

# Blackburn with Darwen Borough Council



## **Draft Audit & Governance Committee Annual Report 2017/18**

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 is a sound system of control which facilitates the effective exercise of the Council's functions and which includes adequate arrangements for the management of risk.
- 1.1.2. Effective corporate governance is a fundamental feature of any successful public sector organisation. Corporate governance initially became a major issue after several high profile failures in the private sector. As a result there were several reviews (for example the Cadbury and Hempel Committees) directed at improving governance in the private sector.
- 1.1.3. The trend for strengthening governance arrangements spread to the public sector and resulted in the joint Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) document Delivering Good Governance in Local Government – a Framework. The Framework, revised in 2016, was originally structured around the six core principles found in the Good Governance Standard for Public Services drawn up by an independent commission established by CIPFA, the Office for Public Management (OPM), and the Joseph Rowntree Foundation.
- 1.1.4. In 2016 CIPFA/SOLACE published a revised Framework to ensure that local government continues to develop and shape its own approach to governance, taking account of the environment in which it now operates. The new Framework applied to annual governance statements prepared for the financial year 2016/17 onwards. It is based on the International Framework: Good Governance in the Public Sector published by CIFA and the International Federation of Accountants in 2014 and contains seven key principles.
- 1.1.5. The International framework defines governance as follows:

“Governance comprises the arrangements put in place to ensure the intended outcomes for stakeholders are defined and achieved.”
- 1.1.6. It also states that:

“To deliver good governance in the public sector both governing bodies and individuals working for public sector entities must try to achieve their entities objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and stakeholders.”
- 1.1.7. Blackburn with Darwen Borough Council operates through a governance framework that brings together an underlying set of legislative requirements, governance principles and corporate policies and management processes.
- 1.1.8. The Council recognises the seven core principles of good governance as:
  - A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
  - B. Ensuring openness and comprehensive stakeholder engagement;
  - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;

- D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
  - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
  - F. Managing risks and performance through robust internal control and strong public financial management; and
  - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 1.1.9. The Council's local Code of Corporate Governance was revised during 2016 to ensure that it complies with the latest requirements. The updated Code was approved by full Council in December 2016.

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

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

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

- providing additional assurance through a process of independent and objective scrutiny;
- raising awareness of the need for internal control and the implementation of audit recommendations; and,
- Reinforcing the importance and independence of internal audit.

## **2.2. What does it do?**

- 2.2.1. Audit Committees are a key component of corporate governance. They increase public confidence in the objectivity and fairness of financial and other reporting. They also provide a high-level focus on assurance and the organisation's arrangements for governance, managing risk, maintaining an effective control environment.
- 2.2.2. Good practice is contained within CIPFA's document 'Audit Committees – Practical Guidance for Local Authorities and the Police' (2013 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 the year the Audit & Governance Committee consisted of six cross party elected Members. The Committee's purpose, as proscribed in its terms of reference, are to:
- provide independent assurance of the adequacy of the risk management framework, overall governance and the associated control environment and the extent to which these meet the objectives of the Local Code of Corporate Governance;
  - provide independent review of the Council's governance, risk management and control frameworks;
  - oversee the financial reporting and annual governance processes; and
  - oversee internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- 2.2.4. The Audit & Governance Committee provides assurance, on behalf of the Council, about the extent to which the objectives of the Local Code of Corporate Governance, as set out in its Constitution, are being met. This purpose is reflected in the Committee's Terms of Reference which are included at Appendix 1 of this report. These were updated during 2015/16 to bring them in line with the core functions set out in the latest guidance for Audit Committees issued by CIPFA. The revised terms of reference were approved by full Council in July 2016 and reaffirmed in May 2017.
- 2.2.5. The CIPFA guidance also includes a greater focus on the factors which support improvement. These include the knowledge and skills that Audit Committee members require and a focus on where the Audit Committee adds value. The Publication provides practical support to the Committee in evaluating the existing Committee arrangements and any planned improvements.
- 2.2.6. The guidance includes a self-assessment checklist of good practice to assist both Members and Officers who are involved in the operation of the Committee. This was completed by Audit & Assurance on behalf of the Committee and presented for consideration at its meeting on 13 January 2015. The Committee noted the key requirements of the CIPFA guidance and approved the action plan for making the Audit & Governance Committee

more effective. The Committee received an update on the good practice self-assessment in January 2018, along with the results of a self -assessment of the Committee's effectiveness. This was completed by Audit & Assurance on behalf of the Committee, in consultation with the Chair of the Committee, and reported to the Committee in January. The results are included at Appendix 2 and 3 of this report for consideration.

- 2.2.7. The Audit & Governance Committee met four times during the 2017/18 Municipal Year. Timings of the meetings throughout the year are designed to coincide with the governance timetable, with meetings in June to receive annual opinion and assurance reports, approve the Council's Annual Governance Statement and to receive the draft Statement of Accounts, and in September to receive the draft Treasury Management Annual Report and Mid-Year Strategy Review, approve the accounts and receive the external auditor's annual report. Attendance details are set out in Appendix 4. The Committee's outline work programme (see Appendices 1 and 4), and associated reports it receives, is 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.
- 2.2.8. 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 senior officers have been invited to update the members on progress of implementing recommendations from these reports to provide further assurance to the Committee regarding the implementation of agreed actions.
- 2.2.9. The Committee also receives a full year overview of internal audit work when the Internal Audit Annual Opinion Report is presented, alongside the Annual Counter Fraud Report. The former report provides the Head of Audit opinion on the Council's overall position in relation to the adequacy and effectiveness of risk, governance and internal control systems, based on the work completed by the internal audit team, as required by the Public Sector Internal Audit Standards.
- 2.2.10. The details of the Committee's work programme for 2017/18 and reports received, as set out in Appendix 4 of this report, demonstrate how the Committee has fulfilled its terms of reference during the year and its commitment to monitoring and helping improve the Council's risk, control and governance environments' in the year ahead.
- 2.2.11. In addition to these meetings members of the Committee have also been directed to counter fraud eLearning training modules which are available on the intranet and provided with a Councillors' workbook on bribery and fraud prevention by Audit & Assurance during the year.

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

- 2.3.1. The Audit & Governance Committee is supported by:
- The Chief Executive, as Head of the Paid Service, with overall responsibility for the Council's management and executive arrangements;
  - The Director of HR, Legal & Governance, as the Monitoring Officer, who is required by law to ensure that the Council acts within its legal powers at all times; and,
  - The Director of Finance and Customer Services, as Section 151 Officer, who is responsible under the law for ensuring the proper administration of the Council's financial affairs.
- 2.3.2. The Director of HR, Legal & Governance leads on constitutional, legal, and human resource issues. The Director of Finance and Customer Services takes the lead on financial, audit, risk management and internal control matters. The Head of Audit & Assurance also has a key role to play in supporting the Committee because of the importance of the Internal Audit Service to governance. These Officers are responsible for making the Committee aware of any relevant changes in regulations, guidance, and codes of practice.
- 2.3.3. The Committee is also supported by External Audit colleagues, who attend each meeting to update members on the progress and results of their work, as well as providing regular sector updates. These highlight key messages from national reports and studies and include questions for consideration by the Committee. Additionally, the Committee has invited officers to attend meetings to respond to concerns raised by Members or identified through various Committee reports, such as those from internal and external audit.
- 2.3.4. During the year the Committee has instituted a cycle of corporate risk reviews. Corporate risk owners or key contacts 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 purpose of the Committee, as defined in its terms of reference, is set out in 2.2.3 above. Its terms of reference set out a range of activities that would 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.
- 2.4.2. Training opportunities have been made available during the year to members who wish to update their skills and knowledge to ensure that they are able to fulfil their role as members of the Committee.
- 2.4.3. The Committee has been active during the year in carrying out its duties in monitoring internal and external reports and challenging appropriate officers 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 evidence presented to the Audit & Governance Committee during the 2017/18 it is the Committee's considered view that the Council has, for the most part, sound financial controls, risk management and governance arrangements in place.
- 2.4.5. The Committee has continued to invite those senior officers and managers to account for services or functions where significant financial, internal control or governance weaknesses have been identified. The members continue to challenge any impairment in stewardship and control of public funds and assets, seeking assurance that prompt and proportionate management actions have been taken. This provides the Council with assurance that effective internal control arrangements were in place during the year and that appropriate action has been taken to address any concerns raised as a result of any of the inspection and assurance processes in place. This is evidenced by the details provided in Appendix 4 regarding the various reports received and considered by the Committee at its meetings during the year to support its work programme and how each of these enable the Committee to fulfil its terms of reference.
- 2.4.6. The External Auditor's 2017 Audit Findings Report for Blackburn with Darwen Borough Council included a section on value for money. The External Auditor is required to carry out sufficient work to be satisfied on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources during the year ended March 2017 and to provide a conclusion on this. In doing this work the main considerations the Auditor focussed on were:
- The progress made by management to develop and implement the £15m savings programme; and
  - The work undertaken by management to update the Medium Term Financial Plan to take account of emerging pressure and changing assumptions.
- 2.4.7. Based on the work carried out the External Auditor concluded that the Council had proper arrangements, in all significant respects, to ensure it delivered value for money in its 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. Assess how fully the Council complies with the statutory responsibilities placed on it by the Accounts and Audit Regulations 2015 or by amendments to the Regulations or by similar formal demands;
2. Review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances;
3. Review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control;
4. Consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements;
5. Consider the framework of assurance (including the Management Accountabilities Framework) and ensure that it adequately addresses the risks and priorities of the Council;
6. Monitor the effective development and operation of risk management in the Council, including information governance arrangements;
7. Monitor progress in addressing risk-related issues reported to the Committee;
8. Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions;
9. Review the assessment of fraud risks and potential harm to the Council from fraud and corruption;
10. Ensure that the Council maintains a robust counter fraud culture via the implementation of a counter-fraud strategy backed up by effective controls and procedures, which define the respective roles of management and Internal Audit and monitor the strategy, actions and counter fraud resources; and
11. Receive, from other Committees and other inspection agencies, details of actions and decisions taken which affect, or contribute to, the Council's framework of governance, risk management and control.

## Internal Audit

The Audit and Governance Committee will:

1. Approve the internal audit charter every two years;
2. Approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources;
3. Approve significant interim changes to the risk-based internal audit plan and resource requirements;
4. Make appropriate enquiries of both management and the Head of Audit & Assurance to determine if there are any inappropriate scope or resource limitations;
5. Consider reports from the Head of Audit & Assurance on internal audit's performance during the year. These will include:
  - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
  - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
  - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
6. Consider the Head of Audit & Assurance's annual report, including:
  - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
  - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion and the implications of any significant matters identified – these will assist the Committee in reviewing the Annual Governance Statement.
  - c) An annual risk management report.
7. Consider summaries of specific internal audit reports as requested.
8. Receive reports outlining the action taken where the Head of Audit & Assurance has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
9. Contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
10. Consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations; and
11. Support the development of effective communication with the Head of Audit & Assurance.

## External Audit

The Audit and Governance Committee will:

1. Consider the external auditor's annual letter, relevant reports, and the report to those charged with governance prior to publication of the annual accounts;
2. Consider specific reports as agreed with the external auditor;
3. Comment on the scope and depth of external audit work and to ensure it is effective and gives value for money;
4. Commission work from internal and external audit, or other consultants, where applicable; and
5. Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

## Financial Reporting

The Audit and Governance Committee will:

1. Review the draft annual statement of accounts prior to approval. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council; and
2. Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

## Treasury Management

The Audit and Governance Committee will:

1. Ensure effective scrutiny of the treasury management strategy and policies;
2. Agree proposed changes to the treasury management strategy prior to approval;
3. Receive assurance on treasury management activity;
4. Consider reports on treasury management activity during the year; and
5. Consider the treasury management annual report;

## Accountability Arrangements

The Audit and Governance Committee will:

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

## Authority

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

## Frequency of Meetings

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

## Outline Programme

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

<b>PROGRAMME ACTIVITY:</b>	<b>TERMS OF REFERENCE NUMBER</b>
<b>Governance, Risk and Control</b>	
Annual Statement (AGS)	1,2,3
AGS Progress Report	1,2
Risk Management Annual Report	3,5,6,7
Internal Audit Opinion Report	3,5
External Audit VFM Report	4
MAF Update	5
Risk Management Update	5,6,7
Corporate Health, Safety & Wellbeing Annual Report	3,5,6,7
IA Progress & Outcomes Report	8,10
Management Assurance Report	9
Reports from Other Committees or agencies	11
<b>Internal Audit</b>	
Annual Plan	1,2,4
IA Progress & Outcomes Report	3,4,5,7,8
Annual Opinion Report	6,9,10,11
<b>External Audit</b>	
Annual Audit Letter	1,5
Management Assurance Report	1
Annual Plan	2,5
Progress Report	2
Findings Report	2,5
Grant Certification Report	2
Value For Money Conclusion	3,5
Fees Letter	4,5
Arrangements for the Appointment of the External Auditor	
<b>Financial Reporting</b>	
Statement of Accounts	1
Management Assurance Report	1
External Audit Findings Report	2
<b>Treasury Management</b>	
Strategy Report	1,2
Progress Report	1,4

Annual Outturn Report	1,3,5
<b>Accountability Arrangements</b>	
Committee Annual Report	1,2
Committee Self-assessment	1

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

#### Membership

The Committee will consist of 6 members appointed by Full Council. In addition the Executive Member for Resources will also attend each Committee meeting.

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

A quorum shall be 3 Members.

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

#### 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 or Deputy Chief Executive, Director of Finance & Customer Services, the Director of HR, Legal & Governance 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

Minutes of Audit and Governance Committee will be formally noted by Full Council.

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

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

REF	GOOD PRACTICE QUESTIONS	YES	PARTIAL	NO	ACTION REQUIRED
<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	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? <ul style="list-style-type: none"> <li>▪ good governance</li> <li>▪ assurance framework</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> </ul>	√			
8	Is an annual evaluation undertaken to assess whether	√			

REF	GOOD PRACTICE QUESTIONS	YES	PARTIAL	NO	ACTION REQUIRED
	the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?				
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	√			
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	√			
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	√			
<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>▪ where independent non-elected members are used, that they have been appointed using an appropriate process.</li> </ul>	√			
13	Does the chair of the committee have appropriate knowledge and skills?	√			
14	Are arrangements in place to support the committee with briefings and training?	√			
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be	√			

REF	GOOD PRACTICE QUESTIONS	YES	PARTIAL	NO	ACTION REQUIRED
	satisfactory?				
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	√			
17	Is adequate secretariat and administrative support to the committee provided?	√			
<b>Effectiveness of the committee</b>					
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			√	
19	Has the committee evaluated whether and how it is adding value to the organisation?	√			
20	Does the committee have an action plan to improve any areas of weakness?	√			

**CIPFA'S AUDIT COMMITTEES PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES (2013 EDITION)****Evaluating the Effectiveness of the Audit Committee****Assessment key**

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

**Blackburn with Darwen Borough Council Audit Committee Effectiveness Assessment 2017/18**

<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>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 Audit &amp; Governance Committee reviews the draft AGS prior to approval. It also reviews the Risk Management Annual Report and annual opinions from Internal Audit (IA) and External Audit which support the AGS.</p> <p>The Committee approves the IA annual audit plan, which classifies audit reviews by assurance area to ensure adequate coverage of risk, governance and control frameworks. It receives a summary of key findings and opinions from individual reviews supporting the overall opinion.</p> <p>Partnership arrangements are not covered by the current terms of reference. However the Committee does receive a report on the Council's Significant Partnerships Register.</p>	4

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
		The Committee Chair is a member of the Primary Assurance Group, which reviews the AGS and related assurance reports.	
Contributing to the development of an effective control environment.	<p>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 Internal Audit Progress Reports are presented to Committee includes percentage of recommendations implemented and commentary re outstanding 'must' level recommendations.</p> <p>Senior officers attend the Committee meetings to update on the progress of actions from key reports as and when appropriate, to provide explanations and updates on significant audit concerns.</p> <p>The Committee reviews the summary of MAF red priority areas of concern.</p> <p>The Committee is also authorised by the Council to investigate any activity within its terms of reference and to seek any information it requires from any employee, including those of partner organisations, and all employees are directed to co-operate with any request made by the Committee.</p>	5
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to	<p>Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking.</p> <p>Monitoring improvements.</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 risk scores. Regular reports are presented to Committee on the corporate risk register and risk</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
manage risks.	Holding risk owners to account for major/strategic risks.	management support activity during the year.  The Committee carries out a 'deep dive' review of one or more corporate risks with the relevant risk owner or key contact at each meeting.	
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.	Regular reporting of planned and actual coverage by Internal and External Audit. Committee challenge 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 in-year review of resources and achievement of plan.  IA have reviewed and provided assurance on risk management arrangements in 2015/16.	4
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements and supporting improvements.	The Head of Audit & Assurance has right of access to and regular briefings for the Chair of the Audit & Governance Committee. The Committee receives and approves the IA Charter and annual strategic statement, including reporting and monitoring arrangements, supporting the IA annual plan. The External Auditors Audit Findings Report includes commentary on Internal Audit as part of their assessment of financial control arrangements.  The Committee reviews the Internal Audit Quality Assurance Improvement Plan. The annual Head of Audit Opinion Report includes an assessment of IA performance and quality assurance. Committee approved Peer review approach for external assessment of IA compliance with Public Service Internal Audit Standards and received the overall opinion and a	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
		summary of the findings and themes from the Peer review action plan at its April meeting.	
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements.	<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 by Directors.</p> <p>Internal audit progress report includes a summary of MAF red priority areas of concern.</p> <p>Performance management is not specifically identified in the Committee Terms of Reference. There are other processes in place within the Council's governance structure which provide scrutiny and challenge for this area, as part of the Corporate Plan Scorecard monitoring arrangements, to hold Chief Officers and managers to account on a regular basis, such as Management Board and the PAM reporting process as well as Members through PDS, SPT and Executive Board reporting.</p> <p>Internal audit consider performance arrangements as part of any relevant audit and would report on them as part of our progress reporting arrangements.</p> <p>The IA plan also includes specific KPI audits.</p>	4

<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>
Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS.	Standing Financial Instruction 3, Procurement and the Payment of Creditors, and Corporate Contract & Procurement Procedure Rules are in place as part of the control framework to ensure that value for money is considered in procurement activity. Regular Creditors audits consider on compliance with these requirements. The Committee receives the External Auditors Combined Audit Findings and Value for Money Report.	4
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	Reviewing arrangements against the standards set out in CIPFA's <i>Managing the Risk of Fraud</i> (Red Book 2). Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and members.	A Counter Fraud Policy and Strategy is in place (which was reviewed and updated in 2015/16 in accordance with latest CIPFA guidance) supported by the Counter Fraud Policy Framework which includes a Fraud Response Plan, Whistleblowing Policy, Anti Money Laundering Policy and Members and Employees' Codes of Conduct.  The Internal Audit progress reports include oversight of counter fraud activity and results.  The Committee consider and approve the annual fraud risk assessment as part of the External Auditor's enquiries of those charged with governance and have approved the Counter Fraud Plan as part of Internal Audit annual plan 2017/18.  The Committee receives the Counter Annual Report as part of the suite of annual reports which is considered prior to approval of the Annual Governance Statement:	5

<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 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.	<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>Council Committee agendas, reports and minutes are also available on the internet via the Council website along with Executive Members' and Officer decisions. Consideration of Partnership arrangements is not currently included in the Committee's terms of reference. However a corporate Partnership Governance Framework is in place, which includes a Governance Checklist and the Committee receives a report on the Council's Significant Partnerships Register.</p>	4

### 2017/18 Member Attendance and Committee Work Programme

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

Councillor/Date	13 June 2017	19 September 2017	9 January 2018	10 April 2018
Salim Sidat MBE (Chair)	✓	✓	✓	✓
Ron Whittle	✓	✓	✓	✓
Vicky McGurk	✓	✓	✓	✓
David Foster	✓	✓	✓	<b>A</b>
Jim Casey	<b>A</b>	✓	✓	<b>A</b>
Keith Murray	<b>A</b>	✓	✓	✓

✓ = attended meeting    A = sent apologies

<b>Audit &amp; Governance Committee Work Programme 2017/18</b>					
PROGRAMME ACTIVITY:	TERMS OF REF. NUMBER	JUNE	SEPTEMBER	JANUARY	APRIL
<b>Governance, Risk and Control</b>					
Annual Statement (AGS)	1,2,3	✓			
AGS Progress Report	1,2			✓	
Risk Management Annual Report	3,5,6,7	✓			
Annual Counter Fraud Report	3,9,10	✓			
Annual Internal Audit Opinion Report	3,5	✓			
External Audit Findings and VFM Report	4		✓		
Annual Audit Letter	1,5			✓	
MAF Update	5	✓		✓	
Risk Management Update	5,6,7		✓	✓	✓
Corporate Health, Safety & Wellbeing Annual Report	3,5,6,7	✓			
IA Progress & Outcomes Report	8,10	✓	✓	✓	✓

<b>PROGRAMME ACTIVITY:</b>	<b>TERMS OF REF. NUMBER</b>	<b>JUNE</b>	<b>SEPTEMBER</b>	<b>JANUARY</b>	<b>APRIL</b>
Confirmation External Auditor Appointment	1			√	
Management Assurance Report – Response from Those Charged with Governance	9				√
Significant Partnerships Register	5	√			
Reports from Other Committees or agencies	11	As Required	As Required	As Required	As Required
<b>Internal Audit</b>					
Annual Plan	1,2,4				√
IA Progress & Outcomes Report	3,4,5,7,8	√	√	√	√
Annual Internal Audit Opinion Report	6,9,10,11	√			
<b>External Audit</b>					
Annual Audit Letter	1,5			√	
Management Assurance Report – Response to External Audit from Those Charged with Governance	1				√
Annual Plan	2,5				√
Progress Report	2	√		√	√
Findings Report	2,5		√		
Grant Certification Report	2				√
Value For Money Conclusion	3,5		√	√	
Fees Letter	4,5			√	
Confirmation of External Auditor Appointment				√	
<b>Financial Reporting</b>					
Statement of Accounts	1		√		
Management Assurance Report - Response to External Audit from Those Charged with Governance	1				√
External Audit Findings Report	2		√		
<b>Treasury Management</b>					
Strategy Report	1,2		√		
Progress Report	1,4	√	√	√	√

<b>PROGRAMME ACTIVITY:</b>	<b>TERMS OF REF. NUMBER</b>	<b>JUNE</b>	<b>SEPTEMBER</b>	<b>JANUARY</b>	<b>APRIL</b>
Annual Outturn Report	1,3,5		√		
<b>Accountability Arrangements</b>					
Committee Annual Report	1,2	√			
Committee Self-Assessment	2			√	