

## MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 10 MARCH 2016

### Present:

Councillor Galley (in the Chair)

Councillors

Benson  
Cox

Hunter  
Matthews

O'Hara  
Owen

Roberts

### In Attendance:

Mr Neil Jack, Chief Executive

Ms Tracy Greenhalgh, Chief Internal Auditor

Mr Iain Leviston, Manager, KPMG

Mr Phil Redmond, Chief Accountant

Ms Amy Robinson, Audit Assistant

Mr Chris Kelly, Senior Democratic Governance Adviser (Scrutiny)

### 1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

### 2 MINUTES OF THE LAST MEETING HELD ON 28 JANUARY 2016

The Committee agreed that the minutes of the last meeting held on 28 January 2016 be signed by the Chairman as a correct record.

### 3 RISK SERVICES QUARTER THREE REPORT 2015/2016

Ms Greenhalgh, Chief Internal Auditor, presented the Committee with an overview of the Risk Services Report for the third quarter of 2015-2016.

Ms Greenhalgh reported on the benchmarking exercise with other local authorities in Lancashire that had recently been undertaken and summarised the findings to Members. Members raised questions relating to the indicators and challenged the reason for Blackpool Council having fewer audit days per million turnover than other local authorities in Lancashire. Ms Greenhalgh advised that it highlighted the efficiency of the audit service and that many of the other authorities were district authorities with a reduced number of responsibilities. She noted that she would have expected Blackpool's figure to be slightly higher, but that she did not currently have concerns regarding the level of resources available.

Members also raised questions relating to the distributions of costs for the audit service for Blackpool, compared to the Lancashire average. Mr Jack, Chief Executive, noted that the main cost (80%) was in relation to staffing costs, which was considered to be appropriate. He explained that Blackpool had traditionally had high accommodation costs, but as a result of the programme of property rationalisation, accommodation costs would reduce in future as the Council would have fewer buildings.

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The Committee was provided with details of service developments with regards to Corporate Fraud and Risk and Resilience. Ms Greenhalgh also reported on the key performance indicators for the service, advising that most indicators were on course to meet targets. However, it was considered that the percentage for Risk Services staff holding a professional or technical qualification was below target. Ms Greenhalgh explained that this was as a result of a staff member with professional qualifications leaving. She assured Members that training would be provided to staff still in post where required.

Members raised questions relating to the percentage of the audit plan completed, which was currently 64% against the target of 90%. Ms Greenhalgh advised that the target was an annual target and that she expected the percentage of the plan completed to be approximately 89% by the end of the 2015/2016 year.

Ms Greenhalgh advised Members that 95 percent of risk registers had been revised and were up to date at the end of the quarter. However, Ms Greenhalgh reported that the risk registers for Central Support Services and Community and Environment required further updating. She advised that she would be working with service managers in order to complete the updates of all risk registers.

Members requested further information in relation to the risk management review of the Highways Service. In response, Ms Greenhalgh advised that the review had been undertaken by the Council's claim handlers and had suggested a number of recommendations for improvement. She added that most were best practice recommendations and the Highways department had agreed to all recommendations. Ms Greenhalgh also advised that an audit of the Highways service had just been completed, details of which would be presented to a future meeting of the Committee.

The Committee also raised questions in relation to the i-pool training course relating to risk management and business continuity planning. Members were advised that the course would not initially be mandatory, however the take up levels of the course would form the basis of a 2016/2017 performance indicator and if take up proved to be low, the course could potentially become mandatory for some tiers of staff.

The Committee noted the improvements made by departments in relation to ensuring business continuity plans were up to date and expressed its satisfaction with the improved performance.

The Committee also considered the Internal Audit reports issued during the third quarter and Ms Greenhalgh informed Members of the outcome of the audit into Anchorsholme Coastal Protection Work. She advised that the project was found to have effective processes in place to manage contract performance. However, an area of concern had been found relating to payments being authorised by project assurance without sight of all relevant information. Ms Greenhalgh advised that the issue had been resolved since the publication of the audit review.

Ms Greenhalgh advised Members that a review into Compliance with Corporate Procedures had found the controls currently in place to be inadequate, with a number of material risks identified and significant improvements required within some departments

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in a number of areas. It was explained to Members that in response to the inadequate assurance statement, the Monitoring Officer would be providing a training session at the next Senior Leadership Team meeting relating to the audit review and the importance of adherence to corporate procedures. Members requested that further details of the work being undertaken to improve controls in this area be provided for a future meeting of the Committee.

The Committee was also advised that an inadequate assurance statement had been issued in relation to the audit of Purchase Cards, with testing revealing a number of lapses in compliance.

The Committee agreed:

- 1) To note the report;
- 2) To request that details of the work being undertaken to improve controls in Compliance with Corporate Procedures be provided at a future meeting.

Background papers: None.

### **4 INTERNAL AUDIT PLAN 2016/2017**

Ms Greenhalgh presented to the Committee the Internal Audit Plan 2016/2017, which included the Anti-Fraud and Corruption Statement and the Internal Audit Charter. Members were advised that the plan principally covered internal control review and anti-fraud and corruption work.

It was explained to Members by Ms Greenhalgh that the work of the Audit service was split between undertaking reviews of Council systems and processes on a risk assessed basis to ensure controls were adequate; and compliance testing to ensure significant financial systems remained 'fit for purpose', adequate financial procedures were in place in schools, appropriate controls over capital contracts and larger revenue contracts were in place, and procurement activity was effective.

Ms Greenhalgh provided Members with details of the planned Risk Based and Compliance Reviews for the year and noted that outcomes of the audit reviews would be reported to the Committee. Members were also provided with the proactive Anti-Fraud Workplan 2016/2017.

Members questioned whether the Chief Internal Auditor was satisfied with the level of risk that would be covered by the Internal Audit Plan and Ms Greenhalgh advised that she was satisfied with the areas covered by the Plan. She also reported to Members that the Plan allowed some degree of contingency for if significant risks were presented during the year.

The Committee questioned whether the internal control objectives considered by internal audit included value for money. Ms Greenhalgh advised that value for money was always a consideration in audit reviews and that the audit service consistently considered the structure of teams when reviewing a service and if the services were appropriately resourced.

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The Committee agreed to:

1. Approve the Internal Audit Plan for 2016/2017.
2. Approve the Anti-Fraud and Corruption Statement and the Internal Audit Charter.

Background papers: None

### **5 CERTIFICATION OF GRANTS AND RETURNS 2014/2015**

Mr Leviston, Manager, KPMG, presented the External Auditor's report in relation to the certification of grants and returns 2014/2015.

The Committee was informed that the report summarised the results of work undertaken on the Council's 2014/2015 grant claims and returns, which included the work completed under the Public Sector Audit Appointment certification arrangements, as well as the work completed on other grants/returns under separate engagement terms.

Mr Leviston advised that five claims had been certified by the External Auditor, with three certificates being issued without amendment or qualification. He advised that the Homes and Communities Agency compliance audit had received a qualification on three grounds but that the reasons for the qualifications were not unusual when completing work of that scale. Mr Leviston also advised that the work on the Housing Benefit Subsidy Claim was subject to a qualification letter and that additional testing had been required on the claim due to the incorrect classification of overpayments that had occurred in previous years. Mr Leviston reported that again, when undertaking work on such a scale, some small scale errors were always likely to be uncovered, so the Committee need not have any undue concerns.

Members raised questions regarding the fees charged by the External Auditor. In response, Mr Leviston advised that the fees were as expected and were set by Public Sector Audit Appointments.

The Committee agreed to note the report.

Background papers: None

### **6 SUBCONTRACTING ARRANGEMENTS**

The Committee was presented with the External Auditor's report into the subcontracting arrangements of the Council in relation to the funding agreement in place with the Skills Funding Agency.

Mr Leviston advised Members that the Council had a funding agreement in place with the Skills Funding Agency, which funded adult education courses, for the 2015/2016 financial year. In order to deliver the agreed level of funding, the Council had contracted with five subcontractors to deliver part of the provision in accordance with the Council's desire to engage with and support learners requiring pre-basic skills support. Mr Leviston explained that the Skills Funding Agency had introduced a new requirement for the 2015/2016 year in its guidance, which outlined the requirement for the Council to obtain a report on the arrangements that it had in place to manage and control its subcontractors and that the

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work should be undertaken by an independent accountant.

Mr Leviston summarised the work that had been undertaken and detailed where gaps in policies, procedures and their operating effectiveness had been identified as well as recommendations for improvement. The Committee's attention was drawn to the four areas that had been identified as Medium priority risks.

Members considered that the report provided important learning points regarding levels of risk and best practices that should be considered in other instances of the Council subcontracting to small organisations or volunteer groups.

Member sought clarity regarding the Management Committee referred to within the External Auditor's report and it was agreed that Ms Greenhalgh would investigate further and report back to Members.

The Committee agreed to note the report.

Background papers: None

### **7 DATE OF NEXT MEETING**

The Committee noted the time and date of the next meeting as 6pm on Thursday 7 April 2016 at Town Hall, Blackpool.

### **Chairman**

(The meeting ended at 6.45 pm)

Any queries regarding these minutes, please contact:

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