

AUDIT COMMITTEE
Tuesday, 24th July 2018

PRESENT – *Councillors Sidat (in the Chair) Casey, Rigby and Whittle.*

ALSO PRESENT

Councillor Andy Kay	-	Executive Member Resources
John Farrar	-	External Auditor
Thilina De Zoysa	-	External Auditor
Louise Mattinson	-	Director of Finance and Customer Services
Simon Ross	-	Head of Finance
Gaynor Simons	-	Deputy Finance Manager
Julie Jewson	-	Senior Finance Manager
Colin Ferguson	-	Head of Audit and Assurance
Phil Llewellyn	-	Governance and Democratic Manager

1. Welcome and Apologies

The Chair welcomed all present to the meeting. Apologies were received from Councillors Vicky McGurk and John Pearson.

2. Minutes of the meeting held on 10th April 2018

The minutes of the meeting held on 10th April 2018 were agreed as a correct record, subject to the amendment of the following: Minute Number 36 (External Audit Grant Certification Work) – second line should read 2017, not 2018.

3. Declarations of interest

Councillor Ron Whittle declared an interest as the Council's pension representative.

4. External Audit – Findings Report 2017/18

The Council's External Auditors provided Members with a Finding Report for 2017/18. The Findings Report summarised the outcomes from the 2017/18 audit, which was substantially complete. It also included messages arising from the auditing of the Council's financial statements and the results of the work External Audit had undertaken to assess Council arrangements to secure value for money in the use of resources.

It was reported that in terms of value for money, based on External Audits work, and having regard to the guidance on the specified criteria published by the National Audit Office, it was noted that External Audit were satisfied that in all significant respects the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in

its use of resources for the year ending 31 March 2018. Subject to outstanding queries being resolved, it was anticipated that an unqualified audit opinion would be reported.

RESOLVED:

- 1) That the External Audit Findings Report 2017/2018 be noted; and
- 2) That the Director of Finance and Customer Services and the Finance Department be thanked for hard work and support during the external audit process.

5. Statement of Accounts 2017/18

A report was submitted which outlined the issues arising from the external audit of the Council's 2017/18 Statement of Accounts, and requests Audit & Governance Committee approval of the audited accounts prior to their publication by 31st July 2018.

The Accounts and Audit Regulations 2015 required that the accounts should be considered and approved by members prior to publication by the 31st July following the year to which they relate. This would enable the Audit and Governance Committee to review and approve the accounts, having considered the issues raised by the auditors in their Audit Findings Report.

The 2017/18 Draft Statement of Accounts was certified by the Director of Finance and Customer Services on 31st May 2018, and subsequently published on the Council's website. The audit of those draft accounts commenced at the beginning of June 2018 and amendments had been made to the accounts in line with audit findings to date.

RESOLVED –

- 1.) That the Audit & Governance Committee note the outcome of the audit of the Council's financial statements and the Value for Money conclusion as presented by Grant Thornton in their Audit Findings Report for 2017/18 (previous agenda item);
- 2.) Approves the Statement of Accounts for 2017/18; and
- 3.) Approves the letter of representation from the Director of Finance & Customer Services. to the external auditors for which a draft is provided at Appendix 1, with the final version to be made available at the meeting.

6. Treasury Management Report – March to June 2018

The Director of Finance & Customer Services provided the Committee with a report on the Treasury Management Quarterly report covering the period March to June 2018.

The Council had previously adopted CIPFA's latest Code of Practice on Treasury Management in the Public Services and associated guidance notes. The Treasury Management Strategy for 2018/19, approved at Finance Council in February 2018, complied with both the CIPFA Code and with Department for Communities and Local Government (CLG) Guidance on Investments. New CIPFA and CLG guidance had been issued, and the impact of this was still under review. The CIPFA Code, Investment Guidance issued by CLG and Audit & Assurance reviews of Treasury Management activities all recommended a strong role for elected members in scrutinising the Treasury Management function of the Council.

This report summarised the interest rate environment for the period and the borrowing and lending transactions undertaken, together with the Council's overall debt position. It also reported on the position against Treasury and Prudential Indicators established by the Council.

RESOLVED –

That the Audit and Governance Committee notes the Treasury Management position for the period, including in particular the potential for the Council to consider moving into taking more longer term borrowing.

7. Treasury Management Annual Report 2017/18

A report was submitted which outlined the Treasury outturn for 2017/18, as also reflected in the 2017/18 Outturn Corporate Monitoring Report (5 July Executive Board).

In February 2017 the Council agreed a Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy for 2017/18.

The CIPFA Treasury Management Code required the Council to approve a Treasury Management Strategy (including various Treasury Management indicators) before the start of each financial year, and to consider the outturn after each year end. This report updated the Audit and Governance Committee on the overall outturn position for 2017/18.

RESOLVED – That the Audit and Governance Committee note the Outturn position for 2017-18.

8. Audit & Assurance–Progress & Outcomes to June 2018

The Head of Audit & Assurance submitted a report which updated the Committee on achievements and progress made by Audit & Assurance in the period from 1 March 2018 to 30 June 2018.

The report focused on a number of key areas in the Audit & Assurance Plan, in particular Risk and Corporate Governance, Counter Fraud Activity and Internal Audit work and performance.

RESOLVED - That the Committee notes the outcomes achieved to 30 June 2018 against the Audit & Assurance Plan, which was approved by Committee on 10 April 2018.

9. Corporate Annual Report on Health, Safety & Wellbeing 2017/18

Members received the Health, Safety & Wellbeing annual report and the Employee Wellbeing Statement.

It was reported that the Corporate Annual Report - Health, Safety & Wellbeing – 2017/2018 provided Members with a summary of the Council's performance in managing health and safety over the year that ended 31 March 2018.

Members were reminded that the Council had legal duties under the Health and Safety at Work Act 1974 as well as other UK health and safety legislation to protect the health, safety and welfare of employees and other people who may be affected by Council business and activities. It was noted that the Council must do whatever was reasonably practicable to achieve this. This meant protecting workers and others from anything that may cause them harm and effectively controlling any risks to injury or health that could arise in the workplace.

The report covered key areas such as Performance for 2017/18, Key activities during the year and Priorities for the next 12 months.

RESOLVED – That the report be noted.

10. Annual Risk Management Report 2017/18

The Director of Finance and Customer Services provided the Committee with an Annual Risk Management Report for 2017/2018. Members were asked to consider and review the Report. The Committee was also requested to agree on the overall effectiveness of the Council's risk management arrangements in place during 2017/18.

Members were reminded that the Corporate Risk Management Strategy and Framework 2015/20 required the Audit and Governance Committee

to approve an annual risk management report which included consideration of the effectiveness of the risk management arrangements in place within the Council. The Committee's terms of reference also required it to review progress on risk management at least annually.

RESOLVED - That the Committee note the annual risk management report; and agree with the conclusion on the overall effectiveness of the Council's risk management arrangements in place during 2017/18.

11. Annual Counter Fraud Report 2017/18

A report was submitted which informed the Audit & Governance Committee of the results of the counter fraud activity that has been carried out during the year ended 31 March 2018 to minimise the risk of fraud, bribery and corruption occurring in the Council, and the outcome of investigations carried out into potential or suspected fraud or irregularities.

RESOLVED- That the Annual Counter Fraud Report (as set out in Appendix A of the report submitted) be noted.

12. Annual Internal Audit Opinion Report 2017/18

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

The report submitted complied with the requirements of the Public sector Internal Audit Standards and included a summary of the work that supported the opinion, discloses any qualifications to the opinion together with reasons for qualifications, discloses any impairments or restrictions in scope and compares actual work with planned work. It also stated whether the work had been undertaken in conformance with PSIAS, the results of any Quality Assurance Improvement Programme, summary of actual performance against targets/measures and any issues that are considered relevant to the preparation of the Annual Governance Statement.

RESOLVED – That the Committee:

- Note the content of the Annual Internal Audit Opinion Report for 2017/18 (as set out in Appendix A);
- Consider the overall annual opinion of the Head of Audit & Assurance, which is that **adequate assurance**, can be placed upon the Council's framework of governance, risk management and internal control; and

- Note that the internal audit work that supports this opinion has been delivered in accordance with the Public sector Internal Audit Standards (PSIAS) and that there are no significant areas of non-conformance.

13. Annual Governance Statement for 2017/18

The draft Annual Governance Statement was submitted for approval. The Statement noted that there would always be risks that must be managed effectively. Whilst it recognised that due diligence would not always ensure that it gets things right first time, it continued to put in place assurance frameworks and enhance existing arrangements that were intended to ensure that its system of governance was fit for purpose and had flexibility to meet the challenges that the change agenda brought.

The Resources Directorate had continued to promote the Council's strategic approach to governance and assurance. The key developments and on-going arrangements in governance in 2017/18 included:

Complete review and refresh of the Council's Constitution following the Boundary Commission's recommendations for the Blackburn with Darwen Unitary Authority, including:

- Revised political arrangements;
 - Revised Overview and Scrutiny arrangements; and
 - Rewrite and update of the Code of Corporate Governance.
- Completion of director assurance statements, which closely reflect the seven principles of good governance in support of the Annual Governance Statement.
 - Ongoing work to implement the information governance strategy and related policies and procedures, including work to ensure compliance with the requirements of the General Data Protection Regulations.
 - Continuing embedding of information security awareness through the e-learning toolkit, and monitoring staff completion of training.
 - The development and implementation of a Counter Fraud Risk Register.
 - Ongoing use of the revised risk register template to improve the monitoring arrangements.
 - Revision of the Medium Term Financial Plan and Capital Programme, which included a senior management structure review and amendments to the roles and responsibilities of chief officers.
 - Annual Audit & Governance Committee self-assessment arrangements to evaluate its effectiveness.
 - The on-going formalised, structured member training programme.
 - The Audit & Governance Committee routinely inviting senior officers to

attend meetings and holding them to account for actions to address significant issues identified by Audit & Assurance.

- The review of significant partnerships and external bodies the Council is represented on to confirm the Council representation is appropriate and the governance arrangements in place are adequate.
- Detailed review and challenge of corporate risks by the Audit & Governance Committee.

RESOLVED – That the Annual Governance Statement for 2017/18 be approved.

14. Audit & Governance Committee Annual Report 2017/18

The draft Audit & Governance Committee Annual Report 2017/18 was submitted for consideration and approval at Appendix A. This summarised the work that the Committee had undertaken during the year to demonstrate that it has fulfilled its agreed terms of reference.

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

The Committee's activities during 2017/18 were designed to make a positive contribution to the continual improvement of control and governance arrangements across the Council, as well as performing the roles set out for the Committee in the Council's Constitution.

The Committee has had the opportunity to examine and challenge the arrangements for effective governance. The Annual Report indicates the breadth of the Committee's work in ensuring that every aspect of the Council's work should be compliant with standards and transparent to its stakeholders. The reports received by the Committee during 2017/18 indicate that there has been thorough coverage of the Committee's Terms of Reference. In this way, the Annual Report demonstrates the value of the Committee to the Council and public, ensuring that governance is on a sound footing.

Good practice guidance exists for the effective operation of audit committees across the public sector, including the most recent publication by CIPFA noted above. That guidance includes a Good Practice Self-Assessment which was considered by the Committee at its meeting on 9 January 2018. Appendix 2 of the attached report sets out

the results of the self-assessment. The guidance also included a self-assessment tool for audit committees to use to evaluate their effectiveness. The results of this assessment are set out in Appendix 3 to the attached report for consideration.

The Committee discussed the report and it was noted that the agenda for the meeting had been over 300 pages long, and there were a lot of items on the agenda due to the recent changes in deadlines for the publishing of the Statement of Accounts, with many of the reports linked to the Annual Governance Statement. It was suggested that consideration be given to splitting items across two meetings instead of one, with a potential extra meeting added or briefing session on the Accounts arranged. The Chair agreed to discuss these options further with the Head of Audit and Assurance.

RESOLVED –

- 1) That the Annual Report, including the statement on its effectiveness during 2017/18 and the draft effectiveness self-assessment evaluation be approved;
- 2) That the report be referred to Full Council for endorsement; and
- 3) That the Chair be requested to look at options for agenda management as discussed.

Signed

Chair of the meeting at which the Minutes were signed

Date