<u>Blackburn with Darwen Borough Council</u>

**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:

PROGRAMME ACTIVITY:	TERMS OF REFERENCE NUMBER
Governance, Risk and Control	
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
Internal Audit	
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
External Audit	
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
Financial Reporting	
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
Treasury Management	
Strategy Report	1,2
Progress Report	1,3,4
Annual Outturn Report	1,3,4
Accountability Arrangements	
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.

<u>Attendance</u>

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

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

<u>Reporting</u>

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
Audit Committee purpose and governance					
1	Does the Authority have a dedicated audit committee?	√			
2	Does the audit committee report directly to full council?	√			
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	√			
4	Is the role and purpose of the audit committee understood and accepted across the authority?	√			
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	√			
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	√			
Functions of the committee					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? ▪ good governance. ▪ assurance framework. including partnerships and collaboration arrangements, ▪ internal audit. ▪ external audit. ▪ financial reporting. ▪ risk management. ▪ value for money or best value. ▪ counter-fraud and corruption. ▪ supporting the ethical framework	√			
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	√			

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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?	√			
Membership and support					
12	Has an effective audit committee structure and composition of the committee been selected? This should include: ▪ separation from the executive. ▪ an appropriate mix of knowledge and skills among the membership. ▪ a size of committee that is not unwieldy. ▪ consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement).	√			
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the Full council or as appropriate for the organisation?			√	Not applicable. 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?	√			
Effectiveness of the committee					
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			√	No formal feedback but Committee members may receive feedback from member colleagues at Group meetings or on other occasions. The Committee's Annual Report and minutes from 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

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Promoting the principles of good governance and their application to decision making.	Supporting the development of a local code of corporate governance. Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it. Working with key members to improve their understanding of the AGS and their contribution to it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships.	The Committee reviews the draft AGS prior to approving it and monitors progress of actions to address the significant issues identified in the previous year's AGS. It also reviews the Risk Management Annual Report and the annual opinions from Internal Audit (IA) and External Audit, which support the AGS. The Committee approves the IA annual audit plan, which classifies audit reviews by assurance area to ensure adequate coverage of risk, governance and control frameworks. It receives a summary of key findings and opinions from individual IA reviews supporting the overall opinion. 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	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.	Actively monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls with appropriate senior managers.	Regular IA Progress Reports are presented to the Committee. These include performance indicators relating to the percentage of recommendations implemented and commentary re outstanding 'must' level recommendations. Senior officers attend the Committee meetings on request to update on the progress of actions from key reports as and provide explanations and updates on progress to address significant audit concerns. The Committee reviews the summary of Management Accountability Framework (MAF) red priority areas of concern. The Committee is also authorised by the Council to investigate any activity within its terms of reference and to seek any information it requires from any employee, including those of partner organisations, and all employees are directed to co-operate with any request made by the Committee.	5
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. Monitoring improvements. Holding risk owners to account for major/strategic risks.	The Committee receives the annual risk management report, which includes key events and achievements for the previous year and key developments for the next 12 months. The corporate risk register summary identifies risk owners at Director/senior officer level and tracks changes to residual risk scores. Regular reports are presented to 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. 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	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
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.	There is regular reporting of planned and actual coverage by Internal and External Audit. The Committee challenges opportunities for reliance on IA work by External Auditors and receives Internal and External Audit and Risk Management progress reports. The IA report includes audits in progress and an in-year review of resources and achievement of plan.	4
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	Reviewing the internal audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements providing constructive challenge and supporting improvements. Actively supporting the quality assurance and improvement.	The Head of Audit & Assurance has right of access to and regular briefings for the Chair of the Audit & Governance Committee. The Committee receives and approves the IA Charter and annual strategic statement, including reporting and monitoring arrangements, supporting the IA annual plan. The External Auditors Audit Findings Report includes commentary on Internal Audit as part of their assessment of financial control arrangements. The Committee reviews the Internal Audit Quality Assurance Improvement Plan. The annual Head of Audit Opinion Report includes an assessment of IA performance and quality assurance. The Committee approved a Peer review approach for the external assessment of IA compliance with Public Service Internal Audit Standards. 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.	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
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing how the governance arrangements support the achievement of sustainable outcomes Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements.	Work on this area is included in Internal and External Audit plans on a risk assessment basis. IA reviews are classified under one of the three headings in the plan and the annual report. Plans include reviews of key capital and revenue projects. Additional ad hoc work is carried out during the year on request from Directors. Internal audit progress reports include a summary of MAF red priority areas of concern. Performance management is not specifically identified in the Committee Terms of Reference. There are other processes in place within the Council's governance structure, which provide scrutiny and challenge for this area, as part of the Corporate Plan Scorecard monitoring arrangements, to hold Chief Officers and managers to account on a regular basis, such as Management Board and the PAM reporting process as well as Members through PDS, SPT and Executive Board reporting. Internal audit consider performance arrangements as part of any relevant audit and would report on them as part of our progress reporting arrangements. The IA plan also considers specific Key Performance Indicator audits as part of the annual audit planning process.	4
Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS.	Standing Financial Instruction 3, Procurement and the Payment of Creditors, and Corporate Contract & Procurement Procedure Rules are in place as part of the control framework to ensure that value for money is considered in procurement activity. Regular Creditors audits consider on compliance with these requirements. The Committee receives the External 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.	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.	Reviewing arrangements against the standards set out in Code of Practice on managing the Risk of Fraud (CIPFA 2014). Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and members.	A Counter Fraud Policy and Strategy is in place supported by the Counter Fraud Policy Framework, which includes a Fraud Response Plan, Whistleblowing Policy, Anti Money Laundering Policy and Members and Employees' Codes of Conduct. The Internal Audit progress reports include oversight of counter fraud activity and results. The Committee consider and approve the annual fraud risk assessment as part of the External Auditor's enquiries of those charged with governance. 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.	5
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency. Publishing and annual report from the committee.	Audit & Governance Committee meetings are held in public with minimal Part 2 items. Agendas and reports are published on Council internet website. An Annual Audit Committee report is prepared and considered by full Council. Council Committee agendas, reports and minutes are also available on the internet via the Council website along with Executive Members' and Officer decisions.	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.

Audit & Governance Committee Work Programme 2021/22					
PROGRAMME ACTIVITY:	TERMS OF REF. NUMBER	JUNE	OCTOBER	JANUARY	MARCH
Audit & Governance Committee Work Programme 2021/22					
Governance, Risk and Control					
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			√	

PROGRAMME ACTIVITY:	TERMS OF REF. NUMBER	JUNE	OCTOBER	JANUARY	MARCH
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				√
Internal Audit					
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	√			
External Audit					
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			√	
Financial Reporting					
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				√
Treasury Management					
Strategy Report and mid-Year Review	1,2,4		√	√	√
Progress Report	1,2,3,4	√	√	√	√
Annual Report	1,2,3,4	√			
Accountability Arrangements					
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
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	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		
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	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		
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		
HoIA 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 reveiws)	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**		