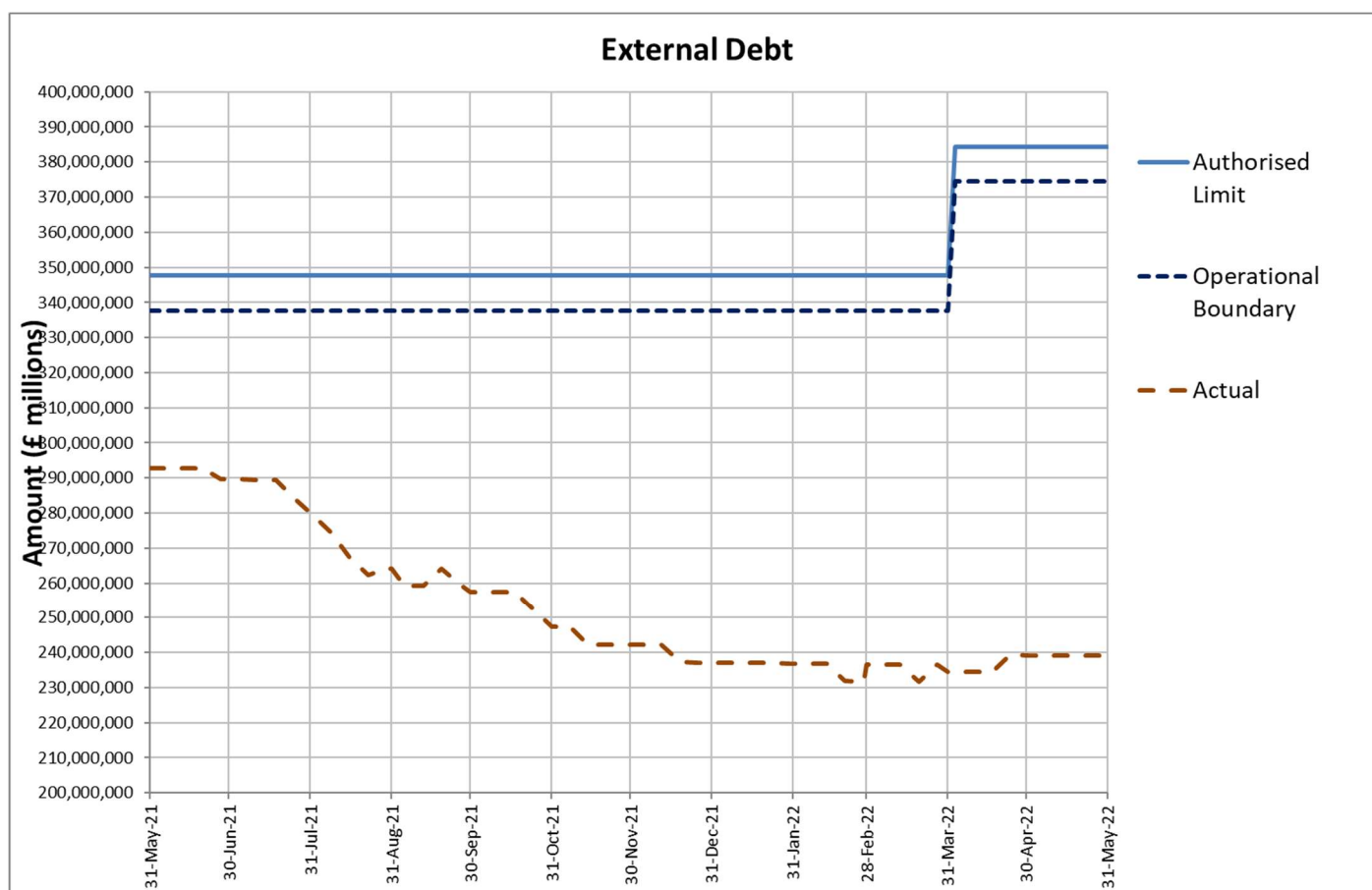
2022/23 (Feb 22 to Mar 23)





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	Indicator 2022/23	As Approved Mar 22			Current Monitoring			Commentary
	Estimated Capital Expenditure	£35.7M			£35.7M			
	Estimated Total Capital Financing Requirement at End of Year	£341.7M (incl projections re LCC debt £14.8M, PFI debt £68.9M and lease debt £45.0M)			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 Ration of Financing Costs to Net Revenue Stream	14.3%						
	Outturn External Debt Prudential Indicators	LCC Debt		15.0M	Borrowing to Date		£M	The Council has chosen to delay changes to accounting for leases therefore lease borrowings will now not be included until 1 April 2024  Operational boundary and authorised borrowing limit have not been breached during the year
		PFI Elements (no lease)		69.2M	LCC Debt		13.0	
		Leases		55.0M	PFI Elements		59.6	
		Remaining Elements		235.2M	Leases		nil	
		Operational Boundary		374.4M	BwD		166.5	
		Authorised Borrowing Limit		384.4M	Total		239.1	
	Variable Interest Rate Exposure	£125.3M			Exposure to Date -£27.8M		Limit not breached during the year	
	Fixed Interest Rate Exposure	£280.6M			Exposure to Date £128.5M		Limit not breached during the year	
	Prudential Limits for Maturity Structure of Borrowing				Actual Maturity Structure to Date			
		Lower Limit	Upper Limit	Period (Years)	Period (Years)	£M	%	
		0%	50%	<1	<1	36.5	22%	
		0%	30%	1-2	1-2	3.4	2%	
		0%	30%	2-5	2-5	29.5	18%	
		0%	30%	5-10	5-10	22.6	13%	
		25%	95%	>10	>10	74.5	45%	
					Total	166.5	100%	
	Total Investments for Longer than 364 Days	£7M			No Long Term Investments Made			



**Investment Rates**

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

**Borrowing Rates**

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

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

**PWLB Loans** - Fixed rate loans are repayable by one of three methods:

- (a) **Maturity**: half-yearly payments of interest only, with a single repayment of principal at the end of the term.
- (b) **Annuity**: fixed half-yearly payments to include principal and interest or
- (c) **EIP (Equal Instalments of Principal)**: equal half-yearly instalments of principal together with interest on the balance outstanding at the time.

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

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

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

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

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

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

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

### **Prudential Indicators**

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

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

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

### **Money Market Fund**

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

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



**REPORT to :** Audit & Governance Committee

**LEAD OFFICER:** Director of Finance

**DATE:** 28<sup>th</sup> June 2022

**WARD/S AFFECTED:** All

## Treasury Management Annual Report 2021/22

### 1. PURPOSE

- 1.1 To formally report the Treasury outturn for 2021/22, as also reflected in the 2021/22 Outturn Corporate Monitoring Report (14<sup>th</sup> July Executive Board).

### 2. RECOMMENDATIONS

- 2.1 Audit and Governance Committee is recommended to note the Outturn position for 2021/22.

### 3. BACKGROUND

- 3.1 In February/March 2021 the Council agreed a Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy for 2021/22.
- 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 2021/22.

### 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. 2021/22 OUTTURN**

### **5.1 Original Strategy for 2021/22**

5.1.1 The Strategy for 2021/22 was approved by Executive Board on 11<sup>th</sup> March 2021. 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 External Context**

#### ***Economic Background***

5.2.1 The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.

5.2.2 Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.

5.2.3 UK Consumer Price Index (CPI) was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% year on year from 4.4%.

5.2.4 The government's jobs furlough scheme insulated the labour market from the worst effects of the pandemic. The labour market began to tighten and demand for workers grew strongly as employers found it increasingly difficult to find workers to fill vacant jobs. Having peaked at 5.2% in December 2020, unemployment continued to fall and the most recent labour market data for the three months to January 2022 showed the unemployment rate at 3.9% while the employment rate rose to 75.6%. Headline 3-month average annual growth rate for wages were 4.8% for total pay and 3.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 0.1% while regular pay fell by 1.0%.

5.2.5 With the fading of lockdown – and, briefly, the ‘pingdemic’ – restraints, activity in consumer-facing sectors improved substantially as did sectors such as oil and mining with the reopening of oil rigs but materials shortages and the reduction in the real spending power of households and businesses dampened some of the growth momentum. Gross domestic product (GDP) grew by an upwardly revised 1.3% in the fourth calendar quarter of 2021 according to the final estimate (initial estimate 1.0%) and took UK GDP to just 0.1% below

where it was before the pandemic. The annual growth rate was revised down slightly to 7.4% (from 7.5%) following a revised 9.3% fall in 2020.

- 5.2.6 Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.
- 5.2.7 In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.

### ***Financial Markets***

- 5.2.8 The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels.
- 5.2.9 Bond yields were similarly volatile as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.
- 5.2.10 The 5-year UK benchmark gilt yield began the final quarter of the year at 0.82% before rising to 1.41%. Over the same period the 10 year gilt yield rose from 0.97% to 1.61% and the 20-year yield from 1.20% to 1.82%. The Sterling Overnight Rate (SONIA) averaged 0.39% over the quarter.

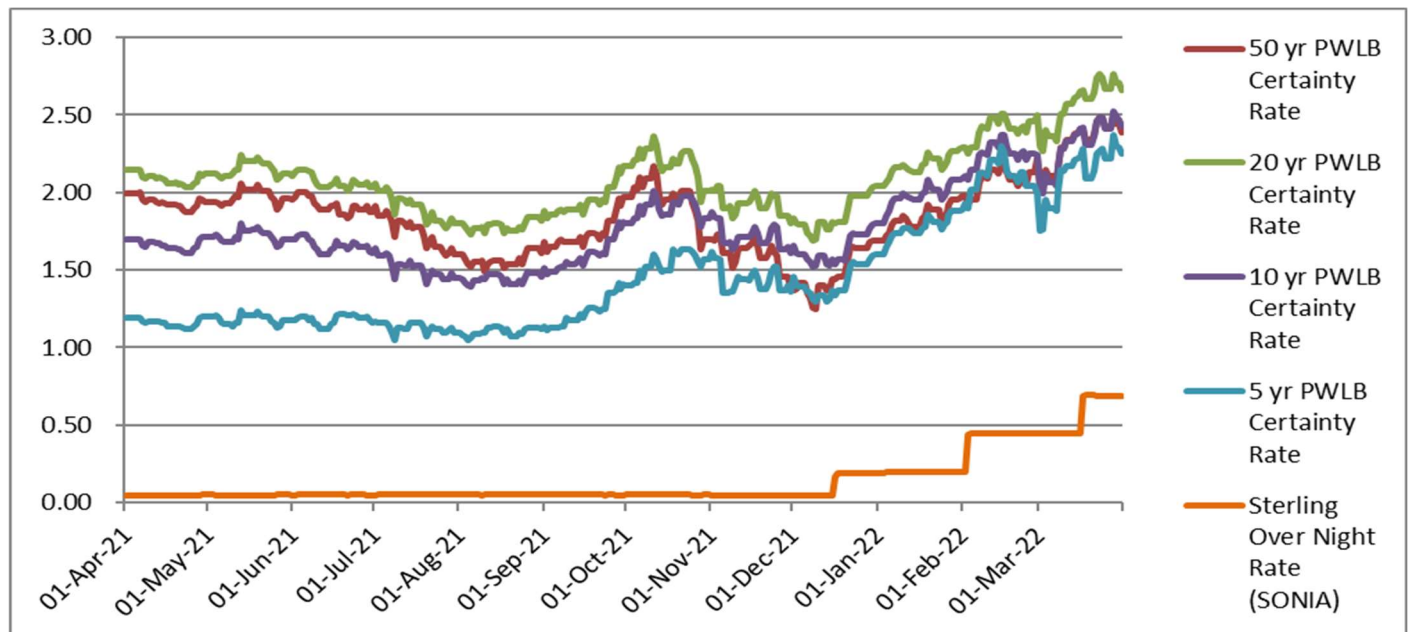
### ***Credit Review***

- 5.2.11 In the first half of FY 2021-22 credit default swap (CDS) spreads, an indicator of market confidence in banks, were flat over most of period and are broadly in line with their pre-pandemic levels. In September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but then fell back. Fitch and Moody's revised upward the outlook on a number of UK banks and building societies on the Authority's counterparty to 'stable', recognising their improved capital positions compared to 2020 and better economic growth prospects in the UK.
- 5.2.12 Fitch also revised the outlook for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable. The agency considered the improved economic prospects in the Nordic region to have reduced the baseline downside risks it previously assigned to the lenders.
- 5.2.13 The successful vaccine rollout programme was credit positive for the financial services sector in general and the improved economic outlook meant some institutions were able to reduce provisions for bad loans. However, in 2022, the uncertainty engendered by Russia's invasion of Ukraine pushed CDS prices modestly higher over the first calendar quarter, but only to levels slightly above their 2021 averages, illustrating the general resilience of the banking sector.

5.2.14 Having completed its full review of its credit advice on unsecured deposits, in September Arlingclose extended the maximum duration limit for UK bank entities on its recommended lending list from 35 days to 100 days; a similar extension was advised in December for the non-UK banks on this list. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

5.2.15 The pattern of interest rates over the year is summarised in the chart below. Local government long-term borrowing costs are set by the Public Works Loan Board (PWLB) - these directly mirror gilt yields. Nominal investment rates, measured through the Sterling Over Night Rate (SONIA), are also shown.

Interest Rate Movements in 2021/22 –



### 5.3 Revised CIPFA Codes, Updated PWLB Lending Facility Guidance

- 5.3.1 In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans. 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. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.
- 5.3.2 CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 5.3.3 The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. The Council has taken advantage of the option to defer introducing the revised reporting requirements until the 2023/24 year.
- 5.3.4 To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the Capital Financing Requirement (CFR) unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial

investments who expect to need to borrow should review the options for exiting these investments.

5.3.5 Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.

5.3.6 Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The Treasury Management Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version. The Authority will follow the same process as the Prudential Code, i.e. delaying changes in reporting requirements to the 2023/24 financial year.

## **5.4 Treasury Management Performance 2021/22**

5.4.1 By 31<sup>st</sup> March 2022, the Council had net borrowing of around £120M, arising from its revenue and capital income and expenditure, a decrease of £46M 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.

*Table 1: Balance Sheet Summary*

	31 Mar 2021 £M	2021/22 Movement £M	31 Mar 2022 £M
General Fund CFR	298.5	(8.9)	289.6
Less: CFR re Debt - Managed by Lancashire County Council (LCC) Re Private Finance Initiative (PFI) Arrangements	(15.2) (69.3)	0.3 0.2	(14.9) (69.1)
<b>Loans/Borrowing CFR</b>	<b>214.0</b>	<b>(8.5)</b>	<b>205.5</b>
Less: Usable Reserves and Working Capital	(48.6)	(37.3)	(85.9)
<b>Net Borrowing</b>	<b>165.4</b>	<b>(45.8)</b>	<b>119.6</b>

5.4.2 Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Authority pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

5.4.3 The treasury management position at 31 March 2022 and the change during the year is shown in the table below:

*Table 2: Treasury Management Summary*

	31 Mar 2021 Balance £M	Movement £M	31 Mar 2022 Balance £M	31 Mar 2022 Rate %
Long-term Borrowing	145.7	(3.9)	141.8	3.9%
Short-term borrowing	78.3	(58.3)	20.0	0.6%
Other Debt (PFI and Debt Managed by LCC)	75.2	(2.5)	72.7	
<b>Total Borrowing</b>	<b>299.2</b>	<b>(64.7)</b>	<b>234.5</b>	
Short-term Investments	34.0	(24.0)	10.0	0.5%
Cash and Cash Equivalents	24.6	7.6	32.2	0.4%
<b>Total Investments</b>	<b>58.6</b>	<b>(16.4)</b>	<b>42.2</b>	
<b>Net Borrowings</b>	<b>240.6</b>	<b>(48.3)</b>	<b>192.3</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 £78.3M to £20.0M,
- (b) Principal repayments of £3.9M 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 and Market debt made it uneconomic to do so.

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

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

Outturn 2020/21 £'000		Original Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance to Budget 2021/22 £'000
5,675	Interest paid on borrowing – long term debt	5,791	5,584	(210)
638	Interest paid on borrowing – short term debt	617	163	(454)
298	Interest paid on debt managed by LCC	120	184	64
5,909	PFI interest paid	5,758	5,723	(35)
(72)	Interest – treasury/other minor elements	(15)	(54)	(39)
5,367	MRP on Council borrowing	5,675	5,814	139
179	MRP on PFI debt	194	194	-
142	MRP on debt managed by LCC	147	209	62

5.4.6 Interest paid on borrowing in 2021/22 was around £0.6M down on the original estimate, reflecting both lower interest rates and levels of short-term borrowing and the decision not to take any additional long-term debt during the year.

5.4.7 The average investment balance over the year has increased to £61M (£56M in 2020/21). 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 and households, in relation to the response to the COVID-19 pandemic and the cost of living crisis (see Weekly Balances **Appendix 1**).

5.4.8 Investment interest rates started the year at historically low levels, but increased in the last quarter as the Bank Rate was rises were made. 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 £0.07M to £0.05M, and the average rate of return fell to 0.08% (against 0.10% in 2020/21).

5.4.9 Also included on the agenda for this meeting is the External Auditors Annual Report for the audit of the 2020/21 Statement of Accounts. Following their audit work, the Council's External Auditors have made a recommendation in relation to the Council's Minimum Revenue Provision (MRP) policy *'The Council should satisfy itself that its MRP policy results in a prudent MRP charge, in particular that the calculation of MRP appropriately reflects the*

*nature of and period of expected benefits of capital expenditure and appropriate annuity rates are applied’.*

5.4.10 This recommendation has arisen from a review of the Council’s policy for MRP which was approved by the Council in March 2021 and specifically that part of the MRP relating to capital expenditure financed from debt arising up to 2007/08, Government-supported borrowing arising from 2007/08 and historic debt entered into prior to the Council gaining Unitary Authority status.

5.4.11 The outcome of the review undertaken by the Council following this recommendation from the external auditors has resulted in an increase in the MRP charge in 2021/22 of £325,200. This increase has been partially offset by reductions in the MRP charge, arising due to slippage on capital spend in the previous year.

## 5.5 Borrowing Update

5.5.1 The Authority was not planning to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code.

5.5.2 At 31<sup>st</sup> March 2022 the authority held £234.5M of loans, a decrease of £64.7M compared to 31<sup>st</sup> March 2021, as part of its strategy for funding previous and current years’ capital programmes. Outstanding loans on 31<sup>st</sup> March are summarised in the table below:

*Table 3: Borrowing Position*

	31 Mar 2021 Principal (£M)	Rate/ Return	Average Life (Yrs)	31 Mar 2022 Principal (£M)	Rate/ Return	Average Life (Yrs)
<b>Fixed Rate Funding:</b>						
Public Works Loan Board	127.4	3.73%	17.9	123.5	3.79%	17.4
Market Debt (Long Term)	10.3	4.45%	32.9	10.3	4.45%	31.9
Market Debt (Short Term)	78.3	0.39%		20.0	0.61%	
	<b>216.0</b>			<b>153.8</b>		
<b>Variable Rate Funding:</b>						
Public Works Loan Board	0.0			0.0		
Market Debt	8.0	4.50%	20.0	8.0	4.50%	19.0
	<b>8.0</b>			<b>8.0</b>		
<b>Loans Taken by Blackburn with Darwen Borough Council</b>	<b>224.0</b>			<b>161.8</b>		
Debt from PFI Arrangements	61.6			59.7		
Debt Managed by LCC	13.6	2.25%		13.0	1.82%	
<b>Total Debt</b>	<b>299.2</b>			<b>234.5</b>		

5.5.3 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 being a secondary objective.

5.5.4 In keeping with these objectives, new borrowing was kept to a minimum of £20M, while £58.3M of existing loans were allowed to mature without replacement. This strategy enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

- 5.5.5 With short-term interest rates remaining much lower than long-term rates, the Council considered it more cost effective in the near term to use internal resources or borrowed rolling short-term loans instead. The net movement in short-term loans is shown in table 2 above.
- 5.5.6 The Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing was maintained.
- 5.5.7 **LOBO loans:** The Authority continues to hold £13M of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year.

## 5.6 Treasury Investment Update

- 5.6.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 5.6.2 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £35M and £84M due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31 Mar 21 Balance £M	Movement £M	31 Mar 2022 Balance £M	31 Mar 2022 Income Return %
Banks and Building Societies (unsecured)	4.2	(1.1)	3.1	0.0%
Government (incl Local Authorities)	34.0	(24.0)	10.0	0.5%
Money Market Funds	20.4	8.7	29.1	0.5%
<b>Total Investments</b>	<b>58.6</b>	<b>(16.4)</b>	<b>42.2</b>	<b>0.5%</b>

- 5.6.3 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 5.6.4 Ultra low short-dated cash rates, which were a feature since March 2020 when Bank Rate was cut to 0.1%, prevailed for much of the 12-month reporting period which resulted in the return on sterling low volatility net asset value (LVNAV) Money Market Funds being close to zero even after some managers have temporarily waived or lowered their fees. However, higher returns on cash instruments followed the increases in Bank Rate in December, February and March. At 31st March, the 1-day return on the Authority's MMFs ranged between 0.42% and 0.58%.
- 5.6.5 Similarly, deposit rates with the Debt Management Account Deposit Facility (DMADF) initially remained very low with rates ranging from 0% to 0.1%, but following the hikes to policy rates increased to between 0.55% and 0.85% depending on the deposit maturity. The average return on the Authority's DMADF deposits was 0.03%.



5.6.6 At 31 March 2022 the Council temporarily exceeded the limit set out in the Treasury Management Strategy for amounts to be invested in one of its bank call accounts by £135,000. This technical breach arose due to an issue with the warning alerts in the treasury management system. A withdrawal was made from this account the next day to bring the balance back below the approved limit and the issue with the system was rectified. Excluding this one technical breach, the Council's investments have complied with the approved investment limits.

## **5.7 Compliance**

5.7.1 The Director of Finance reports that all treasury management activities during the year complied fully with the CIPFA Code of Practice and, excluding the issue noted in 5.6.6, have complied with the Authority's approved Treasury Management Strategy.

5.7.2 The position with regard to performance against Treasury/Prudential Indicators in 2021/22 is summarised in **Appendix 2 and 3**. There was no breach of the Authorised Borrowing Limit or the Operational Boundary (set for management purposes).

Outturn capital spend was £17M, which is below the £25M anticipated at the start of the year.

## **5.8 Treasury Management Consultancy**

5.8.1 The Council is contracted up to 31 March 2026 to receive treasury management support from Arlingclose Limited. They provide advice and information on the Council's investment and borrowing activities, although responsibility for final decision-making remains with the Council and its officers.

5.8.2 Over the period, in providing support to the Council, Arlingclose have provided 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.

## **5.9 Other**

5.9.1 **IFRS 16:** The implementation of the new IFRS 16 Leases accounting standard was due to come into force for local authorities from 1st April 2022. Following a consultation CIFPA/LASAAC announced an optional two year delay to the implementation of this standard a decision which was confirmed by the Financial Reporting Advisory Board in early April 2022. Authorities can now choose to adopt the new standard on 1st April 2022, 1st April 2023 or 1st April 2024. The Authority intends to adopt the new standard on 1st April 2024.

## **6. Risk Management**

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.

- 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.
- 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.
- 6.4 The Council is holding an element (£20.0M) in short-term loans from other local authorities. If the medium to long-term cost of debt were to move upwards, it may be necessary to restructure the Council's debt quickly, and cope with an increased cost of borrowing. This issue remains under review, with regular updates from Arlingclose.

## **7. FINANCIAL IMPLICATIONS**

The financial implications arising from the 2021/22 Treasury Outturn have been incorporated into the body of this report.

## **8. LEGAL IMPLICATIONS**

- 8.1 Under the Local Government Act 2003, local authorities determine locally their levels of capital investment and associated borrowing. The Prudential Code has been developed to support local authorities in taking these decisions, and the Council is required by Regulation to have regard to the Code when carrying out its duties under Part 1 of the Local Government Act 2003.
- 8.2 The Department for Communities and Local Government issued Guidance on Local Government Investments, under the Local Government Act 2003, effective from 1st April 2010. Authorities must manage their investments within an approved strategy, setting out what categories of investment they will use and how they will assess and manage the risk of loss of investments.

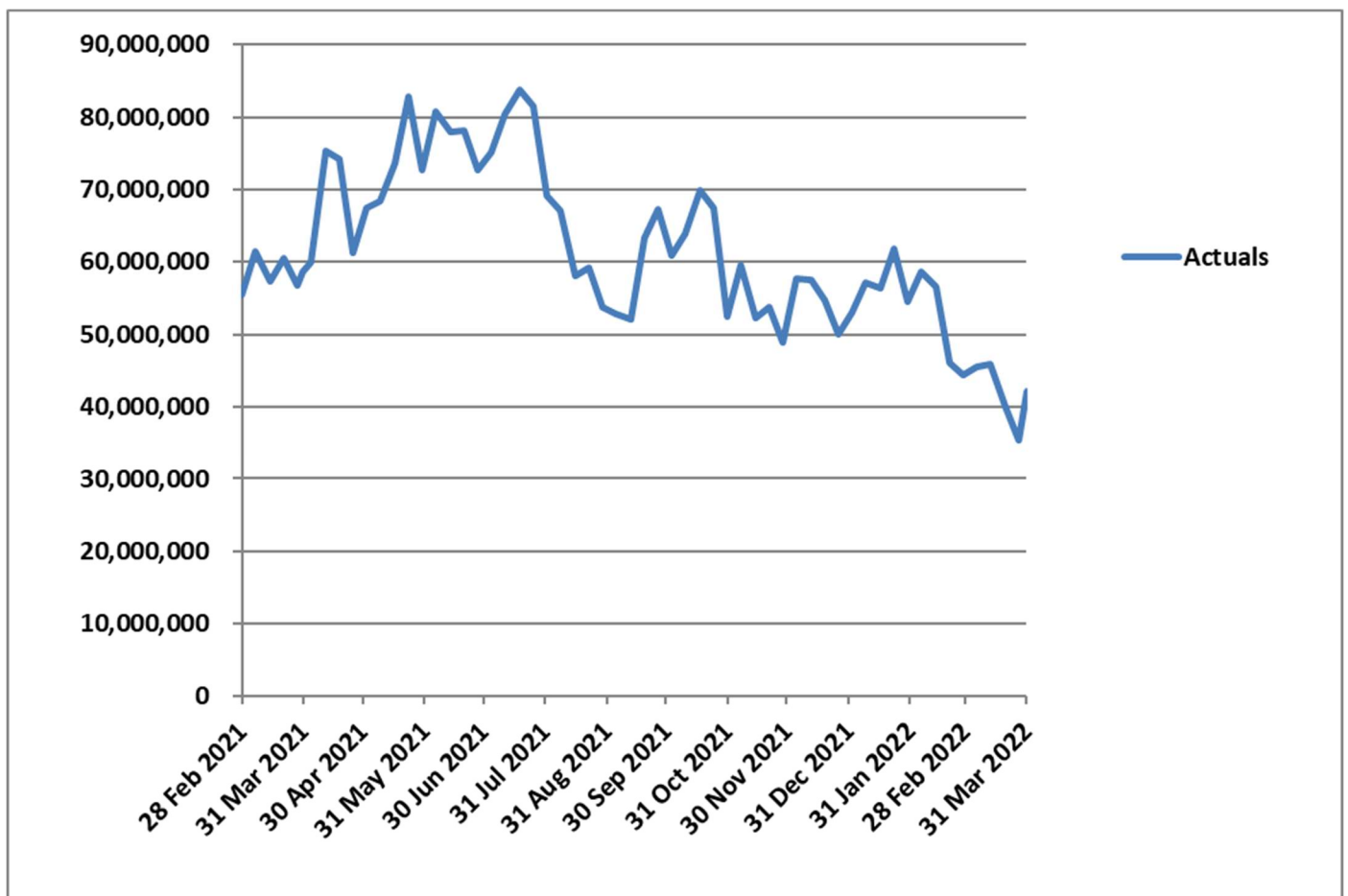
## **9. POLICY IMPLICATIONS, RESOURCE IMPLICATIONS, CONSULTATIONS**

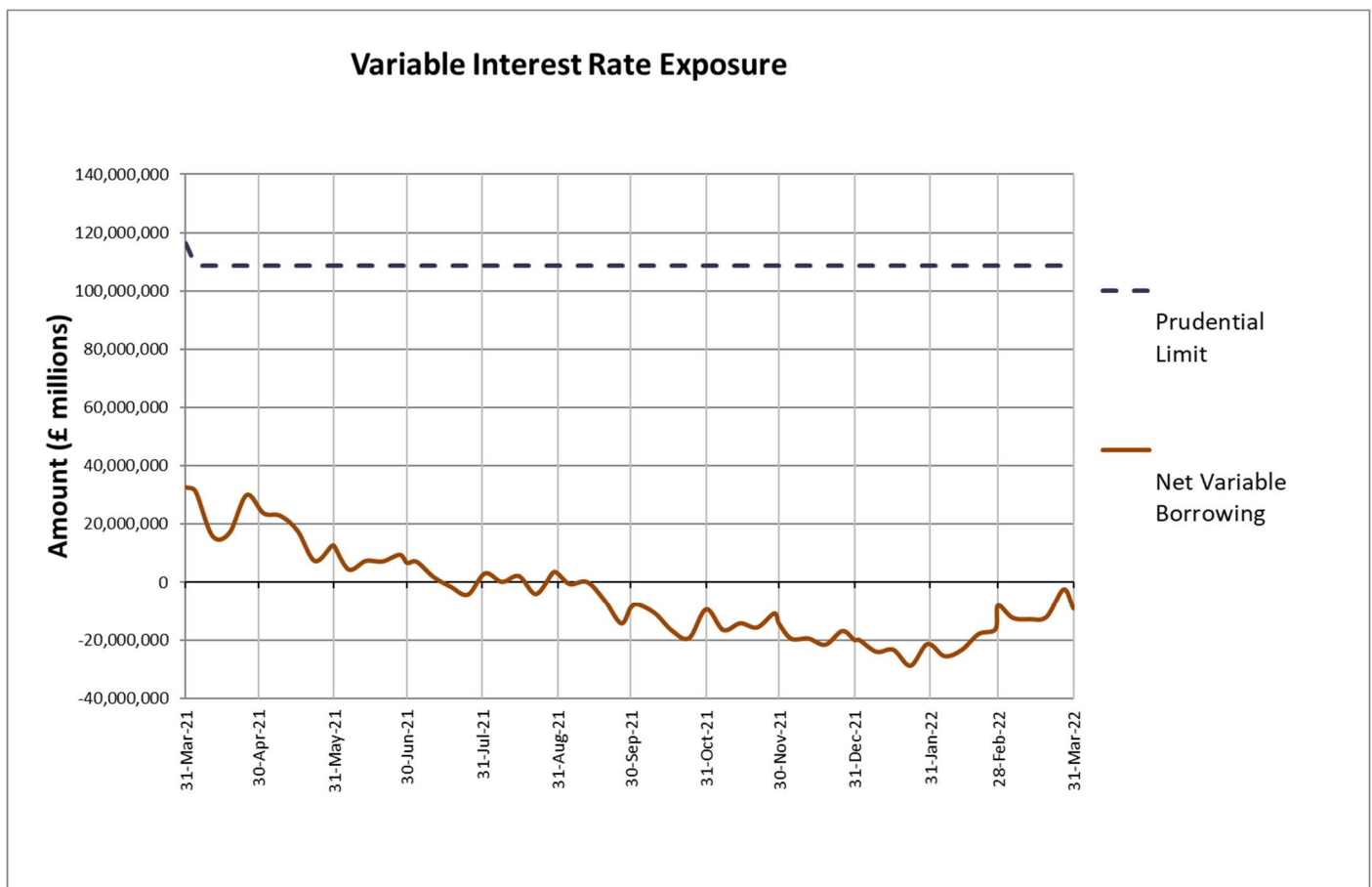
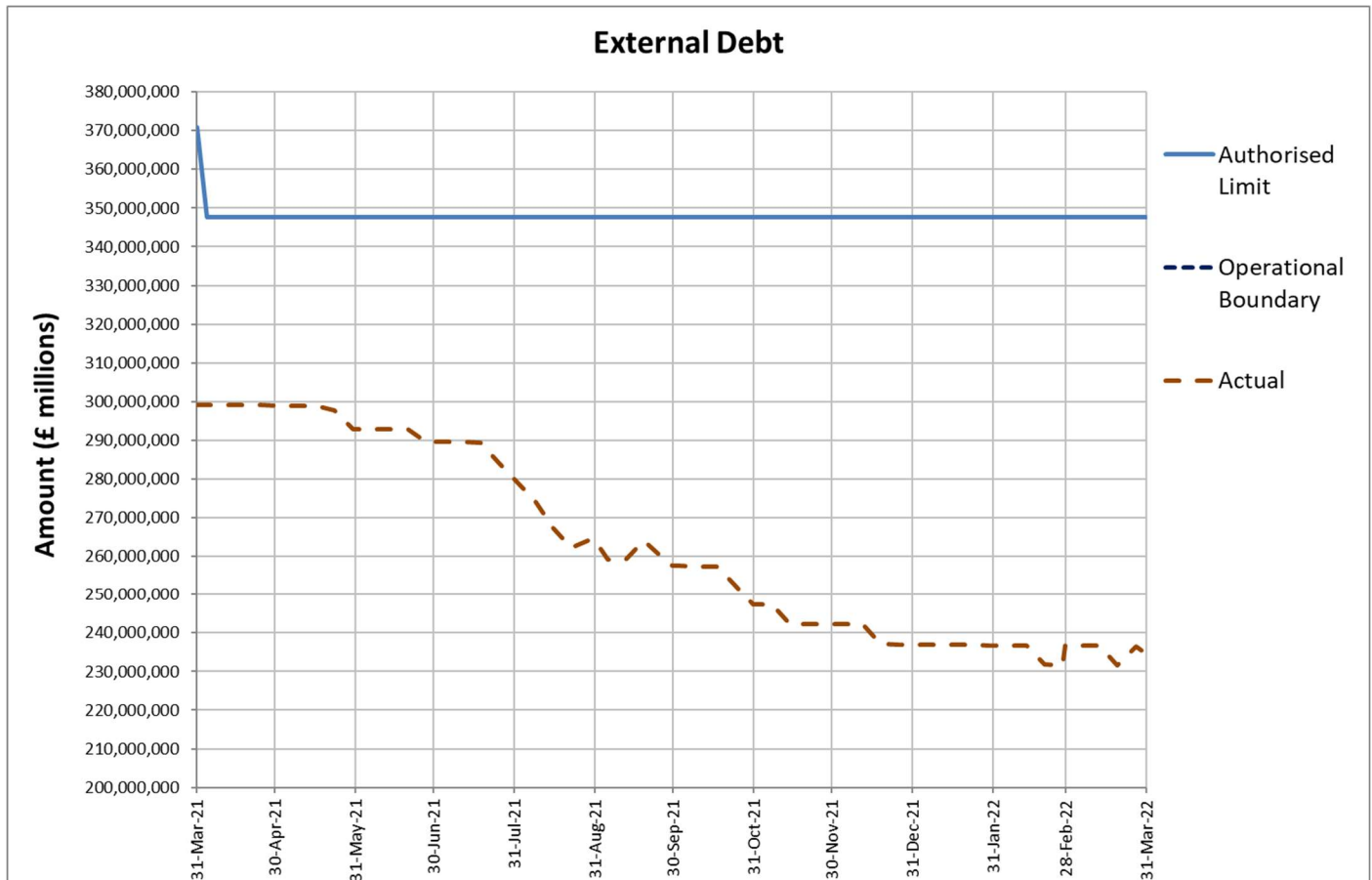
None

## **10. STATEMENT OF COMPLIANCE**

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

<b>VERSION:</b>	<b>0.01</b>	
<b>CONTACT OFFICER:</b>	Jody Spencer-Anforth – Finance Manager	extn 507748
	Dean Langton – Director of Finance	extn 666703
<b>DATE:</b>	June 2022	
<b>BACKGROUND PAPER:</b>	Treasury Management strategy for 2021/22 approved at Executive Board 11 <sup>th</sup> March 2021.	





Performance against Treasury & Prudential Indicators 2021-22 (approved by Council 1 Mar '21/ Exec Board 11 Mar '21) Appendix 3

	Indicator 2020/21	As Approved Mar 21			Current Monitoring			Commentary
	Estimated Capital Expenditure	£25M			£17M			
	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)			£289.6M (incl LCC debt £14.9M and accumulated PFI/lease debt £69.1M)			
	Estimated Ratio of Financing Costs to Net Revenue Stream	12.60%			11.90%			
Page 70	Outturn External Debt Prudential Indicators	LCC Debt	15.2M		Borrowing to Date		£M	LCC debt and BSF PFI debt will both fall across the year, as debt payments are made
		PFI Elements (no lease)	69.3M		LCC Debt		13.0	
		Remaining Elements	253.1M		PFI Elements		59.7	
		Operational Boundary	337.6M		BwD		161.8	
		Authorised Borrowing Limit	347.6M		Total		234.5	
	Variable Interest Rate Exposure	£108.6M			Exposure to Date (£9.2M)			Limit not breached during the year
	Fixed Interest Rate Exposure	£245.3M			Exposure to Date £128.8M			Limit not breached during the year
	Prudential Limits for Maturity Structure of Borrowing				Actual Maturity Structure to Date			
		Lower Limit	Upper Limit	Period (Years)	Period (Years)	£M	%	
					<1	31.6	20%	
					1-2	3.4	2%	
					2-5	29.5	18%	
					5-10	22.6	14%	
					>10	74.7	46%	
					Total	161.8	100%	
	Total Investments for Longer than 364 Days	£7M			No Long Term Investments Made			



**TO:** Audit & Governance Committee

**FROM:** Head of Audit & Assurance

**DATE:** 28 June 2022

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

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**TITLE OF REPORT:** Audit & Assurance - Progress and Outcomes to 31 May 2022

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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 2022 to 31 May 2022.

**2. RECOMMENDATIONS**

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 31 May 2022 against the annual Audit & Assurance Plan 2022/23, as approved by the Committee on 29 March 2022.

**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 identified by the internal audit team 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 2022:

#### Corporate Governance and Risk

The table below summarises the eight “red” strategic priority areas/issues across the departments, by key themes, which have been identified in the summary Director Exception/Dashboard Report and Assurance Statements as at 31 March 2022.

The table shows the seven “red” priorities that have remained as areas of concern from 30th September 2021, and also includes one area of concern previously identified as “amber” that has now been upgraded (U below) to “red” in the period. There are also four areas of concern previously identified as “red” that have now been downgraded (D below) to “amber” in the period.

		2021/22	2020/21
No	Theme / Description	31st March Year End	30 <sup>th</sup> September Half Year
Demand Management			
1	Fostering Sufficiency (Children’s Services)	Red	Red
2	School Placements (Children’s Services)	Red	Red
3	Deprivation of Liberty Safeguards (Legal & Governance)	Red	Red
	Winter Pressures (Adults & Prevention)	Amber <sup>(D)</sup>	Red
Budgets & Finance			
4	Increase Contract Costs (Adults & Prevention)	Red	Red
5	Budget and Demand Pressures - Social Work Demand Costs and externally commissioned Placements. (Children Services)	Red	Red
6	School Deficits - Local Authority maintained schools were showing deficit balances on their reserves. (Children Services)	Red	Red
7	Budget Pressures - Income Shortfalls. (Environment & Operations)	Red	Red
	Ensure strong budget management via full open	Amber <sup>(D)</sup>	Red

	transparent processes and QA framework. (Adults & Prevention)		
	Adult Social Care Budget Pressures. Increased demand and complexity coupled with increase in commissioning rates plus CV-19 related costs. (Adults & Prevention)	Amber <sup>(D)</sup>	Red
<b>Staffing/ HR</b>			
8	Sickness Absence (Corporate)	Red <sup>(U)</sup>	Amber
	Data Subject Access Requests (Children Services)	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 2021 as part of the 2020/21 National Fraud Initiative exercise (NFI 2020/21), across various Council datasets. To date, 1,641 matches have been processed and a further 12 follow-ups are ongoing. To date, 1,050 errors have been identified resulting in total savings of £95,681, and arrangements are in place to recover this money from the individuals concerned where applicable. The table below sets out the areas of activity and the savings that have been identified so far.

### **Summary of Results**

Area	No. of Errors	Value (£)
Benefits (Housing/Council Tax Support)*	23	£43,507
Resident Parking Permits**	1	£0
Blue Badge Parking Permits***	50	£28,750
Concessionary Travel Passes****	976	£23,424
<b>TOTAL</b>	<b>1,050</b>	<b>£95,681</b>

\* Includes Cabinet Office 'forward estimate savings' figures

\*\* Residents parking permits cancelled and system updated as a result of NFI information

\*\*\* The value attached to the Blue Badges Parking Permits has been determined by the Cabinet Office, which considers the average loss of fraud/error to be £575 per case. These permits have either been recovered and destroyed or are in the process of being recovered.

\*\*\*\* The value attached to the Concessionary Travel Passes has been determined by the Cabinet Office, which considers the average loss of fraud/error to be £24 per case. These passes have been cancelled and can no longer be used.

## **Internal Audit**

A summary of the 5 audits completed and finalised since the last report to Committee are detailed below:

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Personalised Budgets/Direct payments	Adequate	Limited	9
Covid Protect & Vaccinate Grant	Substantial	Substantial	2
Appointment & Payment of Legal Counsel	Adequate	Adequate	5
Off Payroll Engagement	Adequate	Adequate	2
Agency Staff Contract Procurement & Management	Adequate	Adequate	6

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

**Personalised Budgets/Direct Payments** - The final report provided an **adequate** opinion for the control environment in place and **limited assurance** regarding compliance with the controls identified in respect of the areas covered during the review. Recommendations made included ensuring :

- that planned reviews of care plans are undertaken;
- evidence of compliance with the authorisation process agreements is retained including signed and dated agreement forms;
- scheduled audits and banks statement checks are carried out; and
- monitoring and recovery of accrued payments over the approved contingency limit.

During the period, Audit & Assurance staff have also completed a review to enable the Covid 19 Protect & Vaccinate Grant certification requirements to be complied with. The grant estimate and actual spend returns were signed by the Chief Executive and Head of Audit & Assurance.

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

- a review and update of the Counter Fraud Policy Statement and related Strategy;
- the co-ordination and collocation of the 2021/22 Annual Governance Statement and Risk Management Annual Report;
- The Audit & Governance Committee 2021/22 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, including a review of corporate and departmental risk registers.

## Current internal audit reviews

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

- IT Business Continuity/Disaster Recovery;
- Highways Inspection – Walls & Structures;
- Section 17 Payments/Financial Support for Families;
- iTrent Implementation Testing;
- Retail Hospitality & Leisure and Small Business Rate Covid Grants;
- Council Tax Rebate – Energy Costs;
- Software Licensing;
- Budget Setting Arrangements;
- Corporate Governance Arrangements;
- Departmental Governance;
- East Z East Lease Follow-up;
- Asset Management Arrangements;
- Planning Enforcement; and
- Sport England Grant Management Arrangements.

## 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 2022/23</b>	<b>Q4 2021/22</b>
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	100%
2. Planned Audits Completed Within Budget	90%	<b>80%</b>	<b>36%</b>
3. Final Reports Issued Within Deadline	90%	100%	100%
4. Follow Ups Undertaken Within Deadline	90%	100%	100%
5. Recommendations Implemented	90%	<b>82%</b>	86%
6. Client Satisfaction	75%	100%	100%
7. Compliance with PSIAS (Annual)	95%	100%	100%

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

### 2. Planned Audit Completed Within Budget

One of the five audits completed during the period required additional time due to the remote working arrangements that the Council had in place during the period;

### 5. Recommendations implemented

Fifty-eight of the 71 recommendations due for implementation on or before 31 May 2022 (82%) had been fully or partly implemented. Progress of the outstanding recommendations was been delayed due a variety of reasons including:

- Delay due to staffing changes and pending system developments;
- Proposed changes to partnership changes awaiting approval which impacted

on the recommendations made;

- Budget constraints; and
- Delays due to Covid.

One outstanding recommendation graded as 'must', relating to annual stock checks, had not been implemented at the time of the follow up. These had been delayed due Covid and were diarised to be carried out the week following the follow up response.

## **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. STATEMENT OF COMPLIANCE**

The recommendations in this report are made further to advice from the Monitoring Officer. 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.

## **12. CONSULTATIONS**

Directors

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

Date: 17 June 2022

Background Papers: Audit & Assurance Plan 2022/23, approved by the Audit & Governance Committee on 29 March 2022.



**TO:** Audit & Governance Committee

**FROM:** Director of Finance

**DATE:** 28<sup>th</sup> June 2022

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

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**TITLE OF REPORT:** Local Audit Framework: Technical Consultation - Outcome

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## **1. PURPOSE**

- 1.1 This report informs the Committee of the outcome of consultation on the Government's Local Audit Framework: Technical Consultation (which was issued in July 2021) which was published in May 2022.

## **2. RECOMMENDATIONS**

- 2.1 The Committee is asked to note this report.

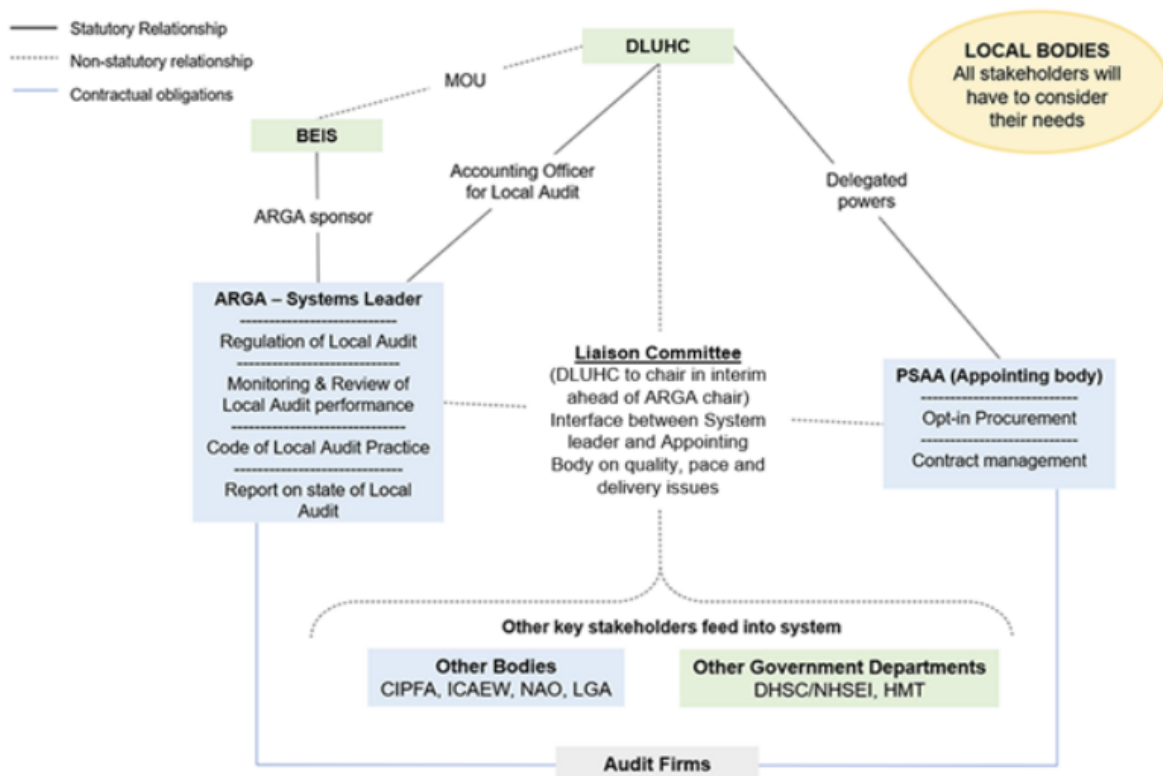
## **3. BACKGROUND**

- 3.1 The Local Audit and Accountability Act 2014 created a locally-led audit framework giving Councils the power to appoint their own auditors while also delivering a savings. Despite this, the local audit system has faced growing issues of timeliness and wider market instability.
- 3.2 For these reasons, in 2019 the Government commissioned Sir Tony Redmond to conduct an independent review of the local audit framework. In September 2020, The Redmond Review – '*An Independent Review onto the Oversight of Local Audit and the Transparency of Local Authority Financial Report*' – was issued setting out 23 recommendations relating to the quality, timeliness and sustainability of local audit, and the transparency of local authority accounts.
- 3.3 The Government provided an initial response to the Redmond Review in December 2020. In the main, the Government accepted the recommendations of the Redmond Review. In July 2021, the Government launched a consultation on the broad implementation of the proposals. The consultation closed in September 2021 and the Government's response to the outcome of the consultation was published in May 2022.

## 4. KEY ISSUES

### ***Audit System Leadership***

- 4.1 The consultation concerned a broad range of matters, the majority of which related to the creation, governance and operation of a new body (the Audit, Reporting and Governance Authority (ARGA)) that will provide system leadership for local audit. Much of this is not of relevance to the Council but nevertheless set out below is a brief overview of the ARGA.
- 4.2 ARGA will work with organisations and sector representatives to resolve or issue direction on issues facing the local audit system, as well as working as a broader advocate. ARGA's position in the system of local audit is illustrated in the diagram below:-



- 4.3 In particular, ARGA will have an overarching responsibility for the local audit quality framework. In addition to this, ARGA will take over statutory responsibility for preparing and issuing the Code of Audit Practice and associated guidance notes (current the role of the National Audit Office) and it will also conduct a post implementation review of the new value for money narrative requirement introduced in the 2020 Code of Practice.

### ***Enhancing the functions of local audit and the governance for responding to its findings***

- 4.4 A key part of the consultation directly affecting local authorities were proposals relating to Audit Committees.

- 4.5 In response to strong support for strengthened guidance on Audit Committees, CIPFA has published an updated Position Statement and supporting guidance on Audit Committees. A report on this is provided elsewhere on the Agenda for this meeting. The key outcome is that the Government will mandate that Councils must have an Audit Committee with at least one independent member.
- 4.6 The Council is well placed on this matter. The Audit and Governance Committee has, for some time, discharged the responsibilities of an Audit Committee (as demonstrated by the Council's compliance with CIPFA Statement on Audit Committees) and, as outlined at the previous meeting of this Committee, the Council will be asked at its meeting in July to agree to co-opt two independent (non-voting) members onto the Committee.
- 4.7 The Government also noted the importance of training for Audit Committee Members. To support capability, the Government is to provide funding via the Local Government Association for targeted training events for Audit Committee Chairs and Members. Once more details of these are known, these will be shared with Committee Members in due course.

## **5. POLICY IMPLICATIONS**

- 5.1 There are no policy implications arising directly from this report.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 There are no financial implications arising directly from this report.

## **7. LEGAL IMPLICATIONS**

- 7.1 There are no legal implications arising directly from the contents of this report.

## **8. RESOURCE IMPLICATIONS**

- 8.1 There are no other resources implications arising from the contents of this report.

## **9. EQUALITY AND HEALTH IMPLICATIONS**

- 9.1 There are no equality and health implications arising from the contents of this report.

## **10. CONSULTATIONS**

- 10.1 None arising from the contents of this report.

## **11. STATEMENT OF COMPLIANCE**

- 11.1 The recommendation in this report is made further to advice from the Monitoring Officer.

<b>VERSION:</b>	1
<b>CONTACT OFFICER:</b>	Dean Langton – Director of Finance
<b>DATE:</b>	June 2022
<b>BACKGROUND PAPERS:</b>	





**TO:** Audit & Governance Committee

**FROM:** Director of Finance

**DATE:** 28 June 2022

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

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**TITLE OF REPORT:** CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

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## 1. PURPOSE

- 1.1 The purpose of this report is present the Chartered Institute of Public Finance & Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022 to the Committee for review and comment.

## 2. RECOMMENDATIONS

- 2.1 The Committee is recommended:
- a) to note the contents of this report; and
  - b) consider the results of the attached assessment of the current Committee arrangements against the new Position Statement and consider if any actions are required to increase the effectiveness of this Committee.

## 3. BACKGROUND

- 3.1 CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 ('the Position Statement') sets out CIPFA's view of the role and functions of an audit committee. It replaces the previous 2018 Position Statement and includes all principal local authorities in the UK.
- 3.2 The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt and has been prepared in consultation with sector representatives. CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit. The results of the assessment of the current arrangements in place for the Audit & Governance Committee against the principles and practices set out in the new Statement are detailed in the attached appendix.

## 4. KEY ISSUES AND RISKS

4.1 The 2022 Position Statement sets out the purpose, model, core functions and membership of an audit committee. Key details for each of these areas are set out under each heading below. The Statement defines the purpose of Audit Committees as follows:

- Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
- In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council.
- The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

### **Independent and effective model**

4.2 The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It should be an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

4.3 The Statement notes that local authority audit committees should include co-opted independent members in accordance with the appropriate legislation. Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise

### **Core functions**

4.4 The Position Statement notes that the core functions of an audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained. Specific responsibilities identified include:

- Maintenance of governance, risk and control arrangements.
  - Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
  - Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
  - Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.
- Financial and governance reporting.
  - Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.

- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.
- Establishing appropriate and effective arrangements for audit and assurance.
  - Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
  - Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
  - Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
  - Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

### **Membership**

- 4.5 The Statement sets out guidance regarding the membership of an audit committee. The members need to be of high calibre in order to provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.
- 4.6 However, it notes that while expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance. The overall the overall knowledge and expertise of the existing members should be considered when appointing co-opted independent members.
- 4.7 Good audit committees are characterised by:
- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
  - A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
  - A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
    - Promoting apolitical open discussion.
    - Managing meetings to cover all business and encouraging a candid approach from all participants.
    - Maintaining the focus of the committee on matters of greatest priority.
  - Willingness to operate in an apolitical manner.
  - Unbiased attitudes – treating auditors, the executive and management fairly.
  - The ability to challenge the executive and senior managers when required.
  - Knowledge, expertise and interest in the work of the committee.

### **Engagement and outputs**

- 4.8 The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs. To discharge its responsibilities effectively, the committee should:

- Meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public.
- Be able to meet privately and separately with the external auditor and with the head of internal audit.
- Include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required.
- Have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters.
- Support transparency, reporting regularly on its work to those charged with governance.
- Report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

## **5. POLICY IMPLICATIONS**

- 5.1 The Council must ensure that it has an appropriate governance framework, including an effective audit committee, in place to comply with legislative requirements and good practice. Failure to do this could have potentially significant consequences for the Authority in relation to external assessments, public confidence and risk of legal challenge.
- 5.2 The Audit and Governance Committee is an important source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance. A review of current best practice will help the Committee to fulfil its responsibilities and ensure the relevant Terms of Reference remains appropriate.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 There are no direct financial implications arising from this report.

## **7. LEGAL IMPLICATIONS**

- 7.1 The Accounts and Audit (England) Regulations 2015 state that the Council must ensure that it has a sound system of internal control that:
- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
  - ensures that the financial and operational management of the authority is effective; and
  - includes effective arrangements for the management of risk. The Audit & Governance Committee has been designated as the committee charged with ensuring the on-going effectiveness of the Council's overall governance arrangements.

## **8. RESOURCE IMPLICATIONS**

8.1 There are no resources implications arising from the contents of this report.

## **9. EQUALITY AND HEALTH IMPLICATIONS**

9.1 There are no equality or health implications arising from the contents of this report.

## **10. CONSULTATIONS**

10.1 None arising from the contents of this report.

## **11. STATEMENT OF COMPLIANCE**

11.1 The recommendations in this report are made further to advice from the Monitoring Officer. 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..

<b>VERSION:</b>	1
<b>CONTACT OFFICER:</b>	Colin Ferguson Head of Audit & Assurance – Ext: 5326
<b>DATE:</b>	15 June 2022
<b>BACKGROUND PAPERS:</b>	CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

**Audit & Governance Committee Self-Assessment against CIPFA Position Statement in Local Authorities and Police 2022**

REF	CIPFA RECOMMENDED AUDIT COMMITTEE GOOD PRACTICE AND PRINCIPLES	YES	PARTIAL	NO	ACTION REQUIRED
<b><i>Independent and effective model</i></b>					
<i>The Audit Committee should:</i>					
1	Be directly accountable to full council.	√			
2	Be independent of both the executive and the scrutiny functions.	√			
3	Have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups.	√			
4	Have rights to request reports and seek assurances from relevant officers.	√			
5	Be of an appropriate size to operate as a cadre of experienced, trained committee members.	√			
6	Include at least two co-opted independent members to provide appropriate technical expertise.			√	Arrangements will be made to co-opt two independent members to the Committee during 2022 once the Council's Constitution has been updated to allow this.
<b><i>Core functions</i></b>					
<i>Specific responsibilities include:</i>					
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>• Maintenance of governance, risk and control arrangements.</li> <li>• Financial and governance reporting,</li> <li>• Establishing appropriate and effective arrangements for audit and assurance.</li> </ul>	√			

REF	CIPFA RECOMMENDED AUDIT COMMITTEE GOOD PRACTICE AND PRINCIPLES	YES	PARTIAL	NO	ACTION REQUIRED
<b><i>Audit committee membership</i></b>					
8	Members are trained to fulfil their role so that they are objective, have an inquiring and independent approach, and are knowledgeable.	√			
9	The membership promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.	√			
10	The chair is strong, independently minded, and displays a depth of knowledge, skills, and interest.	√			
11	The members demonstrate a willingness to operate in an apolitical manner.	√			
12	Members have unbiased attitudes – treating auditors, the executive and management fairly.	√			
13	The members are able to challenge the executive and senior managers when required.	√			
<b><i>Engagement and outputs</i></b>					
<i>To discharge its responsibilities effectively, the committee should:</i>					
14	Meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public.	√			
15	Be able to meet privately and separately with the external auditor and with the head of internal audit	√			
16	Include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor.	√			
17	Have the right to call on any other officers of the authority as required.	√			
18	Support transparency, reporting regularly on its work to those charged with governance.		√		The Committee minutes are included as appendices to the Annual Report ,which is presented to Full Council. Consider presenting these to full Council more regularly.
REF	CIPFA RECOMMENDED AUDIT	YES	PARTIAL	NO	ACTION REQUIRED

	<b>COMMITTEE GOOD PRACTICE AND PRINCIPLES</b>				
19	Report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.	√			





**TO:** Audit & Governance Committee

**FROM:** Director of Finance

**DATE:** 28 June 2022

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

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<b>TITLE OF BRIEFING PAPER</b>	<b>Risk Management Report Annual 2021/22</b>
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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 2021/22. It 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 2021/22.

**3. BACKGROUND**

The Corporate Risk Management Strategy and Framework 2021/26 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 2022. 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;
  - Resilience and 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, Council resilience and emergency 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 2022/23.
- 1.4 A health, safety and wellbeing annual report will be presented to the Committee separately.

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

- 2.1 The Council uses the Institute of Risk Management's definition of a risk, which is as follows:
- 'A risk is something uncertain - it might happen or it might not. A risk matters because if it happens, it will have an impact on objectives'.*
- 2.2 Risk management is defined as coordinated activities to direct and control the Council with regards to risk. (ISO 31000:2018).
- 2.3 The Council recognises that risk management is not simply a compliance issue, but rather it is a way of viewing its operations with a significant impact on long-term viability and that effective risk management helps to demonstrate openness, integrity and accountability in all of the Council's activities. In defining risk, the Council also recognises that risk can be the failure to take advantage of opportunities to optimise the achievement of its outcomes and priorities. Therefore, the Council proactively considers positive risks (opportunities) as well as negative risks (threats).
- 2.4 The details given 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 2022. Areas for action or development during 2022/23 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 on 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 the Corporate Leadership Team for consideration and agreement to add to the Corporate Risk Register where applicable.
- 3.4 The Risk Management Strategy & Framework has been updated during the year. This includes five objectives that have been set to take account of the requirements of the Strategy & Framework. These are set out below, along with evidence of how these are demonstrated in practice.

**1. *Embed risk management into the culture of the Council so that it is an integral part of the Council's management systems and processes.***

- The Corporate Risk Management Policy Statement, Risk Management Strategy & Framework and supporting toolkit are available to all staff via the risk management section of the Intranet.
- Risk management refresher sessions have been delivered to Chief Officers and the Extended Leadership Team.
- Key issues and risks are required to be identified and recorded on the corporate decision making forms. Risk management guidance for decision makers and report writers is included at appendices 4 and 5 of the Risk Management Toolkit.
- The Director of Finance and Deputy Director (Legal & Governance) are required to be consulted and formally sign off on all policy decisions.
- The corporate Partnership Governance Checklist and Protocol ensure a consistent approach to the joint management of risks for significant partnerships that the Council is involved in.

**2. *Maintain systems and processes to manage risk and contribute to good corporate governance through accurate, relevant and timely reporting on risk management.***

- A hierarchy of risks registers is in place.
- The Corporate Leadership Team carry out quarterly reviews of the strategic risks and individual Directors should review departmental risks registers on a quarterly basis.
- Progress on the management of risk, particularly strategic risks is reported quarterly to the Audit & Governance Committee.
- Strategic risks are regularly reviewed and challenged by the Audit & Governance Committee.
- The support that is available from the Council's insurance provider is utilised to provide advice and support on the risk management and insurance arrangements in place within the Council, including independent assurance on specific risk areas.

**3. *Maintaining clear roles and responsibilities regarding risk management, including business continuity management.***

- The Council's Constitution outlines the Audit & Governance Committee's oversight of risk management.
- Key risk management roles and responsibilities are set out in the Risk Management Strategy & Framework 2022-26.
- The Corporate and Departmental Business Continuity Plans set out the Strategic and Tactical Officer Groups roles, and Departmental Incident Management Teams responsibilities, as well as those of Directors, Heads of Service and service managers.
- The Chief Executive or relevant Directors are identified as risk owners for relevant strategic risks and are responsible for maintaining risk registers affecting their operational responsibilities including key projects/partnerships.

**4. *Develop and disseminate best practice in the management of risk.***

- The Risk Management Framework and supporting processes and procedures have been reviewed and updated during the year to ensure that these reflect current best practice.
- A Corporate Risk Management Policy Statement is in place, which includes a definition of the Council's overall corporate risk appetite.
- The Audit & Governance Committee approves an annual risk management report providing an independent opinion on the effectiveness of the Council risk management arrangements.
- Risk Management support available for the Council's insurer is used to provide advice and guidance to departments on key risk areas.
- Directors complete an annual declaration that they have effective risk management systems in place.
- Audit & Assurance delivers a risk based internal audit programme.
- Audit & Assurance provide support to departments, reviewing the consistency of risk registers and undertaking independent reviews of the risk management process.

**5. *Equip Members and officers with adequate skills and expertise to manage risk effectively as appropriate to their role.***

- Tailored risk management awareness sessions have been arranged for Members, Chief Officers and the Extended Leadership Team
- Health and safety training has been delivered to senior managers.
- The Risk Management Toolkit has been reviewed and updated during the year.
- Risk management guidance, updates and links to webinars from the Council's insurer and insurance broker have been circulated to relevant managers to cascade to staff.

**4. Corporate Risk Register**

- 4.1 Corporate risks are those that may impact on the overall achievement of Council objectives and priorities. Since November 2021 the Corporate Leadership Team has reviewed the corporate risk register on a quarterly 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 A number of changes have been made to the Corporate Risk Register during the year. The details have been set out in the regular update reports provided to the Audit & Governance Committee during the year. The changes are as follows:

- Corporate Risk Number 9 (Failure to improve health outcomes within Blackburn with Darwen could result in the communities health and wellbeing position or conditions deteriorating), has been closed.
- A separate risk specific to the Public Health recovery from Covid-19 has been opened (Corporate risk 23). This has incorporated the measures to reduce health inequalities and improve health outcomes previously included in Risk 9.
- The residual risk score for Risk 21 (The Council's recovery of critical functions etc. during the response and mitigation phases of the pandemic) was reduced from high to medium during the year. Whilst the likelihood of this risk remained high, the assessed impact on the Council was reduced as the Core Covid team was established and fully operational and safe Covid-19 working practices were embedded as business as usual
- A new risk relating to the potential impact on the delivery of the Council's corporate plan priorities and its ability to fully meet service users and other stakeholders needs if it fails to recruit, adequately develop and retain staff has been added (Corporate risk 22) This recognises the increasing challenges the Council is experiencing in this area.
- The risk of failing to respond effectively and proportionately to develop and implement plans/adaptations, within the scope of the Council's control and influence, in pursuit of its ambition to be a Carbon Neutral borough has been added.

4.5 The Corporate Risk Register contained 17 open risks as at 31 March 2022. A summary of the open 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 may result in a Government Commission taking control of the authority's finances; and
- A high profile serious or critical safeguarding case that was known to Council services, in light of Covid-19 working practices.

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	6
Safeguarding and supporting the most vulnerable people	7
Reducing health inequalities and improving health outcomes	6
Connected communities	6
Safe and clean environment	7

Strong economy to enable social mobility	8
Supporting our town centres and businesses	4
Transparent and effective organisation	17

## **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

- Approval and implementation of a Corporate Risk Management Policy Statement, which defines the Council's overall corporate 'appetite' for risk, along with an updated Risk Management Strategy & Framework and supporting Toolkit;
- 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.
- Monitoring and review of the completion of corporate and departmental risk registers and changes in risk scores, with associated reporting to the Corporate Leadership team and Audit & Governance Committee.
- Continuing development of the Management Accountabilities Framework Dashboard reporting arrangements aligned with development of the Corporate Plan reporting and monitoring 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:
  - Health & Safety at Work training for senior managers to enable attendees to understand the importance of health and safety in the workplace and their role in reducing risk and influencing behaviour;
  - Risk management awareness refresher sessions for Chief Officers and senior managers.
  - Seeking advice on the risk management and insurance implications on Council activities and services due to the impact of or response to the pandemic;
  - The circulation of insurance and risk management advice and guidance to managers; and
  - Circulation of ZM and insurance broker risk management webinars to relevant colleagues across the Council to 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:
- Institution of Occupational Safety and Health (IOSH) training for Directors.

- Utilising the risk management support available from Zurich Municipal, to provide risk management awareness training for members and a cyber security health check on the Council's network and IT infrastructure along with on-going identification of additional areas for review or to provide support.
- Continuing the 'deep dive' review of corporate risks by the Audit and Governance Committee on a regular basis during the year.
- Introduction of a risk management eLearning package for managers and staff.
- Implementation of a claims dashboard for Chief Officers and senior managers using PowerBI.
- Including of risk management in the staff induction handbook.
- 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.
- 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.
- 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 2022, Blackburn with Darwen had several incidents affecting the community at large. These included:
- Death of a Significant National Figure – Operation Forth Bridge.
  - Various Fires/Operation Merlins' – V10 Polymers, Chadwick Street Garage, Worcester Road, Fleece Inn all of which impacted on the local community.
  - Loss of electricity to King Georges Hall.
  - Storms Arwen, Dudley, and Eunice.
  - Flooding due to lock gate being left open.
  - Flash flooding Duchess Street, Billinge End.
  - Power outage affecting 311 residents in Darwen.
  - Mains water leak Whalley Old Road.
  - Grenade found in Mill Hill – bomb squad attended.
  - School closures due to water damage, loss of water utilities, and flooding.

- Avian Flu – awareness sharing of information due to national outbreak.

8.2 Duty officer statistics for 2021/22 were as follows:

- Warnings received = 665;
- Information received total = 253;
- Activations total = 51 (Strategic Officer notified on 5 occasions); and
- **Total activity = 918** (*last year total 936*).

## 9 Key events and achievements during the year

### Corporate Exercise

9.1 Last year the annual corporate exercise was cancelled due to Covid-19. However, we have been able to undertake an exercise this year, which specifically focussed upon flooding impacts to the community and allowed council departments to activate their plans as well as received training from key external partners.

### COVID-19 Response

9.2 The Resilience & Emergency Planning Service (R&EPS) have continued to support the Council's response to Covid-19. The R&EP Manager continued to work with the BwD Core Team directly supporting/leading the response for the Council, working with Work Stream leads in different strands and themed areas.

9.3 Departments (Directors and all staff involved in the response) have been requested to keep a log and record of all decisions related to Covid-19 as good practice and as part of their emergency response training, and to support good practice and learning lessons. The R&EPS have been providing support to collate all of this information throughout the response phase to create a single location for the information. This will help support the Public Inquiry which has now been announced.

### Covid-19 - Recovery Co-ordination Group (support to Chief Executive)

9.4 The Lancashire Resilience Forum (LRF) has continued to remain in the Recovery phase of the Covid-19 emergency. The Council's Chief Executive continued to chair the Recovery Co-ordination Group until it was handed over in March 2022 to the Chief Executive of Pendle Borough Council. This is a Lancashire-wide multi-agency group reporting on progress made against recovery objectives.

9.5 The R&EPS are supporting the Chief Executive in this "external" function and will be facilitating an internal debrief of the response. All lessons identified and recommendations of good practice or areas for improvement will be addressed by departments to embed in normal practices and plans as appropriate. The outcomes will also help shape a final 2 year report covering all aspects of the pandemic.

### Plan reviews

9.6 All of the Departmental Business Continuity (BC) Plans and the risk specific Emergency Plans were reviewed over the last 12-18 months, or are currently being reviewed with their plan owners. 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.



- 9.7 The Corporate BC plan was fully refreshed to reflect arrangements in place for the Covid-19 response and as we move through recovery
- 9.8 The Community Risks (Community Risk Register) are being 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.
- 9.9 The BC audit process will be undertaken Q1 and Q2 of 2022/23. It has been postponed due to Covid-19.

### **Schools - Emergency Planning**

- 9.10 The R&EPS continue to 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.
- 9.11 A training session on Emergency Planning/Business Continuity has been delivered to schools. 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 wish to attend.
- 9.12 This year has seen the launch of the Schools SLA too, so far 6 schools have purchased this service, some of which are on a 3 year deal. It is hoped that the number of schools purchasing this service will continue to grow year on year.
- 9.13 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**

- 9.14 As per previous reports, the Council's standby arrangements were reviewed in their entirety in 2019. The need for a standby system, associated policy/guidance, shifts system, payments, and training was reviewed and taken to Management Board for discussion. It was agreed that there was a need for Standby arrangements to be in place 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 Covid-19 response, but will be picked up again later in the year. Within that, we are also currently reviewing rotas for Strategic Officers' and Plan Owners and hope to have a more streamlined model rolled out during the year.
- 9.15 Statistics are expected from all service areas involved to ensure consistency in approach and response where possible. These are reviewed at six monthly intervals.
- 9.16 A single location for all rotas, data and information relating to Standby has

been created on SharePoint, which all officers have access to.

- 9.17 The R&EPS are now sitting alongside the Health and Safety team, to ensure close working between colleagues and will 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.

National Risk Register (NRR)

- 10.2 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. Any gaps for additional training or processes and plans will be managed as we progress.

Elections Preparedness 2022

- 10.3 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 all relevant Covid19 arrangements are in place.

Review of the Civil Contingencies Act (CCA) 2004

- 10.4 An independent review of the Civil Contingencies Act 2004 and its supporting arrangements was undertaken in 2021. The team was involved in the consultation alongside the LRF. A report was published on 24th March 2022 by the National Preparedness Commission. The report makes 117 recommendations, which would make a significant contribution to building the UK resilience so it is fit for a more difficult future. However, the report was very complimentary about local arrangements for Resilience and Emergency Preparedness. They believe that the estimated total cost of the recommendations would be £30-35m per year, and continue to push for the recommendations to be delivered, especially those that directly support the work of the Resilience Partnerships.
- 10.5 In addition to the review of the CCA, the Government also set out its ambition in the 2021 Integrated Review (IR), which included an overarching objective on building resilience at home and overseas, improving our ability to anticipate, prevent, prepare for and respond to risks ranging from extreme weather to cyber-attacks. Key points to note are:

- A key commitment of the IR is to develop a new Resilience Strategy, new vision and approach for the UK's resilience to 2030. The CCA will be one of the issues that will be considered.
- The IR also set out a commitment to 'consider strengthening the role and responsibilities of local resilience forums in England'. This work is already underway i.e. Local Stakeholders Engagement.
- The CCA review is something that will support the commitments set out in the IR.
- The findings that are not addressed by the IR will be considered as part of the development of the Resilience Strategy and broader work on the LRF reform.

- 10.6 The team took part in the Resilience Strategy 'Call for Evidence' to support the UK's Integrated Review of Security, Defence, Development and Foreign Policy and also in the Cabinet Office 'Big Resilience Conversation'. The evidence collected informed the process of determining what changes are needed to support the local tier and wider ambitions of UK resilience.
- 10.7 We expect that the roll out of any amendments or additions following the reviews to take around 2 years. We will be keeping a watching brief on this and include any changes within our planning.

## **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 bi monthly 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, Highways, 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 or contain insufficient detail, 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 off the event. 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 multi agency site visits to the large 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 2021 much of the events program was cancelled due to the Covid pandemic, meaning all the planned events including music festivals and fairgrounds were cancelled until mid May, which followed the Government Covid exit roadmap. This coming year, now that restrictions have ended there is a full and wide ranging program of events across the Borough that is designed to cater for not only residents of the Borough but attendees from across the UK. The expected interest in tickets, with residents wishing to get out and enjoy events again has seen a 5000 ticket sell out for the first music

festival at the end of April and tickets for the June Restricted Forrest festival selling well. A significant number of other Fairgrounds and Festivals are now coming through, including the Festival of Making, Darwen Live and Queens Jubilee street parties.

- 11.5 The ESAG group are keen to show that the Borough is open again for events post Covid 19 and has been asked, where possible by the Chair, to assist event organisers with their event management plans and organisation. The intention is to bring back the feel good factor with many events at new venues across the Borough. The importance of safe, well managed events cannot be underestimated in improving resident's health and wellbeing, adding value to the night time economy and improving the feel good factor of living in the Borough by delivering a "City" standard events program.

## **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 2021/22 and comparison against 2020/21**

		<b>2020/21</b>	<b>2021/22</b>
<b>FOI</b>	Number received	1373	1123
	Number due	1356	1103
	Number on time	1249	1048
	<b>% on time</b>	<b>92.11%</b>	<b>95.01%</b>
<b>EIR</b>	Number received	2090	1706
	Number due	1899	1730
	Number on time	1393	1695
	<b>% on time</b>	<b>73.35%</b>	<b>97.98%</b>
<b>Combined FOI/EIR</b>	Number received	3463	2829
	Number due	3255	2833
	Number on time	2642	2743
	<b>% on time</b>	<b>81.17%</b>	<b>96.82%</b>
<b>DPA</b>	Number received	308	275
	Number due	301	273
	Number on time	270	254
	<b>% on time</b>	<b>89.70%</b>	<b>93.04%</b>

- 13.1 The number of FOI/EIR requests received in 2021/22 has decreased by 18% compared to 2020/21. FOI compliance rates were above the mandatory requirement rate of 90%, with a rate of 95.01% responded to on time. EIR

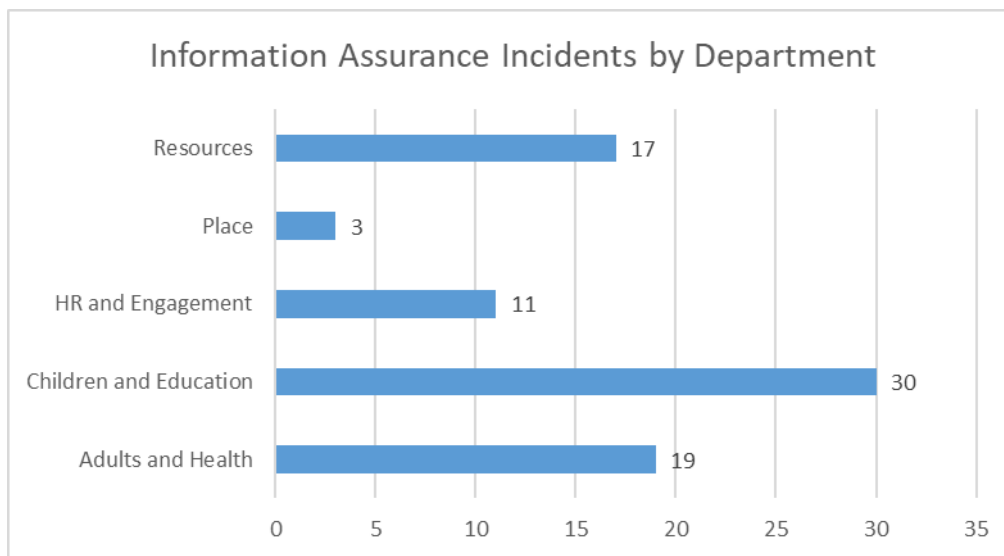
compliance rates have vastly improved from last year with a compliance rate of 97.98%.

- 13.2 The number of DP SARs received in 2021/22 has decreased by 11% compared to 2020/21. The compliance rate over this period has improved to 93.04% due to increased resource support from the Corporate Information Governance Team, who continue to assist with Subject Access Request responses. There remains a backlog of 20 outstanding historical requests that run an increased risk of escalation to the ICO.

#### 14 Information Assurance Incidents Recorded During 2021/22

- 14.1 There were 80 recorded information assurance incidents in 2021/22. This is a 15% percent decrease against 2020/2021 (94).

- 14.2 The breakdown of all incidents during 2021/22 by department is as follows:



- 14.3 There were three complaints made to the ICO during 2021/22. This is an 80% percent decrease against 2020/21 (15). Two complaints have been resolved with no further action. One complaint is awaiting the allocation of a caseworker at the ICO. Complaints to the ICO were recorded in the following areas:

Resource Area	Number
Place	2
HR & Governance	1

- 14.4 There were no recorded data incidents in 2021/22 that required the Council to self-report to the Information Commissioner (1 in 2020/21).

#### 15 Key events and achievements during the year

- 15.1 **Schools Update.** As of the 14 April 51 of the 56 schools who bought in Information Governance support last year have again signed up for the service level agreement (SLA). One nursery has declined to renew as they are now formally part of an infant's school that has already bought in. Another primary school has re-joined the SLA after withdrawing for 2021/22. Of the two School Trusts we support one has already bought in and we are

awaiting confirmation that the second will be buying back in although it is our understanding this will be happening once the new Finance Manager is in post in late April. At present the income received is £47,002 with another £6,311 due if the remaining primary schools and Trust complete their SLA renewal.

- 15.2 Forty-four schools have been audited during 2021/22 with a further five planned. Unfortunately, due to Covid and other availability reasons, audits for the remaining schools have been cancelled and have not yet been rescheduled. Work is ongoing to try to ensure these are completed in the current academic year.
- 15.3 The 2022/23 audit cycle is intended to revisit the information governance/data protection policies and procedures and will include a full review of model policies including new guidance on passwords and cyber security awareness. The e-learning package available via the SLA has been updated to include a section on Cyber Security.
- 15.4 **The NHS Data Security and Protection Toolkit (DSPT)** is a performance tool produced by the NHS. It draws together the legal rules and central guidance of Information Governance and presents them in one place as a set of Information Governance requirements. Organisations are required to carry out self-assessments of their compliance against the Information Governance requirements. The Council submission for 2022/23 has been published. Standards are currently met. The Council's Data Protection Officer is awaiting confirmation from the NHS to see if any of our submission will be subject to audit.
- 15.5 **A new 2022/23 IG Policy and Strategy** has been drafted and issued to DMT/SIRO for review. There will be a period of feedback prior to escalation to Policy Working Group/LJNCC for approval. It is envisaged that this policy document should be issued to all users and will require the support and backing of all HOS and Senior Officers in their capacity as Information Asset Owners.
- 15.6 **Information Asset Owners (IAO) Training.** IAOs will shortly be invited to complete the new Data Confident online training. This replaces the outdated Information Asset Owner training. A team talk article is in the process of being drafted. This will be distributed during Q1, to align with the 2022/23 Information Governance Policy and Strategy release.
- 15.7 **New IG and Cyber Security training** has been uploaded to Me Learning and has been pushed out for completion to all staff. A Teamtalk article has been published encouraging completion. Head of Service management instruction is required to ensure that the training is completed before the end of Q2 2022/23.
- 15.8 **Members IG and Cyber Security Training** has been reviewed to deliver a more relevant and tailored training experience. IG have offered to deliver a face-to-face training overview at the next scheduled member's induction meeting. Members will receive guidance and real examples of potential governance issues they may face in both their committee positions and when they process personal data in their constituency. IG will impress at this meeting how important it is to complete the Information Governance and Cyber Security training.
- 15.9 **The Transparency DataShare** is due to be updated to populate the required datasets required for 2020/2021. 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 work with those departments where frequent FOIs have been identified to suggest a timetable for publication. New datasets for the 2021/22 publication will be due by the end of June 2022.

## **INSURANCE**

### **16 Insurance Policies**

- 16.1 The Council continues to have its main insurance covers with Zurich Municipal under a long-term agreement (LTA), which commenced on 1 April 2017. Work will be carried out during 2022/23 to re-tender for the insurance requirements to ensure that the new arrangements are in place when the current agreement ends on 31 March 2023. 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 key contacts in relevant departments, Zurich and relevant solicitors to discuss and provide appropriate evidence to support 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 Details of employer liability claims and incidents were provided to health and safety colleagues and ad hoc claims reports were produced for managers on request during the year. Work in underway to develop a claims dashboard to provide up to date claims data to Chief Officers and senior managers.
- 17.2 During 2021/22 the Insurance Team were notified of 216 non-injury claims and incidents that were managed in-house. This compares to 185 of this type reported in 2020/21. The figure includes 73 for adopted highway and other highways related matters and 59 relating to motor vehicles. These include cases where claims have been refuted, as the Council has an appropriate defence. Following a review of the evidence provided by departments eight were settled during the year, totalling £5,603, compared to eight in 2020/21 totalling £4,454. 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 £34,733 on costs initially claimed, an average saving of 12.5% 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 cases settled in the year amounting to £1,115,956, a saving of 58%. The outcomes of billed claims 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		
	19/20	20/21	21/22	19/20	20/21	21/22	19/20	20/21	21/22
Employers Liability	1	5	1	3	6	4	4	11	5
Motor	64	24	47	25	28	30	89	52	77
Other	0	0	0	1	1	2	1	1	2
Property	9	11	16	15	27	15	24	38	31
Public Liability	110	74	96	130	103	87	240	177	183
<b>Total</b>	<b>184</b>	<b>114</b>	<b>160</b>	<b>174</b>	<b>165</b>	<b>138</b>	<b>358</b>	<b>279</b>	<b>298</b>

Class of business	Total Potential Value of Claims		
	19/20	20/21	21/22
Employers Liability	87,466	70,450	37,241
Motor	52,221	132,921	79,245
Other	8,000	0	3,524
Property	3,941,448	136,895	159,952
Public Liability	891,732	1,469,633	996,109
<b>Total</b>	<b>4,980,867</b>	<b>1,809,900</b>	<b>1,276,071</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. Claims relating to children, 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. This affects the amount paid under personal injury claims and where damage levels are set by the Courts.
- 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 £2.3 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 £494,000) on known claims at the time. A provision of approximately £323,000 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 Statutory Governance Officers Group.

CONTACT OFFICER: Colin Ferguson, Head of Audit & Assurance

DATE: 17 June 2022.

BACKGROUND PAPERS: Corporate Risk Management Strategy and Framework  
2021/26

# ANNUAL RISK MANAGEMENT REPORT 2021/22

## Summary Risk Register

## Appendix 1



Directorate: \_\_\_\_\_  
 Department: Corporate Risk Register  
 Service: \_\_\_\_\_  
 Quarter and Year: Quarter 4 - 2021/22 Date of last review: 31-Dec-21  
 Date: 31-Mar-22 Date of next review: 30-Jun-22

Update

Create

Insert

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	Dean Langton	Simon Ross, Zoe Evans	Open	13-May-22	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	Rob Addison, 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	Ben Greenwood / Katherine White	Open	26-Aug-20	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	Asad Laher	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	Corinne McMillan, Jenna Russet-Knott, Sarah Riley	Open	13-May-22	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	Paul Fleming, Corinne McMillan, Jenna Russet-Knott, Sarah Riley	Open	13-Jan-22	2	4	MEDIUM	-
10	Due to the breakdown of community relations or a deterioration of community cohesion, greater risk of hate crime, extremism, radicalisation or polarisation of communities.	07-Feb-12	Good	4	5	HIGH	2	3	LOW	1	3	LOW	Denise Park	Katherine White /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	12-May-22	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	Katherine White (DASS) / Jayne Ivory (DCS)	Katherine White	Open	05-May-20	4	5	HIGH	-
15	Failure, at a corporate level, to comply with Health & Safety legislation and provide both a safe working environment for employees and the provision of a safe environment for service users.	01-Apr-20	Fair	4	4	HIGH	3	3	MEDIUM	2	3	LOW	Corinne McMillan	Jenna Russett-Knott	Open	13-May-22	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	John Treece-Birch	Open	20-Oct-21	3	4	MEDIUM	-
18	Insufficient budget for service delivery if MTFS income targets from the Growth Agenda are not met.	29-Nov-16	Good	4	5	HIGH	3	4	MEDIUM	3	4	MEDIUM	Martin Kelly	Simon Jones	Open	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	4	HIGH	4	3	MEDIUM	1	3	LOW	Denise Park/Corinne Mcmillan (Resilience & Emergency Planning Service)	Richard Brown / Jenna Russett-Knott	Open	21-Jul-21	4	4	HIGH	Down
22	Failure to recruit, adequately develop and retain an adequately experienced and appropriately qualified workforce may lead to the Council failing deliver its corporate plan priorities and to fully meet the needs of services users, the community and other stakeholders.	27-Jan-22	Fair	3	4	MEDIUM	2	4	MEDIUM	2	2	LOW	Corinne McMillan/Mandy Singh/Jill Readfern	Mandy Singh/Jill Readfern	Open	12-May-22				-
23	Failure to have an inclusive public health Covid-19 recovery plan that focusses on those most impacted by the pandemic	12-Jan-22	Fair	4	5	HIGH	3	4	MEDIUM	2	3	LOW	Abdul Razaq	Gifford Kerr, Laura Wharton	Open	12-Jan-22				-
24	Failure to respond effectively and proportionately to develop and implement plans/adaptations, within the scope of the Council's control and influence, in pursuit of its ambition to be a Carbon Neutral borough.	07-Apr-22	Good	5	5	HIGH	4	4	HIGH	3	3	MEDIUM	Martin Kelly/Dean Langton	Gwen Kinloch	Open	08-Apr-22				-

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 9: Failure to improve health outcomes within Blackburn with Darwen could result in the communities' health and wellbeing position or conditions deteriorating.

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.

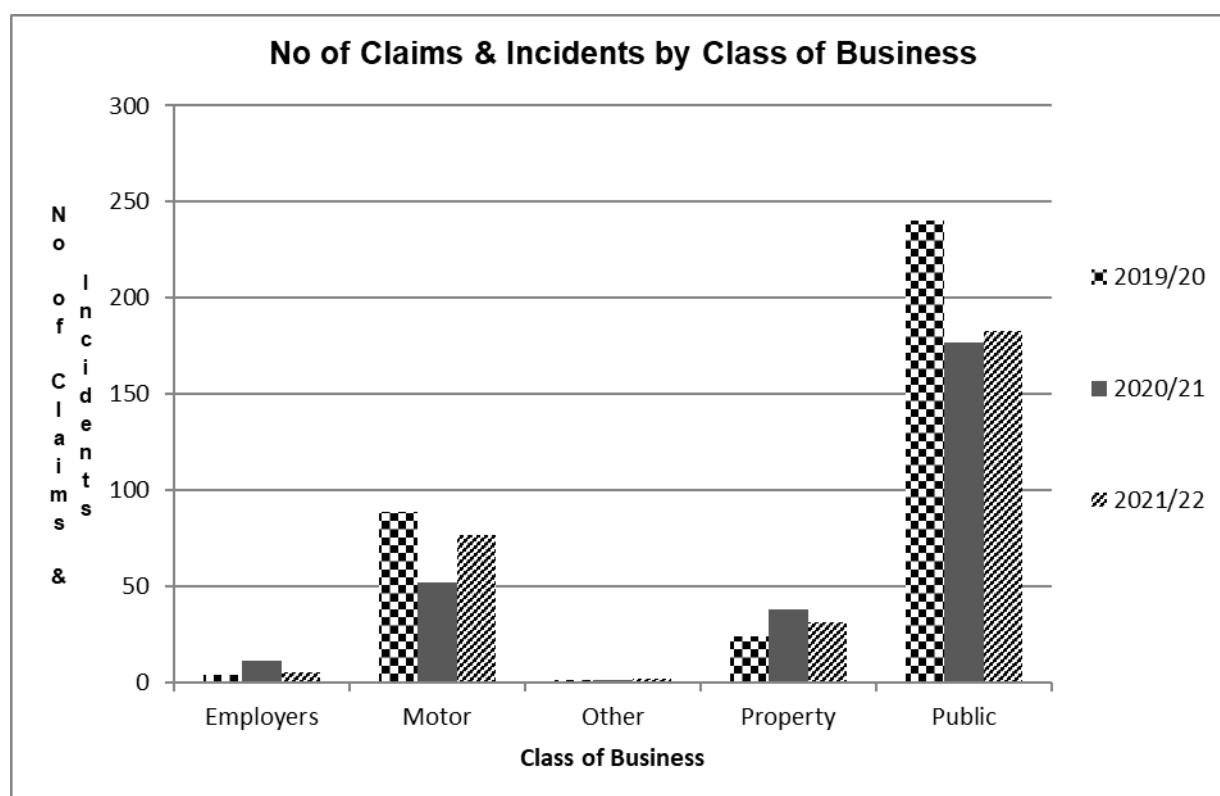
Risk 19: EU Exit - Risk of inadequate planning/preparedness at a national & local level for a "no deal" exit from the EU arrangements.

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.

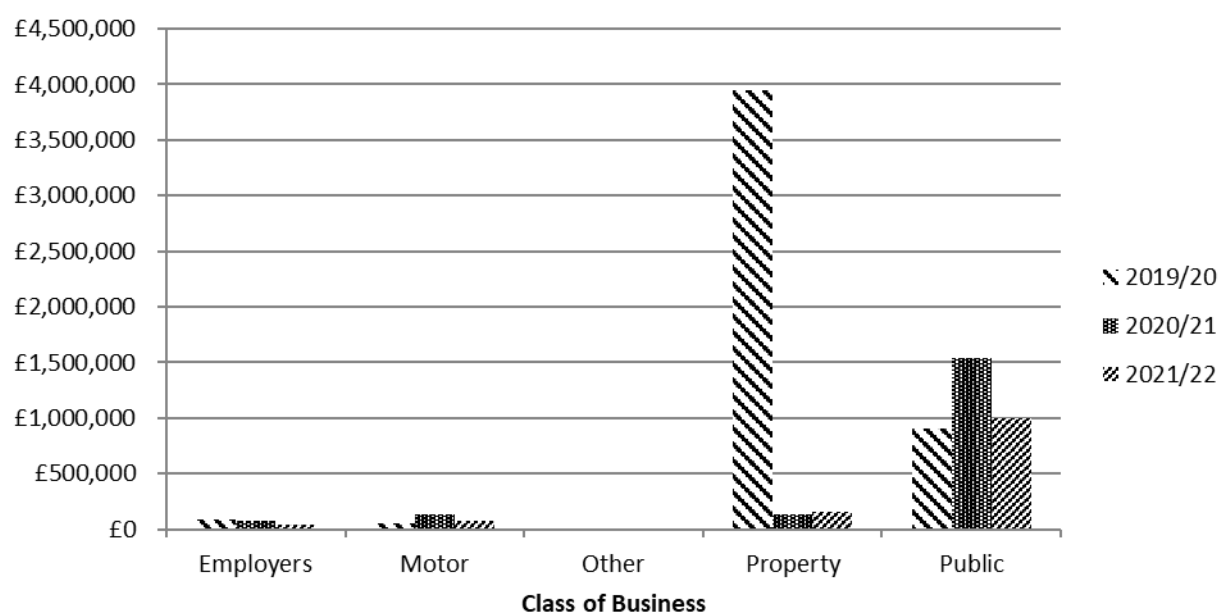
## Insurance Claims Statistics and Trends

Claims and Incidents Notified by Year

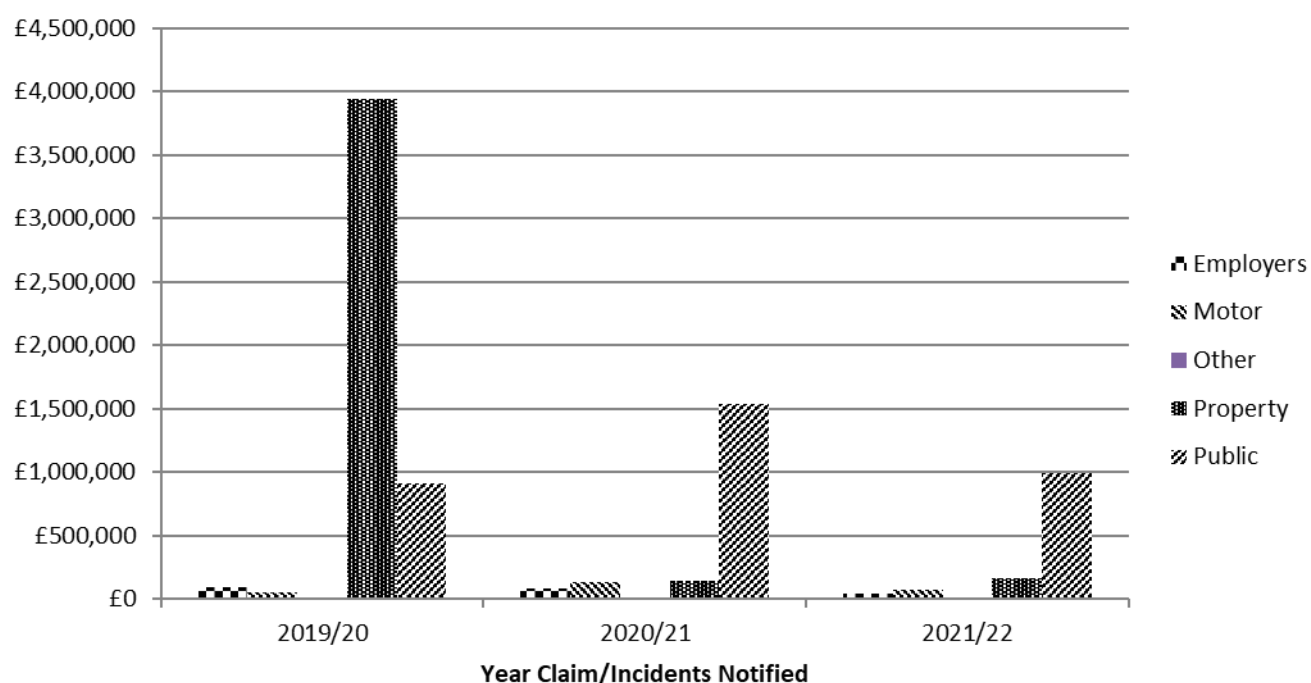
	2019/20		2020/21		2021/22		Totals	
Policy	No	Value	No	Value	No	Value	No	Value
Employers	4	£87,466	11	£77,269	5	£37,241	20	£201,976
Motor	89	£52,221	52	£132,922	77	£72,906	218	£258,049
Other	1	£8,000	1	£0	2	£3,524	4	£11,524
Property	24	£3,941,448	38	£136,895	31	£159,952	93	£4,238,295
Public	240	£907,731	177	£1,541,090	183	£994,913	600	£3,443,734
Totals	358	£4,996,866	279	£1,888,176	298	£1,268,536	935	£8,153,578

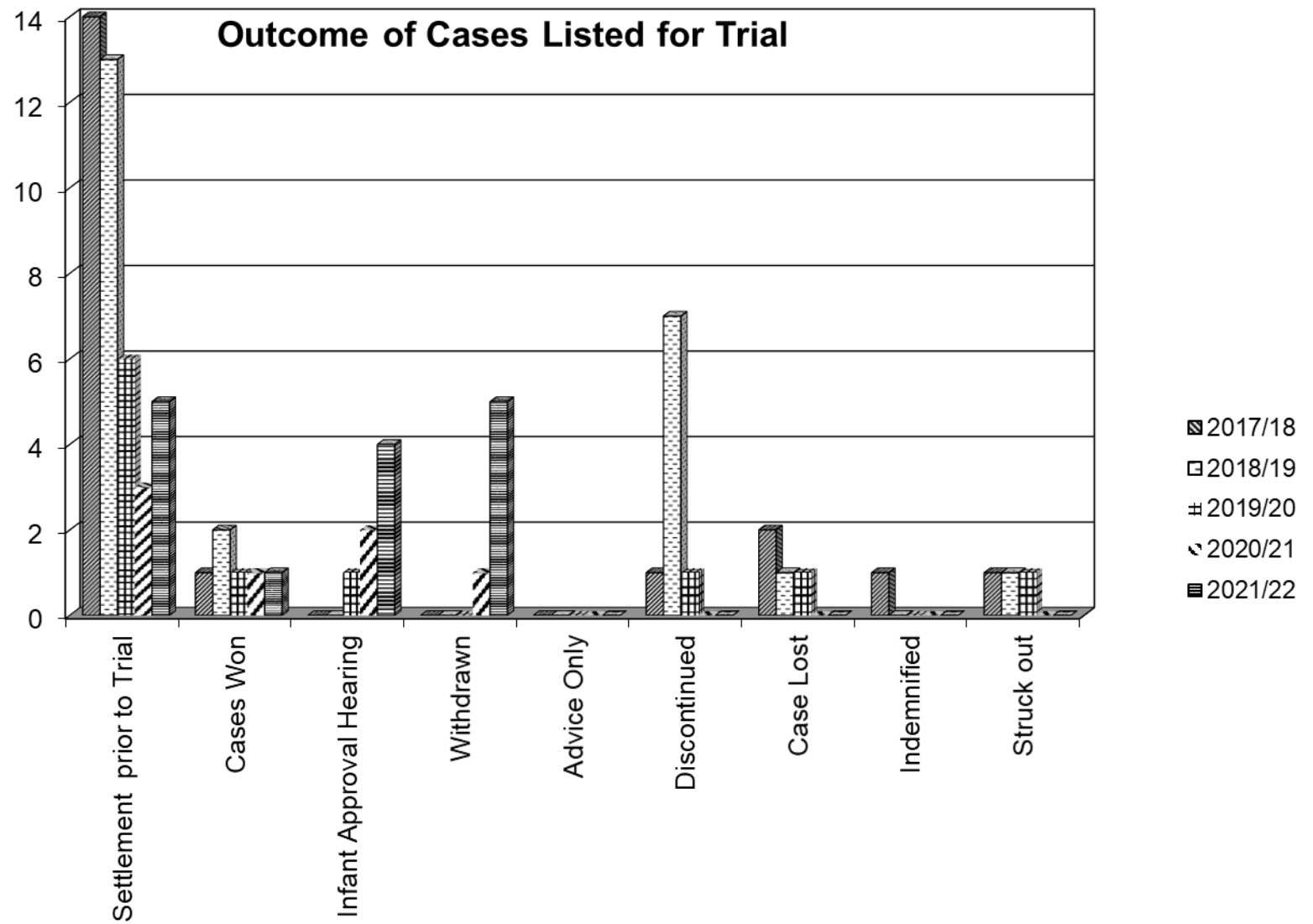


## Estimated Cost of Claims & Incidents by Class of Business



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









**TO: Audit & Governance Committee**

**FROM: Head of Audit & Assurance**

**DATE: 28 June 2022**

**PORTFOLIOS AFFECTED: All**

**WARDS AFFECTED: All**

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<b>TITLE OF REPORT</b>	<b>Counter Fraud Annual Report 2021/22</b>
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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 2022 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 Policy Statement and supporting Strategy have recently been reviewed and updated to ensure that they 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. The updated Policy and Strategy are subject to approval by the Executive Member for Finance & Governance.

- 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 Statutory Governance Officers Group.

Contact Officer:	Colin Ferguson, Head of Audit & Assurance – Ext: 5326
Date:	15 June 2022
Background Papers:	Counter Fraud Strategy 2016/20

## Blackburn with Darwen Borough Council



### **Counter Fraud Annual Report 2021/22**

**Audit & Assurance  
Finance Department  
June 2022**

## **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 2022/23 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. A revised Counter Fraud Policy Statement and Counter Fraud Strategy 2022/25 has been produced and presented to the Executive Member for Resources for approval. These key documents were reviewed and updated to ensure that they are consistent with the Fighting Fraud and Corruption Locally Strategy 2020.

### **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 782 people since its introduction (61 people during 2021/22) 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 March 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 2021/22**

#### **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. The results of work undertaken to date show that 665 matches have been processed and a further 12 investigations are ongoing. A total of 74 errors have been found to

date resulting in savings of £72,257 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)*	23	£43,507
Resident Parking Permits**	1	£0
Blue Badge Parking Permits***	50	£28,750
<b>TOTAL</b>	<b>74</b>	<b>£72,257</b>

\* Includes Cabinet Office 'forward estimate savings' figures

\*\* Residents parking permits cancelled and system updated as a result of NFI information

\*\*\* The value attached to the Blue Badges Parking Permits has been determined by the Cabinet Office, which considers the average loss of fraud/error to be £575 per case. These permits have either been recovered and destroyed or are in the process of being recovered.

### 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 concluded during the year involving an overpayment of £20,000 which resulted in a successful prosecution. The defendant was sentenced by the Court to a 12 months custodial sentence suspended for 2 years. The debt is being recovered via a Court Order.

### 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 the alleged financial abuse of a service user and the apparent failure of the Council to protect a vulnerable adult. The complaint was reviewed by Audit & Assurance with the conclusion that due process was followed throughout the Council's handling of the case and that the service had not failed in its obligation to protect the service user.
- 4.5. Others areas brought to the attention of Audit & Assurance during the year were discussed with management and have been included within the 2022/23 audit plan for detailed review.

## **5. Priorities for 2022/23**

- 5.1. The 2022/23 Internal Audit Plan makes provision for the following counter fraud activity during the year:
- Review and update of the Corporate Counter Fraud Policy Statement and Strategy

- National Fraud Initiative – co-ordination of the 2022/23 exercise and investigation into data matches;
- 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 2022/23 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: 28 June 2022**

**PORTFOLIOS AFFECTED: All**

**WARDS AFFECTED: All**

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<b>TITLE OF REPORT</b>	<b>Annual Internal Audit Opinion Report 2021/22</b>
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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 2021/22 (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 2021/22 Audit Plan, approved by the Committee on 30 March 2021. 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 2021/22.

This report has been discussed with the Council's Statutory Governance Officers Group.

Contact Officer:	Colin Ferguson, Head of Audit & Assurance – Ext: 5326
Date:	17 June 2022
Background Papers:	2021/22 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 2021/22**

**Audit & Assurance  
Finance Department  
June 2022**

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Summary of Other/Unplanned Work 2021/22.
- B Summary Quality Assurance & Improvement Programme Activities

## **SECTION 1 – BACKGROUND**

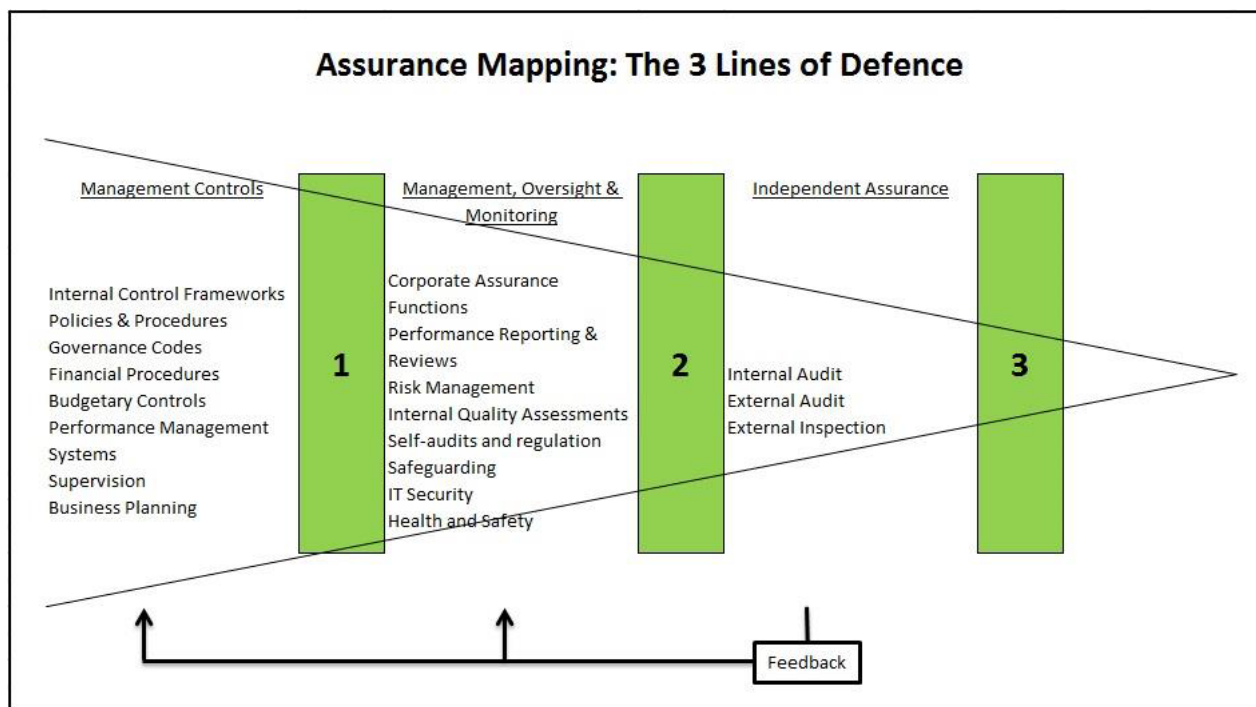
### **1.1 Introduction**

- 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 2021 to 31 March 2022. 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);
  - the outcome of the peer review to assess the Internal Audit team's conformance with the requirements of the 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 and risk management 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 effective proposals for remedial action to address the issues identified.

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 reviewed during 2021 and approved by the Committee at its meeting in March 2022. 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 systems and procedures and the corporate governance arrangements in place. Testing is performed to ensure the key 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, based on the results of the testing carried out.
- 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 2021/22;
  - Unplanned work undertaken during 2021/22;
  - Follow ups of audit work undertaken during 2020/21 and 2021/22; and
  - Other relevant sources of assurance during 2021/22.

### **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 2021/22, together with the other sources of assurance available to Internal Audit, with the exception of Children's Social Care services noted in 2.4.10 below, it is considered that, overall, the Council has **adequately designed** systems of risk management, control and governance, which are being **operated effectively** overall.

The Ofsted inspection of Children's Services concluded that there had been a decline in the effectiveness of services for some children since the 2017 inspection and that overall effectiveness requires improvement to be good. The findings and actions from this report are included in the 2021/22 Annual Governance Statement as a significant issue.

- 2.2.1 In a year when the Council has not had the capacity to be fully audited, and resources have needed to be redeployed to respond effectively to the pandemic, some of the internal audit team were re-deployed at the start of the year to support other key priority areas. 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.

### **Qualifications to the Opinion**

- 2.3.1 In providing the overall opinion, consideration is given to the assurance opinions provided during 2021/22 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 2021/22 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 2022 at its meeting on 30 March 2021.
- 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 30 assignments including 25 internal control, 4 risk related, and 3 governance reviews, which support our overall opinion on the Council's systems of risk management, governance and internal control. In addition to these, there were 16 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 60.5 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.

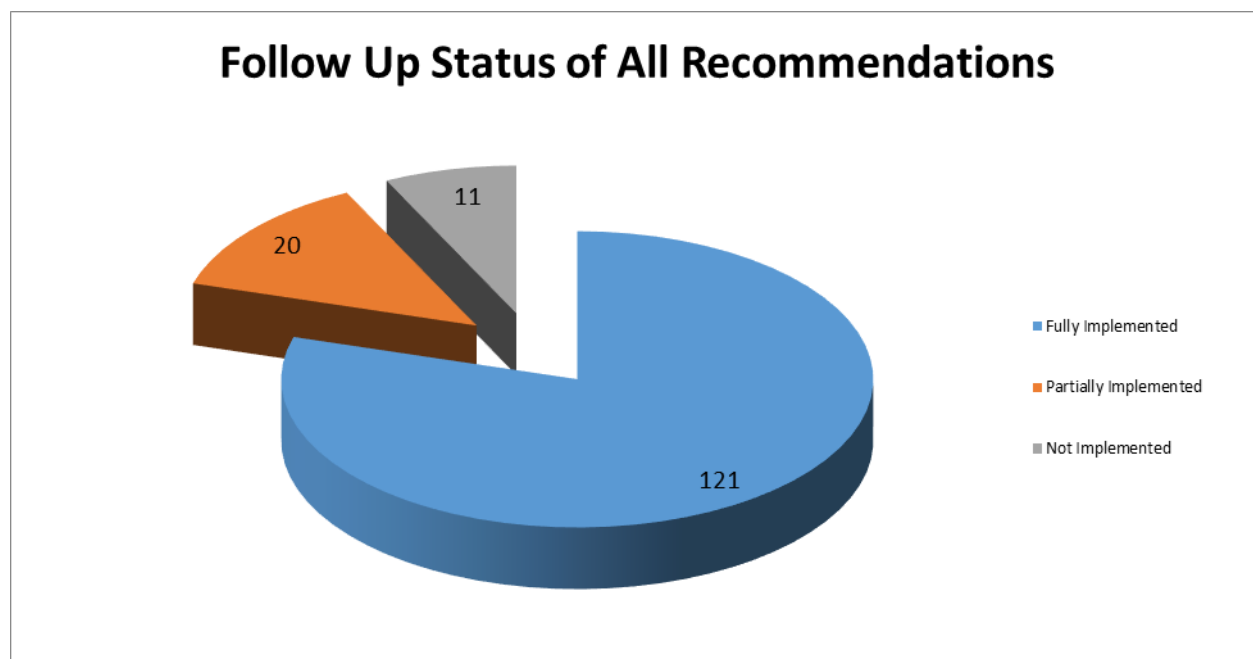
2.4.5 Our other/unplanned work includes the following areas:

- Supporting the Audit & Governance Committee (17 days);
- Annual Reporting (8 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 (4.5 days); and
- Monitoring the implementation of reported recommendations (8 days).

Follow Ups:

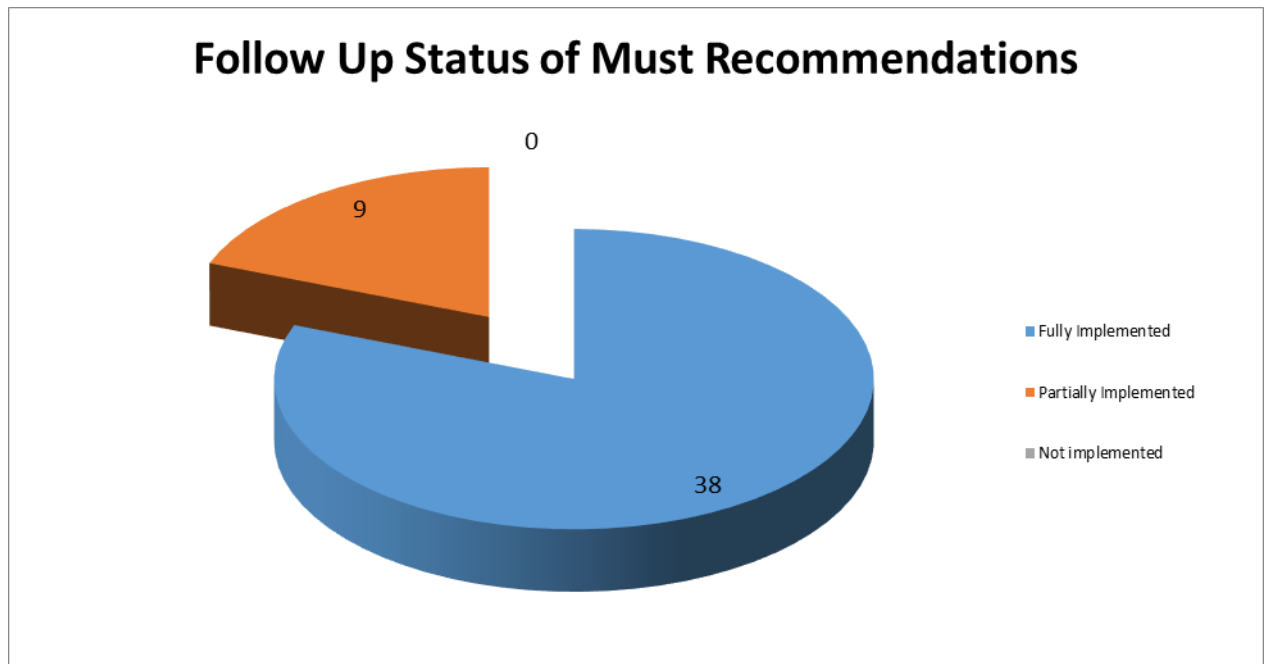
2.4.6 Where we issue a *limited* or *no* assurance report we undertake "standard" follow-ups after 3 months. For all other assurance reports, we undertake a "standard" follow up after 6 months. In 2021/22, we followed up 152 recommendations. These comprised of 47 "Must", 95 "Should" and 10 "Consider" recommendations. The responses to the follow up reports are summarised in the chart below.

Follow Up Status of All Recommendations 2021/2022



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 2021/2022



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 audit findings 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 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. The outcome of the Ofsted inspection, that was carried out under the Inspecting Local Authority Services for Children (ILACS) Framework during January 2022, was reported as an amber issue by the Strategic Director of Children’s Services in her year-end Directors Dashboard. This requires 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”. However, the Strategic Director of Children’s Services noted that a Children’s Services Improvement Plan was being prepared to address the conclusion from the ILACS inspection in February 2022 that Children’s Services are now assessed as Requires Improvement to be Good.
- 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 provided their draft Audit Findings report to the January 2022 Audit & Governance meeting. They noted that whilst this was an interim report and they had some outstanding matters to finalise they anticipated issuing an unmodified audit opinion report on the Council’s financial statements for the year ended 31 March 2021. They also concluded that the other the information published with the financial statements was consistent with their knowledge of the Council and with the financial statements they had audited.
- 2.4.13 An Internal IT Health Check was carried out in August 2021. 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. It covered six areas. The report included the following conclusions and included recommendations for the remediation of the findings:
- The Council’s internal network security exhibited a strong security posture, with best practise controls and up-to-date patching in place throughout the internal network and Active Directory domain.
  - The overall security posture of the Council’s server estate provided for review was found to be great. The anti-virus solution in place on the Windows servers was up-to-date and a patching policy to match. It was possible to browse the internet on these servers and this should be prohibited even if the web filtering was considered to be strong.
  - A review of a workstation builds found the configuration to be strong.
  - 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. Web

filtering was also present on the public network. Overall, the Wi-Fi security was good.

- 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 require a minimum of six numeric digits. It was recommended that this was increased to eight alphanumeric character passwords. Rooted devices were not allowed.

2.4.14 An external IT Health check of the Council's ICT perimeter network was also carried out in August 2021, 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 overall conclusion from the review was that the overall network infrastructure was found to be reasonably good and security posture of the perimeter network was strong.

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. Compliance was re-confirmed during the year for the period 15 January 2022 to 15 January 2023.

2.4.16 The Council's evidence submission for the 2021/22 NHS Data 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 an inspection under the 'Inspection of Local Authority Children's Services' (ILCAS) Framework in January 2022. The report gave the following judgements across four categories, as follows:

- **The experiences and progress of children who need help and protection** – 'requires improvement to be good'.
- **The experiences and progress of children in care and care leavers** – 'requires improvement to be good'.
- **The impact of leaders on social work practice with children and families** – 'requires improvement to be good'.
- **Overall Effectiveness** – 'requires improvement to be good'.

2.4.18 Whilst a number of recommendations were made the report it was clear that the Council's response was timely and appropriate when children are at immediate risk of significant harm. Inspectors confirmed that children who are in local authority care need to be in care, and that most children and their families receive early help and support when they need it.

2.4.19 An improvement plan has been developed and is due to be submitted to Ofsted by 1st July 2022. The plan will be driven by a multi-agency 'Achieving Excellence' Partnership Board which has been established to oversee the delivery of the response and actions identified.

- 2.4.20 A Care Quality Commission (CQC) inspection of the Reablement Service and Home First Service was also carried out during the year. The report highlights a positive picture of service delivery in the main and a good rating was received for three areas of the Inspection. However, the overall rating for the service was 'requires improvement'. This was based on the two areas of Well Led and Safe. Management has taken the inspectors feedback on board and are working to address the issues through an improvement plan that will enable management to strengthen the areas identified in a timely manner. The findings from the inspection are not considered significant in the context of the overall control framework in place within the Council.
- 2.4.21 The Shared Lives scheme and St Aidan's were also inspected. The overall rating for Shared Lives was 'Good'. The inspection carried out at St Aidan's only looked at part of the service and did not result in any judgements. The CQC previously rated the service as 'Good' in the last routine inspection undertaken on 13 October 2017, with all sub-judgements also rated as Good. As of 3 March 2022, the CQC declared that they have not found evidence that they need to carry out an inspection or reassess their rating at this stage.
- 2.4.22 Ofsted inspected three children's homes during 2021. One was judged as 'Outstanding', one as 'Good' and one as 'Requires improvement to be good'.
- 2.4.23 The number of schools that are providing a good or better education as deemed by Ofsted has risen again from 87.3% to 89%, which has broadly in line with National and regional averages. This progress is something that the School Improvement Board and Council 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 Council for schools who were in an Ofsted window or who were vulnerable through data. Of the 6 schools (14 in 18-19 and 9 in 20-21 ) who are RI 2 out of 6 (33%) are academies or free schools which in turn lowers the percentage overall for the borough.
- 2.4.24 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.
- 3.4.25 As a system the Council is committed to providing the best possible outcomes for all Blackburn with Darwen children and young people through the raising of standards and the elimination of underperformance in our schools. We fundamentally believe that school leaders are the best people to meet this challenge and achieve our vision. Collective moral purpose, commitment to excellence and learning through partnership underpins our approach. With the introduction of the new Schools Inspection Framework in 2019-2020, with the enhanced focus on the curriculum, we radically revised our school intervention strategy and devised a new Strategy for "Schools which require additional

support". This is an identified area that the SIB will be monitoring, along with the new separate judgements for personal development and behaviour and attitudes to ensure a multi-agency approach.

- 2.4.26 Our planned audit 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 2021/22. 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 was restricted by the impact of the Covid-19 pandemic on the organisation in the early part of the year. 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**

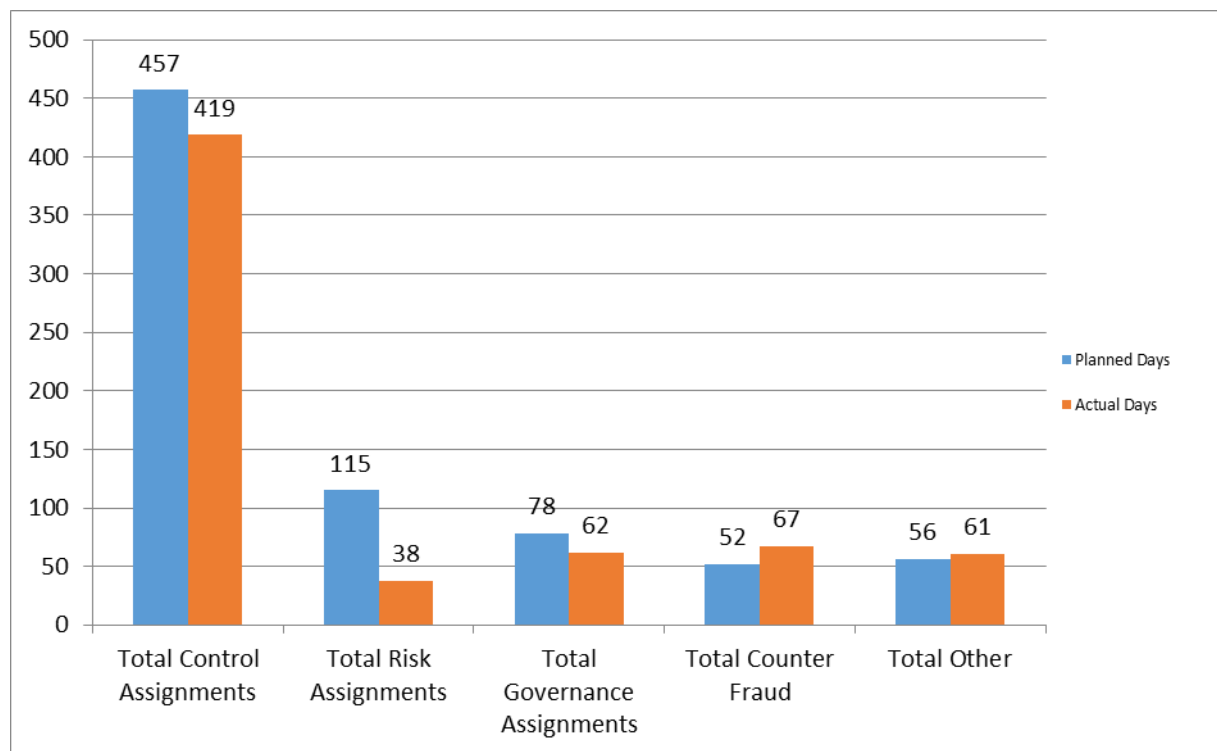
- 2.6.1 The Internal Audit Service has access to and support from the Council's Corporate Leadership Team. In the course of its normal work it is able to operate independently within the organisation and, in accordance with its Charter, the service remains independent of the Council's other functions.
- 2.6.2 The Internal Audit Service's work programme and priorities are determined in consultation with the Corporate Leadership Team, the Council's senior managers and the Audit & Governance Committee, but remain decisions for the Head of Audit & Assurance. 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 line management responsibility for the Council Insurance team in addition to Audit & Assurance. However, internal audit staff had no direct operational responsibility or authority over any of the activities audited in 2021/22. 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 30 March 2021. The Plan anticipated that Audit & Assurance would have staff resources amounting to 758 days for internal audit assignments and counter fraud work.
- 3.1.2 Internal Audit was able to deliver a total of 646 days (85%) against the approved Audit & Assurance Plan, which can be summarised as follows:

#### **Audit & Assurance Plan Against Actual 2021/22 (Days Achieved)**



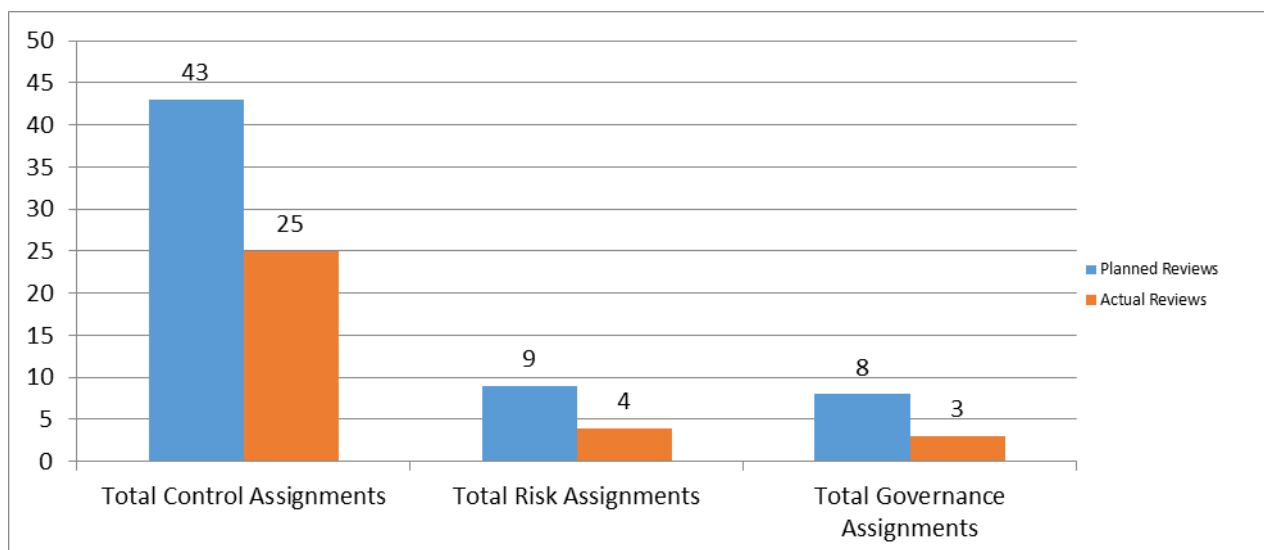
- 3.1.3 The shortfall in days during the year arose due to members of the team being redeployed to support the Council's response to the pandemic at the start of the year and the impact of a vacancy that occurred in the team, and the associated recruitment activity to fill the post. However, despite 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 2021/22**

- 3.2.1 Despite the reduction in the 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, 46% less than those originally planned (60). It should also be noted that 16 planned reviews were in progress at 31 March 2022.



### Internal Audit Plan Against Actual 2021/22 (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 2021/22 Audit & Assurance Plan included eight Priority 1 audit assignments. All of these have been delivered in 2021/22, with the exception of the planned review of the Inspection Readiness audit for Children’s services. This audit was postponed due to the Ofsted ILACS inspection that was carried out during the year.

### **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 2021/22 (together with the 2020/21 performance) is shown in the following table.

#### Internal Audit Performance 2021/22

Performance Measure	Target	Actual 2021/22	Actual 2020/21
Delivery of Priority 1 Audits	100%	87.5%	83%
Planned Audits Completed Within Budget.	90%	80%	67%
Final Reports Issued Within Deadline	90%	95%	100%
Follow Ups Undertaken Within Deadline	90%	92%	85%

<b>Performance Measure</b>	<b>Target</b>	<b>Actual 2021/22</b>	<b>Actual 2020/21</b>
Recommendations Implemented	90%	88%	95%
Client Satisfaction	75%	100%	100%
Compliance with PSIAS	95%	100%	99%

- 3.3.2 The actual performance against these targets was reported to each Audit Committee meeting during 2021/22. 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 sized authorities.

### **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 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 2021/22 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 Internal Auditors 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 the 138 elements (100%) of the Standards.

- 3.6.2 This analysis shows that the Council's Internal Audit function is conforming with the PSIAS requirements. Furthermore, during the year a peer review was carried out to assess the internal audit team against the PSIAS. Independent colleagues from the Lancashire Chief Auditors Group carried out the review. The results were reported to the Audit & Governance Committee in October. The overall judgement confirms that the Council's internal audit team (within Audit & Assurance) conforms with the requirements of the PSIAS across all areas of focus as follows:

Exhibit 11: PSIAS Summary Peer Review Assessment 2021/22

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

- 3.6.3 The next peer review of the internal audit team's compliance with the PSIAS requirements is planned for July 2026.

**3.7 Improvement Plans for 2022/23**

- 3.7.1 No significant observations were noted. A number of minor observations were made and six actions were identified for consideration to further improve the service, its status or impact, or the quality of the service provided. The relevant actions will be implemented over the next 12 months.

- 3.7.2 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 arising from the completed audit reviews 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.

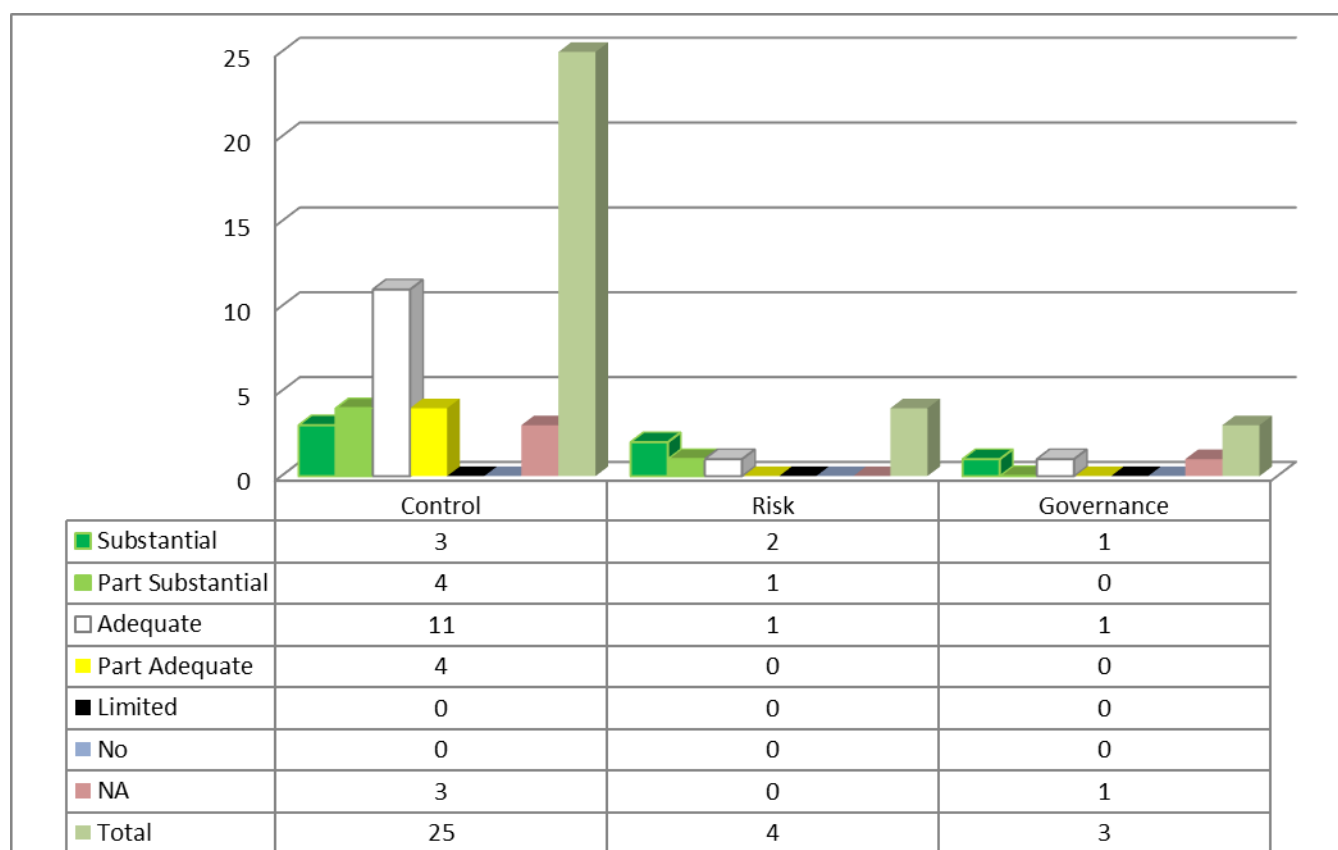
## Audit & Assurance Plan & Actual 2021/22

Audit Assignment	CLASSIFICATION	Priority	21/22 Plan Days	Actual Days	Assurance Opinion	
					Control	Compliance
Personalised budgets/Direct payments	Control	2	10	15	Adequate	Limited
Adults Social Care Income - Identification, Debt Management and	Control	3	10	0		
Disabled Facilities Grant	Control	3	10	0		
Commissioning/Contract Management	Control	2	15	0		
Audits of Schools Finance systems - General Planning	Control	3	12	9		
- St Stephens	Control	3	9	12	Adequate	Adequate
- Daisyfield	Control	3	9	12	Adequate	Adequate
- Holy Trinity	Control	3	9	14	Adequate	Adequate
- Turncroft	Control	3	9	13	Adequate	Limited
- Griffin Park	Control	3	9	13.5	Adequate	Adequate
- Meadowhead Infants	Control	3	9	12	Adequate	Adequate
- St Josephs RC	Control	3	9	15	Adequate	Limited
Finance Transactional Team	Control	3	10	1		
Adoptions - Regional contract	Control	3	10	1		
Section 17 Payments (2021/22 WIP)	Control	3	6	16.5		
Contract Monitoring (PH Contracts commissioned via CAPS)	Control	3	10	0		
KGH Arts Council Grant - Additional to plan	Control	1	4	10	N/A	N/A
Software licencing (2021/22 WIP)	Control	2	10	3		
NNDR	Control	2	15	0		
PC Inventory Controls	Control	3	10	0		
IT Device Management (2020/21 WIP)	Control	2	12	18		
Local Transport Capital Funding/LTP Grant Certification Requirement	Control	1	5	5	N/A	N/A
Bus Subsidy Grant	Control	1	5	5	N/A	N/A
Local Discretionary CV-19 Grant Payments to Businesses	Control	1	10	12	Substantial	Adequate
Follow up implementation of agreed actions arising from EZE limited assurance review (2021/22 WIP)	Control	1	5	3		
Asset Management System - Corporate and Commercial Portfolio (WIP 2021/22)	Control	2	10	13.5		
Commercial Property Rental Management (2020/21 WIP)	Control	2	2	15.5	Substantial	Adequate
Planning enforcement (2021/22 WIP)	Control	2	3	6.5		
Markets (2020/21 WIP)	Control	3	1	2		
Highways maintenance - procurement and contracting arrangements re highways external spend.	Control	2	15	18.5	Adequate	Adequate
HMO Licencing/Selective Licensing/ Housing Standards Inspection Arrangements	Control	3	5	0		
Police & Crime Commissioner Grant	Control	1	4	16		
Budgetary Setting and Control / Failure to deliver a balanced budget and MTFs (2021/22 (WIP)	Control	1	5	4		
Protocol ICS System	Control	2	10	0		
Payroll - Core system/Failure of HR & payroll system incl staff & Mgr. self service.	Control	1	15	0		
Off payroll engagement (IR35) (2021/22 WIP)	Control	2	10	12		
Arrangements for appointing and paying Legal Counsel (2021/22 WIP)	Control	2	10	15		
RIPA processes	Control	2	10	0		
Resource Link System Replacement (2021/22 WIP)	Control	2	10	20	N/A	N/A
Service to schools	Control	3	10	0		
HR Contract Procurement and Management (2021/22 WIP)	Control	3	10	15		
Mileage payments/Staff Expenses (2020/21 WIP)	Control	2	1	3.5	Adequate	Limited
Transport Procurement/Fleet Management - implementing the fleet vehicle replacement programme.	Control	3	10	0		
Retail Hospitality & Leisure and SBR Grant Payments (2021/22 WIP)	Control	1	15	13.5		
Creditors/E-Procurement	Control	2	10	12.5	Adequate	Adequate
Main Accounting System - including account reconciliation's	Control	2	10	14	Substantial	Substantial
Income Recording & Collection (Sundry Debtors)	Control	2	15	18	Adequate	Adequate
Civica Asset management module	Control	3	10	0		
Treasury/Cash flow management/Major loss incurred regarding investment and/or borrowing.	Control	3	10	1		
Restart grant - Additional to plan	Control	1	6	15	Substantial	Substantial
Creditors (2020/21 WIP)	Control	2	1	2	Adequate	Adequate
Budget Setting and Monitoring (2020/21 WIP)	Control	1	7	11	Substantial	Substantial
Total 2021/22 Control Assignments (43)			457	418.5	25 (43)	

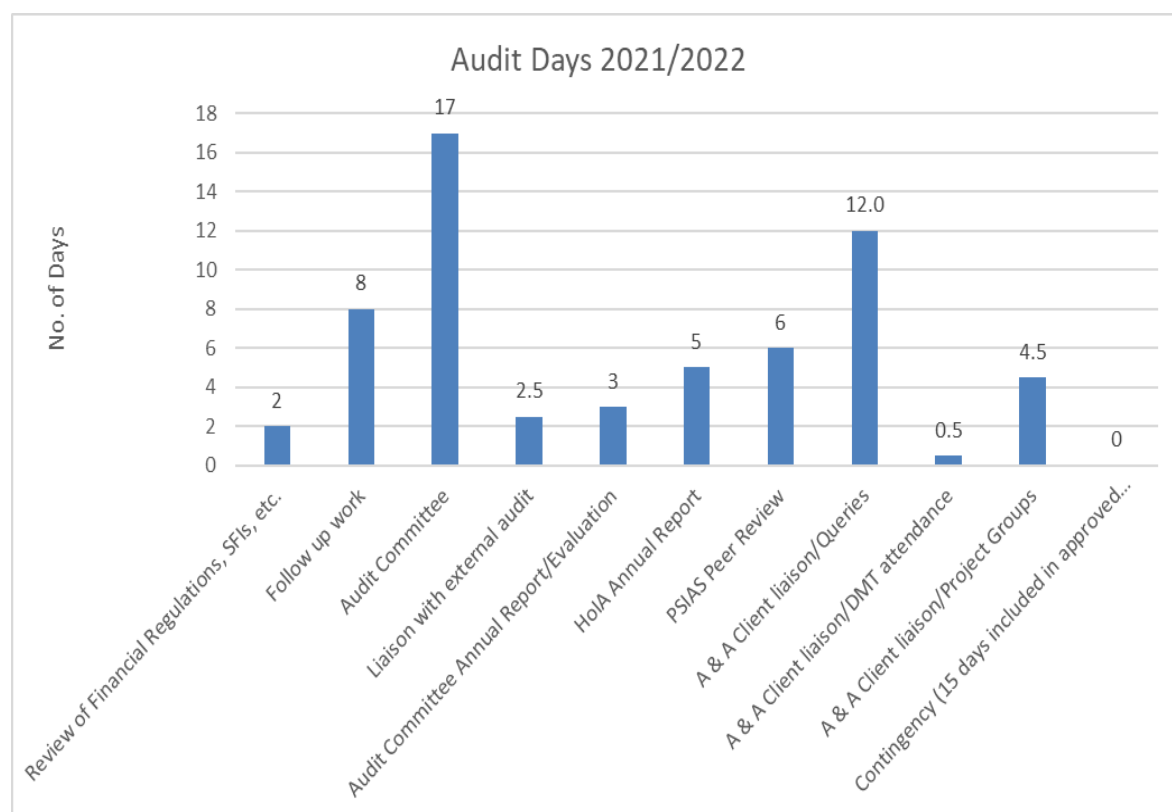
Audit Assignment	CLASSIFICATION	Priority	21/22 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Transitional Arrangements : Children to Adult Care	Risk	2	10	0		
Client case management systems including Access Controls	Risk	2	15	0		
Homelessness/Supported Living/Housing Needs Cross Cutting review - Impact of Universal Credit	Risk	2	15	0		
Inspection Readiness - Preparedness for inspection of LA under the Children's Social Care Framework	Risk	1	10	1.5		
Building Control (2020/21 WIP)	Risk	3	1	5		
Ofsted Inspection Framework (2020/21 WIP)	Risk	2	1	7	Substantial	Substantial
Educational Visits (WIP 2020/21)	Risk	2	5	5	Substantial	Adequate
Corporate Appointee (2020/21 WIP)	Risk	2	3	11	Substantial	Substantial
Failure to prevent data loss (Information Governance)/ Compliance with GDPR	Risk	2	10	0.5		
Equality Impact Assessments	Risk	3	10	0		
Property Statutory Inspection Processes	Risk	2	10	0		
Arrangements for inspection of highways and property retaining walls and structures supporting and/or adjacent to highway. (2021/22 WIP)	Risk	2	15	7		
Unable to complete statutory inspections on premises in the borough and not fulfilling statutory responsibilities. Public Protection	Risk	3	10	0.5		
Total 2021/22 Risk Assignments (9)			115	37.5	4 (9)	

Audit Assignment	CLASSIFICATION	Priority	21/22 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Sports England Grant - Pennine Lancashire Pilot (2021/22 WIP)	Governance	1	10	8.5		
Elections	Governance	2	10	0		
Social Determinants of Health Fund/Public Health Internal Spend - Governance	Governance	2	10	0.5		
Use/management, monitoring and reporting of Covid 19 Grant Funding received (2021/22 WIP)	Governance	2	10	10		
Partnership Scrutiny/Accountability	Governance	2	10	17	Substantial	Adequate
Town Fund (Darwen) and Other Grant Funding Projects	Governance	2	10	8	Substantial	Substantial
Corporate Governance, Ethical Framework, Scheme of Delegation and Departmental governance arrangements (2021/22 WIP)	Governance	2	10	4		
Governance Arrangements (2021/22 WIP)	Governance	1	8	13.5		
Total 2021/22 Governance Assignments (8)			78	61.5	3 (8)	
Grand Total			650	517.5		
Audit Assignment	CLASSIFICATION	Priority	21/22 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Other Audit Work						
Review of Financial Regulations, SFIs, etc.	Governance	2	2	2		
Follow up work	Governance	1	10	8		
Audit Committee	Governance	1	10	17		
Liaison with external audit	Other	1	2	2.5		
Audit Committee Annual Report/Evaluation	Governance	1	4	3		
HolA Annual Report	Governance	1	4	5		
PSIAS Peer Review		1	4	6		
A & A Client liaison/Queries	Other	2	10	12.0		
A & A Client liaison/DMT attendance	Other	2	5	0.5		
A & A Client liaison/Project Groups	Other	2	5	4.5		
Contingency (15 days included in approved plan - allocated to additiona to plan reviews)	Other	2	0	0		
Total Other (11)			56	60.50	0 (11)	
	CLASSIFICATION	Priority	21/22 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Other Fraud Work						
National Fraud Initiative (NFI)	Governance	1	10	19		
Review of Counter Fraud Strategy	Control	1	4	4		
Counter Fraud Annual Plan/Report	Governance	1	2	2.5		
Proactive Fraud Testing	Governance	2	10	0		
Reactive investigations	Governance	2	20	39.5		
Review/Monitor Fraud Risk Register	Control	2	2	0		
Fraud awareness and whistle blowing initiatives	Control	2	4	2		
Total Internal Audit & Counter Fraud (7)			52	67	0 (7)	
	CLASSIFICATION	Priority	21/22 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Other Risk and Governance Work						
Annual Gov Statement	Governance	1	10	28.5		
MAF Process Review	Governance	2	4	1		
MAF and MAF Challenges	Governance	1	10	16		
Risk Management Support	Risk	1	5	14		
Road Risk Mgmt Group	Risk	1	5	1.5		
Review/Monitor Corporate Risks	Risk	1	5	3		
Review Monitor Departmental Risks	Risk	1	10	3		
Business Continuity Champions Meetings	Risk	1	2	1		
Risk Annual Plan/Report	Risk	2	4	3.5		
Review of Risk Management Strategy and Arrangements - Additional to plan	Risk	1	5	12		
Total Risk and Governance Work (10)			60	83.5	0 (10)	
Total Time Spent			818	728.5		

## Summary of Internal Audit Opinions 2021/22



## Summary of Other/Unplanned Work 2021/22



## 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	Quarterly Progress and Annual Reports 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	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 2022 and up to the date  
of the June 2022 Audit & Governance Committee**

# **ANNUAL GOVERNANCE STATEMENT**

## **Foreword by the Chief Executive – Chair of the Statutory Governance Officers 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 continue to respond to Covid and the challenges the pandemic has had on the 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 2021/22 included the following:

- Continuing review and refresh of the Council's Constitution.
- Completion and review of Strategic Director and Director annual assurance statements, which reflect the seven principles of good governance in support of the Annual Governance Statement.
- Regular deep dive review and challenge of corporate risks by the Audit & Governance Committee.
- Establishment of a chief officers' Corporate Assurance Board.
- Establishment of a Statutory Governance Officers Group (SGOG), which meets on a monthly basis.
- The Council's evidence submitted for the 2021/22 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.
- Approval of a corporate Risk Management Policy Statement and review and refresh of the Risk Management Strategy and Framework and supporting toolkit.
- Risk management refresher awareness sessions for Directors and senior managers.
- 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 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 continued to free 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.

- The Council has had a Local Government Association (LGA) Corporate Peer Challenge within the last five years in line with best practice. It 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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As a local authority, the Council is required by law to review its governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) (the Framework) fulfils this requirement.

Blackburn with Darwen Borough Council (the Council) is responsible for ensuring that:

- its business is conducted in accordance with relevant laws and regulations, and proper standards; and
- that public money is safeguarded and properly accounted for and

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, and to ensure that the responsibilities set out above are being met.

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 Local Code of Corporate Governance, which is consistent with the seven principles of the Framework. 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 seven principles set out in the Framework during 2021/22 and the Code and how 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 2022 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 systems of internal control, corporate governance and risk 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.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness.

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

### **Principle A – Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**

#### **1. 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.

#### **2. 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 October 2021 to reflect the resolutions/decisions made at Full Council since March 2021. 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 the revised Member Allowances Scheme approved at Finance Council in February 2022, and a review of the officer delegated powers as well as changes to the Executive Member portfolio responsibilities. There is currently a review ongoing in relation to the Financial Procedure Rules and Contracts & Procurement Procedure Rules, which will need to be approved by full Council.

The Council has adopted the Leader and Executive model of governance. The Council's Constitution sets out the relative roles and responsibilities of the Leader and Executive, 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 had 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. Since 6 May 2021 the legislation allowing remote council meetings expired and the Council reverted to face to face meetings. .

During the pandemic no existing delegations or powers were 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.

Temporary arrangements were put in place during the year to realign responsibilities, primarily through two existing senior members of the extended leadership team, as a result of the retirement of the Director of HR Governance and Engagement. Permanent arrangements are now in place following approval by the Chief Officer Employment Committee to appoint the interim Strategic Heads of Services, Legal & Governance and HR & Engagement to the roles of Deputy Director, Legal and Governance and Assistant Director, Chief Executive's Department, respectively. 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 Corporate Assurance Board was established during the year. This sits alongside the existing Corporate Leadership Team (CLT). This Board provides effective assurance and challenge in respect of the Council's overall performance in meeting its strategic objectives and statutory duties. This has increased the Team's focus in the right areas and improved its effectiveness as a senior team. The Extended Leadership Team continues to meet on a regular basis 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 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.

## **Principle B – Ensuring openness and comprehensive stakeholder engagement**

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

The Council's corporate plan 2019-2023, was 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 recently the Our Communities, Our Future Board.

In working with the Department of Levelling Up, Housing and Communities (DLUHC) 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, as the accountable body for Pennine Lancashire's 'Together an Active Future' partnership. The £13m of available funding will enable the six Local Authority areas to work together with people and partners to test different 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.

When developing the Corporate Plan, the Council established what will be done to deliver the ambition and how progress against this delivery will be measured. The success of the Corporate Plan is measured through a performance management framework with Key Performance Indicators (KPIs) which are measurable and meaningful.

The Corporate Data and Policy teams work with service departments to ensure that appropriate responsibilities for delivery are built into departmental business plans.

At Policy Council in December 2021, members agreed to refresh the corporate plan to take into account the impact of COVID on both the organisation and the borough. While that refresh is taking place, the current corporate plan outlined above still stands.

A programme of engagement is being undertaken so residents, businesses and partners can help shape the plan. The programme includes a residents' survey.

#### **4. 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.

A further residents survey is currently being undertaken which will include a representative sample of interviews and an open survey element.

#### **5. 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 Council's 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 the 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 have worked 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.

### **Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits**

#### **6. 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.

Blackburn with Darwen was one of the first areas in the country to set up a 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, Hyndburn 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. Lancashire Leaders from



all 15 local authorities are also committed to working together on a strategic plan for Lancashire 2050 and a potential devolution deal with government.

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 (ICS), which will become a statutory Integrated Care Board (ICB) in July 2022.

**7. 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. The Significant Partnerships Register was taken to Audit & Governance Committee in March 2022 and the Register will be reviewed in six months to capture any changes before the annual review.

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.

**Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes**

**8. 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 decision making. It includes delegations to various committees, Executive Members and officers, and also scrutiny arrangements for holding decision makers 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. The Council is currently developing a Data Strategy, which includes a baselining exercise to assess the level of data maturity across the organisation. The Data Quality Policy will be assessed during 2022/23 and revised in line with the planned introduction of corporate data standards.

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 is reviewing its Equality, Diversity and Inclusion work and continues to use the Equality Impact Assessment (EIA) Toolkit. Training for EIA and Equality and Diversity is available for staff. 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 a 'screening' element to the EIA process and is in line with legislative requirements. This process continues to work well and the team continue to support colleagues.

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 organisational change.

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 each year. 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 Internal Audit 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 & Assurance annual internal audit opinion which contributes to the Annual Governance Statement.

#### **Principle E – Developing the entity's capacity, including the capability of its leadership and individuals within it**

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

The Council has invested in a new Organisational Development Programme, with one of the four workstreams being leadership & management development. This includes reviewing the training needs of Elected members including a comprehensive Elected Member induction programme, for newly Elected Members.

The leadership & management development programme will develop a clear leadership framework, which includes our leadership culture and expected behaviours.

There will be a full range of support, development and interventions which include access to ILM programmes, strength based leadership programmes, a library of tools and resources, coaching, mentoring and opportunities to support career development into more senior management and leadership roles.

The Council will be aiming to take on at least two graduates, under the LGA's National Graduate programme.

#### **Principle F – Managing risks and performance through robust internal control and strong public financial management**

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

Overarching responsibility for risk management lies with the CAB. Chief Officers are identified as owners of the risks identified in the Corporate Risk Register. The corporate risk register is

considered by CAB on a regular 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.

A corporate Risk Management Policy Statement has been implemented during the year. It is a key element of the Council's corporate planning process and the Corporate Governance Framework. The Policy Statement sets out the Council's intent with the management of risks. It includes a definition of the Council 'appetite' for risk across a range of key risk categories. These are based on a selection of relevant key risk categories recommended in The Orange Book – Management of Risk, Principles and Concepts (2020) published by HM Government.

The Policy and supporting Strategy and Framework will provide a consistent corporate approach to ensure that robust and effective risk management procedures are embedded into the Council's culture so that risk management is an integral part of the decision making process and the supporting systems and procedures used by Members, Chief Officers and staff at all levels. The Policy Statement and Risk Management Strategy and Framework set out the Council's approach for the systematic management of risk, the culture and roles and responsibilities of all managers and decision makers to achieve this.

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 continued to have 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. They should identify any areas of concern and action that they are taking to address these, via their MAF Dashboard Report. This report is reviewed, along with progress against the Corporate Plan priorities, 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 Statutory Governance Officers Group (SGOG) 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 SGOG is

chaired by the Chief Executive and has the Monitoring Officer, Senior Information Risk Owner and Section 151 Officer as members.

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 next 12 months all of the departmental business continuity plans will be reviewed and updated to reflect lessons learnt from our experience of COVID-19. 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 corporate exercise for March 2022 was based on a flood response scenario (Emergency Planning). This exercise not only provides training to attendees but it also an opportunity for plans to be tested and any amendments made where required. We are still supporting the response/recovery phases of the pandemic and departmental plans are flexing to meet the needs of each department as we move into recovery.

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 ongoing response and recovery element to Covid-19.

The Resilience & Emergency Planning Service will continue to deliver 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. To further support this the team have now developed an SLA, which school can purchase to access the support required for emergency preparedness.

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 in March 2022 and is due to be reissued shortly, 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, more recently

the Health & Safety Action group for services at Davyfield Road Depot has also been re-established, with further groups for other main settings also being prepped for re-establishing.

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. 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; this will be reviewed in 2022.

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. Over the last 2 years due to COVID-19, the team have continued to work closely with both schools and council teams, reviewing risks and supporting their plans for a safe management of COVID-19 in 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 and this support is ongoing. This has allowed us input to enable more robust due diligence systems across these important areas.

In addition to the above some of the operational activity to support health and safety includes:

- Working in conjunction with insurance, identifying risks and threats to the council. Supporting insurance in the defence of civil claims against BwDBC.
- Conducting petrol filling station visits on behalf of Public Protection (relating to fire, explosion and environmental risk).
- Provision of inspections and advice around the operation of the Davyfield Road depot.
- Concentrated advice and support in setting up a community hospital / extra care facility at Albion Mill.
- Advice to multi faith settings on Covid-19.

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. Five (5) incidents were reported to the HSE via RIDDOR in the 2021-22 period. This compares to seven (7) incidents during 2020/21.

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

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. In March 2021 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 new Director of Finance took over the role when he joined the Council in August.

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

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

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.

### 13. 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.

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 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.

#### **14. 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.

#### **15. Ensure effective management of change and transformation.**

The Council is now approaching the end of year 1 of the 3 year Digital Strategy which covers four work streams:

- Digital first for our services.
- Enable transformation for our staff.
- Data driven organisation.
- Secure and resilient technology.

The Strategy sets out what we will do to make Blackburn with Darwen a truly digital council and borough over the next three years and beyond. The aim is to enable positive impacts to the way people live, connect and work. It is our challenge to effectively engage with, understand, collaborate and better serve our customers and communities in digital first environments over the next three years and beyond. The scope of the Digital Strategy is a large portfolio of work and requires a wider remit for governance. Each of the four work streams has its own governance board in place and each are chaired by the Strategic Director of Resources:

- For work stream 1 and 2 there is a monthly Projects Review, noting that projects with a significant value additionally have project boards;
- Work stream 3 is in the process of setting up a data steering committee; and
- Work stream 4 is governed by a bimonthly Tech Assurance Board.

**16. 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 formed part of the specific responsibilities of the Director of HR, Governance and Engagement until 13 September 2021. In July 2021, Council Forum approved temporarily transferring the functions to the Strategic Head of Service, Legal & Governance. This has now been made permanent and the role is Deputy Director, Legal & Governance

**17. 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.

**18. 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 2022 showed that there is a strong belief by its members that the Committee is operating effectively.

**19. 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 annual 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 has submitted evidence for the 2022/23 NHS Information Governance Toolkit (DSPT). The submission is subject to NHS audit, this will enable the Council to continue to exchange data with NHS bodies should our compliance evidence be accepted.

Risks identified during 2021/2022 include 20 outstanding historical Children's Social Care subject access requests that carry risk of non-compliance with legislation, as they are significantly overdue. The risk of non-compliance with new Subject Access Requests within Children's Social Care is also raised. One FTE post was transferred into the Information Governance Team in 2020/21. Whilst existing IG members are continuing to assist with the volume of requests, with a single specialist resource in this field in place, there is a single point of failure/risk. This is a significant role requiring specialist knowledge of Children's Social Care processes. Additional resource requirement has been formally identified and an apprentice post has been applied for. This needs close attention over the next 12-18 months considering the existing post holder is close to retirement. The consequences of this risk materialising 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 via the Quarterly SIRO report.

During 2021/22 (to date) there were three complaints made to the Information Commissioner's Office (ICO). This is an 80% decrease on the number of complaints registered with the ICO in 2020/2021 (15)

During 2021/22 there were 77 recorded information security incidents. This is an 18% decrease on the number of information security incidents registered with the Information Governance Team in 2020/2021 (94). Incidents where the cause has been identified as process failure as opposed to human error will continue to be reviewed to ensure the suggested remediation actions have been completed within the timescale required. All human error breaches have been followed up with line management instructions and retraining where appropriate.

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 and action plans are issued to relevant Directors. The team also regularly reports to the Audit & Governance Committee on the progress and outcomes of its planned work. At the year end, a mandatory Head of Internal Audit opinion report is produced, 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.

## **20. 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.

## **Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability**

### **21. 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 2021/22 to monitor 73 performance measures and ensure the delivery of the Corporate Plan. However, the Council has been responding to the emergencies of the Coronavirus pandemic. There are some instances where data was not available for all 73 KPIs.

Member and officer led challenge processes have taken place, 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. 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 Executive Board / Policy Council receives 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. 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.

## Progress during 2021/22 on significant governance issues identified in the 2020/21 Annual Governance Statement

Title	CIPFA Criteria	2020/21 Issue	2021/22 Action taken
<b>1. Children's Services Financial Position</b>	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>	<p><b>Year-end Update 31 March 2022</b></p> <p>We are currently working through the year end closure of accounts and as such the final outturn is not yet known. However it is expected to return an overspend in the region of £2,000,000. This would be an increase on the position reported at quarter 2.</p> <p>The demand pressures that existed in 2020/21 continued into 2021/22 with the largest overspends being seen within Placement Services, specifically Special Guardianship Orders, Commissioned Placements and Foster Care. Additional pressures have been seen against our Home to School and SEN Transport budgets.</p> <p>The budget pressures associated with Special Guardianship Orders have been addressed as part of the Medium Term Financial Plan, with additional funding of £1,000,000 allocated against this budget in 2022/23.</p>
<b>2. 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 much reduced levels of</p>	<p><b>Year-end Update 31 March 2022</b></p> <p>The year end position for the portfolio is significantly improved and based on current levels of demand and information the net spend for the portfolio for 2021/22 is</p>

		<p>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>The portfolio is also starting to see pressures from the mental health service pathways with more cases being reported where there is a shortage of crisis and rehabilitation beds.</p> <p>Ability to recruit and retain workforce is also a growing concern and may require the council to further prioritise services in order to keep our most important services resilient. In particular recruitment in re-ablement and crisis support remains a challenge. The registered care and domiciliary care sectors are also impacted by workforce pressures.</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>predicted to be an underspend in the region of £2.2m.</p> <p>Pressures exist within the commissioning budget particularly on domiciliary care due to additional demand and increased acuity of need impacting on the cost of care. However continued utilisation of our demand management strategies and review of our most complex cases and higher cost packages has resulted in an overall underspend.</p> <p>The majority of the current underspend is as a result of one off income in this financial year. Discharge to Assess income from Health in respect of Covid-19 care costs, additional one-off unplanned receipts and associated budget adjustments for Continuing Health Care contributions from the CCG, ordinary residence disputes which have been resolved, and reclaims of individual direct payment budgets. Direct Payment clawbacks are predominantly due to under utilisation as a result of the pandemic, and reviews of assessed needs.</p> <p>Delays in the mobilisation of Albion Mill has also contributed to the in-year position. The increased demand in domiciliary care and cost of individual care packages due to acuity of needs should be noted as it is likely these pressures will impact on the 22/23 budget as one off income streams are no longer available.</p> <p>Recruiting social care staff has continued to be challenging and has resulted in significant staff vacancies and underspending within non commissioning budgets. It is hoped that this is a temporary issue due to the difficulties being experienced by the whole sector in recruiting</p>
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			<p>and retaining social care staff during the pandemic. However social care workforce capacity has now become a key risk for the department and the Council.</p> <p>Our ongoing engagement with care providers continues to highlight the significant challenges they face following the pandemic (including low occupancy, insurance cost, Infection control, staffing and now escalating fuel and energy costs).</p> <p>These issues are highlighted across the sector at a national level. We have now consulted with providers and finalised our agreed provider fee increases for 2022/23 which allow for the increase in National Living Wage, Employer NI contributions and other inflation. However the increases are unlikely to fully address the issues faced by providers as our agreed increases are obviously balanced against affordability within the Council's Medium Term Financial Plan.</p> <p>The Government have announced a Market Sustainability and Fair Price for Care Grant for 22/23, which requires local authorities to undertake a cost of care exercise and publish market sustainability plans. This exercise will be undertaken early in the new financial year and it is anticipated there may be further budget pressures which arise from the review in terms of managing the market and the risks associated with provider failure and our ability to deliver statutory care services.</p>
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			<p>The Government have announced Social Care reforms, which will have a very significant impact on numerous aspects of our service including how we assess and commission care, client contributions and our existing systems and processes. At this stage it is difficult to quantify the impact on the commissioning budget and resource requirements. However, it is essential to highlight that the scale of reform changes and pace at which these have to be introduced will have a significant impact on the department at the same time as our preparations for full CQC inspection.</p> <p>The Government have stated that Social Care Reforms should result in additional funding for Social Care but the details are yet to be confirmed.</p>
<b>3. Impact of COVID-19 on the financial position of the Council</b>	1,2,3,4,5,6	<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</p>	<p><b>Year-end Update 31 March 2022</b></p> <p>On the basis of the latest budget monitoring exercise, undertaken at the end of Quarter 3, the Council is forecasted to overspend its Revenue Budget by c£3.9m (which is an improved position when compared to the forecast outturn at the end of Quarter 2). The overspend is largely a consequence of the continuing impact of Covid-19 which has resulted in lower than budgeted income a number of areas such as car parking, leisure and licensing. Efforts to contain the overspend continue to be pursued along with monitoring of the budget position up to the year-end. In relation to the Capital Programme for 2021/22, there are no exceptional variances.</p>

		<p>to be made available for front line activity including site marshals, testing team, public protection, 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>	<p>In the meantime, at the end of February 2022, the Council set both its General Fund Revenue Budget and Capital Programme for the 2022/23 financial year. This was underpinned by a better than expected funding settlement from Government although, as this was for one-year only, there remains some uncertainty about the future funding of the Council. Indeed, the Council's latest Medium Term Financial Plan to 2024/25 shows a forecast funding shortfall of c£6m.</p> <p>In agreeing the budget for 2022/23, the Council also endorsed a Financial Strategy based on four key themes – Grow (the Council's tax bases), Charge (for services where possible), Save (costs through transformation) and Stop (providing services where others are capable of providing them in place of the Council). Allied to this is the use of reserves in a strategic way to help the Council transition to a lower cost base and to have an active lobbying campaign to ensure the Council receives a fair funding settlement (based on the Borough's needs) from the Government. The implementation of this Strategy, in conjunction with the wider work of the Council, is intended to provide the basis for a sustainable budget that supports the delivery of the Council's corporate objectives.</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 CAB who each sign an annual assurance certificate regarding the effectiveness of the governance arrangements in place within their areas of responsibility, 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 2021/22 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:**

In the draft Audit Findings Report presented by the Council's external auditor for the year ended 31 March 2021, considered by the Audit & Governance Committee in January 2022 it was noted that:

- At that stage, the External Auditor anticipated issuing an unmodified audit opinion on the 2020 /21 financial statements.
- The work value for money work completed to that date had not identified any significant weakness in the arrangements for securing economy, efficiency and effectiveness in the Council's use of resources.
- The audit work had not identified any evidence of management over-ride of controls.
- The Council's Annual Governance Statement and Narrative Report, and other information published with the audited financial statements was consistent with the External Auditors knowledge obtained during the audit.
- The Annual Governance Statement is compliant with the disclosure requirements of the CIPFA/SOLACE guidance.
- One the basis of the work carried out they had obtained sufficient appropriate evidence to conclude that there was no material uncertainty identified relating to going concern and management's use of the going concern basis of accounting in the preparation of the financial statements was appropriate.

The external auditors also noted that their work had not identified any significant and pervasive weaknesses in arrangements. Therefore, they have not made any statutory recommendations or exercised any of their additional statutory powers or duties under the Local Audit & Accountabilities Act 2014 in the course of their work for the 2020/21 audit year.

We have been advised of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee and SGOG, 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 2021/22 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>We are currently working through the year end closure of accounts and as such the final outturn is not yet known, however the portfolio is expected to return an overspend in the region of £2,000,000. This would be an increase on the position reported at quarter 2.</p> <p>The demand pressures that existed in 2020/21 continued into 2021/22 with the largest overspends being seen within Placement Services, specifically Special Guardianship Orders, Commissioned Placements and Foster Care. Additional pressures have been seen against our Home to School and SEN Transport budgets.</p> <p>There is an issue with placement sufficiency and cost pressures on external placements. These placements are closely monitored. There is a national crisis in the availability of placements for cared for children who have social, emotional and mental health issues who have sexually harmful and other risk taking behaviours and the impact of the added requirement for post-16 regulation</p>	Strategic Director Children's Services & Education

		<p>of suitable accommodation. The implications of the Integrated Care System the pan Lancashire and South Cumbria approach to joint funding of children with complex needs and the implementation of the Individual Patient Allowance needs to be assessed.</p> <p>Consideration is being given to sub regional commissioning, along with a review of the internal provision. The independent review into children's social care will a view on this.</p> <p>The budget pressures associated with Special Guardianship Orders have been addressed as part of the Medium Term Financial Plan, with additional funding of £1,000,000 allocated against this budget in 2022/23.</p>	
<p><b>Adult Social Care Commissioning</b> (brought forward from 2020/21)</p>	1,2,3	<p>The Department is beginning to see escalating costs in the commissioning budget as a result of increased numbers of domiciliary care packages and increased acuity of need. However the commissioning budget is forecasting an underspend due to one off income in year. Our ongoing engagement with care providers continues to highlight the significant challenges they face following the pandemic (including low occupancy, insurance cost, Infection control, staffing and now escalating fuel and energy costs). These issues are highlighted across the sector at a national level. We have now consulted with providers and finalised our agreed provider fee increases for 2022/23, which allow for the increase in National Living Wage, Employer NI contributions and other inflation. However, the increases are unlikely to fully address the issues faced by providers as our agreed increases are obviously balanced against affordability within the Council's Medium Term Financial Plan.</p> <p>The Government have announced a Market Sustainability and Fair Price for Care Grant for 2022/23, which requires local authorities to undertake a cost of care exercise and publish market sustainability plans. This exercise will be undertaken early in the new financial year and it is anticipated there may be further</p>	<p>Strategic Director for Adults and Health</p>

		<p>budget pressures in commissioning which arise from the review in terms of managing the market and the risks associated with provider failure and our ability to deliver statutory care services.</p> <p>The Government have announced Social Care reforms, which will have a very significant impact on numerous aspects of our service including how we assess and commission care, client contributions and our existing systems and processes. At this stage it is difficult to quantify the impact on the commissioning budget. However, it is essential to highlight that the scale of reform changes and pace at which these have to be introduced will have a significant impact on the department at the same time as our preparations for full CQC inspection.</p> <p>The Government have stated that Social Care Reforms should result in additional funding for Social Care but the details are yet to be confirmed.</p>	
<p><b>Long term financial sustainability of the Council</b> (Brought forward from 2020/21)</p>	1,2,3,4,5,6	<p>Underpinning the development of the 2022/23 budget (and the Financial Strategy and 2022/25 Medium Term Financial Plan) is the continuing impact of austerity. Although the Council's Core Spending Power for 2022/23 has increased, that increase is neither sufficient to make up for the funding reductions the Council has experienced since 2010 nor reflective of the significant changes in demand for services. Consequently, the Council's Medium Term Financial Plan still shows a forecast funding deficit for which action will need to be taken to ensure the Council remains financially sustainable.</p> <p>The generally accepted view is that the increase in Core Spending Power set out in CSR21 is unlikely to be enough to keep pace with rising demand for Adult Social Care, meaning further pressure on other services that have already borne the brunt of a decade of austerity.</p> <p>In addition there are ongoing income losses from the COVID pandemic as footfall and demand have not risen back to pre-pandemic levels. Further uncertainty has been created by rising inflation and the cost of living crisis and the projected increases in the national living wage will</p>	<p>Chief Executive and Directors</p>

		<p>put further pressure in the Council's salary budgets.</p> <p>The February Finance Council meeting approved a Finance Strategy the aim of which is to provide a 'route map' for a balanced sustainable budget over the medium term planning period whilst ensuring that resources are applied in the most effective, efficient and economical way ensuring that the Council's Strategic Plan is achieved.</p> <p>There are four key themes to the Strategy; Grow (the Council's tax bases), Charge (for services where possible), Save (costs through transformation) and Stop (providing services where others are capable of providing them in place of the Council).</p>	
<b>Children's Services Ofsted Inspection Findings</b>	1,2,3,5	<p>The Ofsted ILACS inspection in February/March 2022 acknowledged that there were areas of good practice in place but found that improvement was required to be good across the four categories inspected. The inspectors identified that that further work was needed to embed the full Quality Assurance Framework to drive forward practice.</p> <p>The outcome of the inspection, and key priorities, were reported to Executive Board in April. The report noted that additional investment would be required to cover improvement activity.</p> <p>A costed improvement plan has been developed and is due to be submitted to Ofsted by 1st July 2022. The plan will be driven by a multi-agency 'Achieving Excellence' Partnership Board which is being chaired independently to oversee the delivery of the response and actions identified. The Board has now met and had sight of the plan, which will now be approved by Executive Board prior to submission to Ofsted.</p> <p>It will continue to build on the Council's commitment to supporting the most vulnerable. The plan will address the key concerns around multi-agency strategy discussions, data and assurance, and our services and support for care leavers up to the age of 25.</p>	Strategic Director Children's Services & Education

		<p>The Action Plan will be subject to further refinement as the financial year progresses. This acknowledges that the Council's response needs to be both immediate to deal with some of the issues raised in the Inspection and developed to ensure that the improvements in the service are sustained to deliver the best outcomes for Children in a way that remains affordable for the Council.</p>	
<b>Teachers' Pension Agency Year End Certification and audit</b>	3,5	<p>There are a number of issues in iTrent when running the Monthly Contributions Reconciliation (MCR) return for teachers' pension contributions which the Council is required to provide the Teachers' Pension Agency (TPA). This is causing additional manual activity for Payroll staff of around 10 days per month that should not be required, is not sustainable and creates the risk of human error.</p> <p>The software provider has been working on identify the cause of the errors and resolving these. This work is currently on-going. The software provider has been put on notice that the Council reserves the right to recovering the additional costs arising from the extra work required as a result of these issues occurring.</p> <p>If the issues are not able to be resolved there is significant reputational risk to the Council. Any under payment of teachers' pensions contributions identified will also attract compound interest. At this stage it is not clear when the issues will be resolved.</p> <p>A year end certificate was manually produced by 31 May, as required. This is now required to be audited. The auditor must provide the audited return direct to the TPA by 30th November 2022.</p>	<p>Assistant Director, Chief Executives Department</p>
<b>Performance Management System</b>	1,2,3,5	<p>Corporate performance monitoring arrangements were stepped back during the last two years to allow for the Council to provide an effective response to the pandemic. In light of the new Corporate Plan being developed and implemented, alongside the Organisational Development Framework and new Council Values and Behaviours, the Performance Management Framework and reporting</p>	<p>Corporate Leadership Team</p>

		<p>arrangements needs to be reviewed, refreshed and strengthened, linked into business plans, to ensure that the right information is being monitored and reported accurately, in a timely manner.</p> <p>This will ensure that there is a better corporate understanding of service performance.</p> <p>This will enable a better corporate focus on service performance along with co-ordination of cross-cutting matters, better engagement with staff and their development and the development of a culture of improvement.</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 of Resources  
Deputy Director, Legal & Governance

**DATE:** 28 June 2022

**PORTFOLIOS AFFECTED: All**

**WARDS AFFECTED: All**

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<b>TITLE OF BRIEFING PAPER</b>	<b>Audit &amp; Governance Committee Annual Report</b>
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## 1. PURPOSE

The draft Audit & Governance Committee Annual Report 2021/22 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 2021/22 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 thorough the reporting arrangements that are in place. The Annual Report indicates the breadth of the Committee's work in ensuring that key aspects of the Council's work should be compliant with expected standards of governance, control and/or risk management 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 and internal control arrangements are 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 29 March 2022. 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 reference.

## **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 2022
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 2021/22**

## **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 internal control and governance in place 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 have been 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 publication of a joint Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) document, Delivering Good Governance in Local Government – a Framework, in 2007. The Framework 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 CIPFA and the International Federation of Accountants in 2014 and contains seven core principles. These are set out in 1.1.8 below.
- 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.
- 1.1.10. The local Code establishes specific standards operating principles and values for the Council, its members and staff. These build on the Seven Principles of Public Life (the Nolan Principles). The Principles apply to anyone who works as a public officer –holder. This includes all those elected or appointed to public office and all people working in local government. The principles are:
- Selflessness;
  - Integrity;
  - Objectivity;
  - Accountability;
  - Openness;
  - Honesty; and,
  - Leadership.

## 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 practice. 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 2021/22 the Audit & Governance Committee consisted of six cross party elected Members. The Committee's purpose, as set out 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 the 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 2021/22. It was presented for consideration at the Committee's meeting on 29 March 2022, along with an evaluation of the effectiveness of the Committee completed by the Head of Audit & Assurance on behalf of the Committee. 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 provide evidence that the Committee is operating effectively and with the exception of an independent member, is following CIPFA best practice.
- 2.2.7. The Audit & Governance Committee met four times during the 2021/22 financial year. Timings of the meetings throughout the year are designed to coincide with the governance timetable. The June meeting received various annual assurance reports in respect of the year ended 31 March 2021 including the Head of Audit Annual Audit Opinion and the Treasury Management Annual Report. The Council's 2020/21 Annual Governance Statement was also received and approved. The meeting on 18 January 2022 approved the 2020/21 Statement of Accounts and received the 2020/21 External Auditor's Findings Report (although both of these were provided as interim reports pending the conclusion of outstanding audit matters).
- 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 and



related control implications. Where these opinions are in respect of key or fundamental systems the Committee will invite senior officers to update the members on progress of implementing recommendations from these reviews to provide further assurance to the Committee regarding the implementation of agreed actions. There were no limited or no assurance opinions provided on fundamental finance or other key systems during the year.

- 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 annual 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 and other sources of assurance, as required by the Public Sector Internal Audit Standards.
- 2.2.11. The details of the Committee's work programme for 2021/22 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. The appendix also includes a summary of the planned and actual internal audits completed during the year, together with the assurance ratings for each completed review. This sets out details of the pattern of overall assurance provided across the agreed 2021/22 internal audit programme.
- 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 finance training for all members to provide them with an overview of Local Government finance concepts and requirements in January 2022 in advance of the February Finance Council meeting where the 2022/23 Council budget and Financial Strategy were presented for approval.

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

- 2.3.1. During the year the Audit & Governance Committee has been 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 Finance, as Section 151 Officer, who is responsible under the law for ensuring the proper administration of the Council's financial affairs; and
  - The Director of HR, Legal & Engagement, , up until his retirement in August and then the Deputy Director, Legal and Governance as the Council's Monitoring Officer, who is required by law to ensure that the Council acts within its legal powers at all times.
- 2.3.2. The Director of Finance takes the lead on financial, audit, risk management and internal control matters. The Director of HR, Legal & Engagement, and subsequently the Deputy Director, Legal and Governance, leads on constitutional and legal issues. 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 2021/22. The details provided in this report and the reports presented and considered by its members during 2021/22 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 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 2021/22 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 2021/22 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 includes review of the follow-up work carried out as part of the Internal Audit Plan.

- 2.4.6. This provides the Council with assurance that effective internal control arrangements were in place during the last 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.
- 2.4.7. The External Auditor's 2021 Audit Findings Report for Blackburn with Darwen Borough Council, considered by the Committee at its meeting in January 2022, included a draft opinion on value for money (VfM). The External Auditor was required to carry out sufficient work to be satisfied on whether the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources during the year ended March 2021 and to provide a conclusion on this. Under the 2020 Code of Audit Practice, auditors are now required to report in more detail on the Council's overall arrangements, as well as any significant weaknesses identified. The auditors were required to report on the arrangements under the following specified criteria:
- improving economy, efficiency and effectiveness;
  - financial sustainability; and
  - governance.
- 2.4.8. The External Auditor had not completed all of their VfM work at the time of the report in December, so were not in a position to present their Auditors Annual Report. However, the work completed at that time had not identified any significant weaknesses in the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources.

## **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.
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 any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing, of the Head of Audit and Assurance, and to approve and periodically review safeguards to limit such impairments.
6. 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.
7. 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.
8. Consider an annual risk management report.
9. Consider summaries of specific internal audit reports as requested.
10. 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.
11. 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.
12. 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.
13. To provide free and unfettered access to the Chair of the Audit and Governance Committee 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.
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.
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.
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 Findings Report	3
External Audit Annual Audit Letter	

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	1,2,4,5,13
IA Progress & Outcomes Report	3,4,5,6,9,10
Risk Management Annual Report	8
Annual Opinion Report	4,5,6,7,9,10,11,12,13
<b>External Audit</b>	
Annual Audit Letter	1,2,4,5
Annual Plan	2,4,5
Progress Report	1,3,4,5,6
Findings Report	1,2,3,5,6
Fees Letter	4,5
<b>Financial Reporting</b>	
Statement of Accounts	1
External Audit Findings Report	2
External Audit Annual Audit Letter	2
Application of Accounting Policies	1
Assessment of Going Concern Status	1
<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. This is not a mandatory requirement at present. Leadership have agreed to appoint two non voting independent members to the Committee in 2022/23 once the Constitution has been amended to allow this.
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 Committee 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 the 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 IA 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
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 risks 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 the 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>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. The Committee approved a Peer review approach for the external assessment of IA compliance with Public Service Internal Audit Standards.</p> <p>The review which was carried out during the year. The overall judgement confirmed that the IA team conformed with the requirements of the PSIAS across all areas of focus.</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 considers specific Key Performance Indicator audits as part of the annual audit planning process.</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, Procurement and the 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.</p> <p>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
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<p>Reviewing arrangements against the standards set out in Code of Practice on managing the Risk of Fraud (CIPFA 2014).</p> <p>Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</p> <p>Assessing the effectiveness of ethical governance arrangements for both staff and members.</p>	<p>A Counter Fraud Policy and Strategy is in place 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 that is considered prior to approval of the Annual Governance Statement.</p>	5
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	<p>Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English.</p> <p>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.</p> <p>Publishing and annual report from the committee.</p>	<p>Audit &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>	4



### 2021/22 Member Attendance and Committee Work Programme

Four meetings were held during the year. The following Member attendance was recorded:

Councillor/Date	29 June 2021	26 October 2021	18 January 2022	29 March 2022
Ron Whittle - Chair	✓	✓	✓	N/A
Maureen Bateson	✓	✓	✓	✓
Mahfooz Hussain - Deputy Chair	✓	✓	A/S	✓
Jon Baldwin	A	A	✓	✓
Abdul Patel	✓	✓	✓	✓
Neil Slater	A	✓	✓	✓

✓ = attended meeting    A = sent apologies

A/S = Apologies received, substitute attended

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

<b>Audit &amp; Governance Committee Work Programme 2021/22</b>					
PROGRAMME ACTIVITY:	TERMS OF REF. NUMBER	JUNE	OCTOBER	JANUARY	MARCH
<b>Audit &amp; Governance Committee Work Programme 2021/22</b>					
<b>Governance, Risk and Control</b>					
Annual Statement (AGS)	1,2,4	✓			
AGS Progress Report	1,2,4,6			✓	
Risk Management Annual Report	4,5,6,7	✓			
Annual Counter Fraud Report	7,8,9	✓			
Annual Internal Audit Opinion Report	1,2,4,7	✓			
External Audit Findings incl VFM Arrangements	3			✓	
Response to External Audits Request for Information from Those Charged with Governance	1,2,4,6,8		✓		
MAF Update	1,4,5,6			✓	

<b>PROGRAMME ACTIVITY:</b>	<b>TERMS OF REF. NUMBER</b>	<b>JUNE</b>	<b>OCTOBER</b>	<b>JANUARY</b>	<b>MARCH</b>
Risk Management Update	4,5,6		√	√	√
IA Progress & Outcomes Report	1,4,5,6,7,8	√	√	√	√
Health & Safety Annual Report	4,5,6		√		
Significant Partnerships Register	10				√
<b>Internal Audit</b>					
Annual Plan, Strategic 3-year Plan & Internal Audit Charter	1,2,3,4				√
IA Progress & Outcomes Report	3,4,5,6,7,9,10,11,12	√	√	√	√
Annual Internal Audit Opinion Report	4,6,7,9,10,11,12	√			
Risk Management Annual Report	8	√			
<b>External Audit</b>					
Audit Fee Letter	1,3,4,5,6		√		
Finalisation of Ext Audit Fees 2019/20	1,4,5	√			
External Audit Fees and Statutory Accounts Deadlines	1,3,4,5		√		
Arrangements for the External Auditor Appointment	1,4,5		√	√	
Annual Plan	2,3,4,5,6		√		
Progress Report	2,3,5,6	√			√
External Audit Findings Report incl VfM Arrangements	2,3,4,5			√	
<b>Financial Reporting</b>					
Statement of Accounts	1			√	
External Audit Findings Report	1,2			√	
Response to External Audits Request for information from Those Charged with Governance	1,2		√		
Application of Accounting Policies	1				√
Closure of Accounts 2021/22 – Going Concern Assessment	1				√
<b>Treasury Management</b>					
Strategy Report and mid-Year Review	1,2,4		√	√	√
Progress Report	1,2,3,4	√	√	√	√
Annual Report	1,2,3,4	√			
<b>Accountability Arrangements</b>					
Committee Annual Report	1,2,3	√			
Committee Effectiveness Self-Assessment	2,3				√

## 2021/22 Internal Audit Plan Planned vs Actual Days and Overall Assurance Opinions

Audit Assignment	CLASSIFICATION	Priority	21/22 Plan Days	Actual Days	Assurance Opinion	
					Control	Compliance
Personalised budgets/Direct payments	Control	2	10	15	Adequate	Limited
Adults Social Care Income - Identification, Debt Management and	Control	3	10	0		
Disabled Facilities Grant	Control	3	10	0		
Commissioning/Contract Management	Control	2	15	0		
Audits of Schools Finance systems - General Planning	Control	3	12	9		
- St Stephens	Control	3	9	12	Adequate	Adequate
- Daisyfield	Control	3	9	12	Adequate	Adequate
- Holy Trinity	Control	3	9	14	Adequate	Adequate
- Turncroft	Control	3	9	13	Adequate	Limited
- Griffin Park	Control	3	9	13.5	Adequate	Adequate
- Meadowhead Infants	Control	3	9	12	Adequate	Adequate
- St Josephs RC	Control	3	9	15	Adequate	Limited
Finance Transactional Team	Control	3	10	1		
Adoptions - Regional contract	Control	3	10	1		
Section 17 Payments (2021/22 WIP)	Control	3	6	16.5		
Contract Monitoring (PH Contracts commissioned via CAPS)	Control	3	10	0		
KGH Arts Council Grant - Additional to plan	Control	1	4	10	N/A	N/A
Software licencing (2021/22 WIP)	Control	2	10	3		
NNDR	Control	2	15	0		
PC Inventory Controls	Control	3	10	0		
IT Device Management (2020/21 WIP)	Control	2	12	18	Substantial	Adequate
Local Transport Capital Funding/LTP Grant Certification Requirement	Control	1	5	5	N/A	N/A
Bus Subsidy Grant	Control	1	5	5	N/A	N/A
Local Discretionary CV-19 Grant Payments to Businesses	Control	1	10	12	Substantial	Adequate
Follow up implementation of agreed actions arising from EZE limited assurance review (2021/22 WIP)	Control	1	5	3		
Asset Management System - Corporate and Commercial Portfolio (WIP 2021/22)	Control	2	10	13.5		
Commercial Property Rental Management (2020/21 WIP)	Control	2	2	15.5	Substantial	Adequate
Planning enforcement (2021/22 WIP)	Control	2	3	6.5		
Markets (2020/21 WIP)	Control	3	1	2	Adequate	Adequate
Highways maintenance - procurement and contracting arrangements re highways external spend.	Control	2	15	18.5	Adequate	Adequate
HMO Licencing/Selective Licensing/ Housing Standards Inspection Arrangements	Control	3	5	0		
Police & Crime Commissioner Grant	Control	1	4	16	Adequate	Adequate
Budgetary Setting and Control / Failure to deliver a balanced budget and MTFS (2021/22 WIP)	Control	1	5	4		
Protocol ICS System	Control	2	10	0		
Payroll - Core system/Failure of HR & payroll system incl staff & Mgr. self service.	Control	1	15	0		
Off payroll engagement (IR35) (2021/22 WIP)	Control	2	10	12		
Arrangements for appointing and paying Legal Counsel (2021/22 WIP)	Control	2	10	15		
RIPA processes	Control	2	10	0		
Resource Link System Replacement (2021/22 WIP)	Control	2	10	20	N/A	N/A
Service to schools	Control	3	10	0		
HR Contract Procurement and Management (2021/22 WIP)	Control	3	10	15		
Mileage payments/Staff Expenses (2020/21 WIP)	Control	2	1	3.5	Adequate	Limited
Transport Procurement/Fleet Management - implementing the fleet vehicle replacement programme.	Control	3	10	0		
Retail Hospitality & Leisure and SBR Grant Payments (2021/22 WIP)	Control	1	15	13.5		
Creditors/E-Procurement	Control	2	10	12.5	Adequate	Adequate
Main Accounting System - including account reconciliation's	Control	2	10	14	Substantial	Substantial
Income Recording & Collection (Sundry Debtors)	Control	2	15	18	Adequate	Adequate
Civica Asset management module	Control	3	10	0		
Treasury/Cash flow management/Major loss incurred regarding investment and/or borrowing.	Control	3	10	1		
Restart grant - Additional to plan	Control	1	6	15	Substantial	Substantial
Creditors (2020/21 WIP)	Control	2	1	2	Adequate	Adequate
Budget Setting and Monitoring (2020/21 WIP)	Control	1	7	11	Substantial	Substantial
<b>Total 2021/22 Control Assignments (43)</b>			<b>457</b>	<b>418.5</b>	<b>25 (43)</b>	
Audit Assignment	CLASSIFICATION	Priority	21/22 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Transitional Arrangements : Children to Adult Care	Risk	2	10	0		
Client case management systems including Access Controls	Risk	2	15	0		
Homelessness/Supported Living/Housing Needs Cross Cutting review - Impact of Universal Credit	Risk	2	15	0		
Inspection Readiness - Preparedness for inspection of LA under the Children's Social Care Framework	Risk	1	10	1.5		
Building Control (2020/21 WIP)	Risk	3	1	5	Adequate	Adequate
Ofsted Inspection Framework (2020/21 WIP)	Risk	2	1	7	Substantial	Substantial
Educational Visits (WIP 2020/21)	Risk	2	5	5	Substantial	Adequate
Corporate Appointee (2020/21 WIP)	Risk	2	3	11	Substantial	Substantial
Failure to prevent data loss (Information Governance)/ Compliance with GDPR	Risk	2	10	0.5		
Equality Impact Assessments	Risk	3	10	0		
Property Statutory Inspection Processes	Risk	2	10	0		
Arrangements for inspection of highways and property retaining walls and structures supporting and/or adjacent to highway. (2021/22 WIP)	Risk	2	15	7		
Unable to complete statutory inspections on premises in the borough and not fulfilling statutory responsibilities. Public Protection	Risk	3	10	0.5		
<b>Total 2021/22 Risk Assignments (9)</b>			<b>115</b>	<b>37.5</b>	<b>4 (9)</b>	

<b>Audit Assignment</b>	<b>CLASSIFICATION</b>	<b>Priority</b>	<b>21/22 Days</b>	<b>Actual Days</b>	<b>Assurance Opinion</b>	
					<b>Control</b>	<b>Compliance</b>
Sports England Grant - Pennine Lancashire Pilot (2021/22 WIP)	Governance	1	10	8.5		
Elections	Governance	2	10	0		
Social Determinants of Health Fund/Public Health Internal Spend - Governance	Governance	2	10	0.5		
Use/management, monitoring and reporting of Covid 19 Grant Funding received (2021/22 WIP)	Governance	2	10	10	N/A	N/A
Partnership Scrutiny/Accountability	Governance	2	10	17	Substantial	Adequate
Town Fund (Darwen) and Other Grant Funding Projects	Governance	2	10	8	Substantial	Substantial
Corporate Governance, Ethical Framework, Scheme of Delegation and Departmental governance arrangements (2021/22 WIP)	Governance	2	10	4		
Governance Arrangements (2021/22 WIP)	Governance	1	8	13.5		
<b>Total 2021/22 Governance Assignments (8)</b>			<b>78</b>	<b>61.5</b>	<b>3 (8)</b>	
<b>Grand Total</b>			<b>650</b>	<b>517.5</b>		
<b>Audit Assignment</b>	<b>CLASSIFICATION</b>	<b>Priority</b>	<b>21/22 Days</b>	<b>Actual Days</b>	<b>Assurance Opinion</b>	
					<b>Control</b>	<b>Compliance</b>
<b>Other Audit Work</b>						
Review of Financial Regulations, SFIs, etc.	Governance	2	2	2		
Follow up work	Governance	1	10	8		
Audit Committee	Governance	1	10	17		
Liaison with external audit	Other	1	2	2.5		
Audit Committee Annual Report/Evaluation	Governance	1	4	3		
HolA Annual Report	Governance	1	4	5		
PSIAS Peer Review		1	4	6		
A & A Client liaison/Queries	Other	2	10	12.0		
A & A Client liaison/DMT attendance	Other	2	5	0.5		
A & A Client liaison/Project Groups	Other	2	5	4.5		
Contingency (15 days included in approved plan - allocated to additional plan reviews)	Other	2	0	0		
<b>Total Other (11)</b>			<b>56</b>	<b>60.50</b>	<b>0 (11)</b>	
	<b>CLASSIFICATION</b>	<b>Priority</b>	<b>21/22 Days</b>	<b>Actual Days</b>	<b>Assurance Opinion</b>	
					<b>Control</b>	<b>Compliance</b>
<b>Other Fraud Work</b>						
National Fraud Initiative (NFI)	Governance	1	10	19		
Review of Counter Fraud Strategy	Control	1	4	4		
Counter Fraud Annual Plan/Report	Governance	1	2	2.5		
Proactive Fraud Testing	Governance	2	10	0		
Reactive investigations	Governance	2	20	39.5		
Review/Monitor Fraud Risk Register	Control	2	2	0		
Fraud awareness and whistle blowing initiatives	Control	2	4	2		
<b>Total Internal Audit &amp; Counter Fraud (7)</b>			<b>52</b>	<b>67</b>	<b>0 (7)</b>	
	<b>CLASSIFICATION</b>	<b>Priority</b>	<b>21/22 Days</b>	<b>Actual Days</b>	<b>Assurance Opinion</b>	
					<b>Control</b>	<b>Compliance</b>
<b>Other Risk and Governance Work</b>						
Annual Gov Statement	Governance	1	10	28.5		
MAF Process Review	Governance	2	4	1		
MAF and MAF Challenges	Governance	1	10	16		
Risk Management Support	Risk	1	5	14		
Road Risk Mgmt Group	Risk	1	5	1.5		
Review/Monitor Corporate Risks	Risk	1	5	3		
Review Monitor Departmental Risks	Risk	1	10	3		
Business Continuity Champions Meetings	Risk	1	2	1		
Risk Annual Plan/Report	Risk	2	4	3.5		
Review of Risk Management Strategy and Arrangements - Additional to plan	Risk	1	5	12		
<b>Total Risk and Governance Work (10)</b>			<b>60</b>	<b>83.5</b>	<b>0 (10)</b>	
<b>Total Time Spent</b>			<b>818</b>	<b>728.5</b>		