

Blackpool Council

1 March 2016

To: Councillors Benson, Cox, Galley, Hunter, Matthews, O'Hara, Owen and Roberts

The above members are requested to attend the:

AUDIT COMMITTEE

Thursday, 10 March 2016 at 6.00 pm
in Committee Room A, Town Hall, Blackpool

A G E N D A

1 DECLARATIONS OF INTEREST

Members are asked to declare any interests in the items under consideration and in doing so state:

- (1) the type of interest concerned; and
- (2) the nature of the interest concerned

If any member requires advice on declarations of interests, they are advised to contact the Head of Democratic Governance in advance of the meeting.

2 MINUTES OF THE LAST MEETING HELD ON 28 JANUARY 2016 (Pages 1 - 6)

To agree the minutes of the last meeting of the Audit Committee held on 28 January 2016 as a true and correct record.

3 RISK SERVICES QUARTER THREE REPORT 2015/2016 (Pages 7 - 34)

To provide to the Audit Committee a summary of the work completed by Risk Services in quarter three of the 2015/2016 financial year.

4 INTERNAL AUDIT PLAN 2016/2017 (Pages 35 - 56)

To consider and approve the Internal Audit Plan 2016/2017.

5 CERTIFICATION OF GRANTS AND RETURNS 2014/2015 (Pages 57 - 68)

To consider the External Auditor's report on the certification of grants and returns 2014/2015.

6 SUBCONTRACTING ARRANGEMENTS (Pages 69 - 106)

To consider 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.

7 DATE OF NEXT MEETING

To note the date and time of the next meeting of the Committee as Thursday, 7 April 2016 commencing at 6.00pm.

Venue information:

First floor meeting room (lift available), accessible toilets (ground floor), no-smoking building.

Other information:

For queries regarding this agenda please contact Chris Kelly, Senior Democratic Governance Adviser, Tel: 01253 477164, e-mail chris.kelly@blackpool.gov.uk

Copies of agendas and minutes of Council and committee meetings are available on the Council's website at www.blackpool.gov.uk.

Present:

Councillor Galley (in the Chair)

Councillors

Benson
Cox

Hunter
Matthews

O'Hara
Owen

Roberts

In Attendance:

Mr Neil Jack, Chief Executive

Mr Steve Thompson, Director of Resources

Mrs Delyth Curtis, Director of People

Ms Tracy Greenhalgh, Chief Internal Auditor

Mr Iain Leviston, Manager, KPMG

Mr Paolo Pertica, Head of Visitors Services

Mr Chris Kelly, Senior Democratic Governance Adviser (Scrutiny)

1 DECLARATIONS OF INTEREST

Councillor Galley declared a personal interest with regard to item 6, 'External Audit Plan', the nature of the interest being that he was a Board Member of Blackpool Transport Company and Blackpool Entertainment Company.

Councillor Cox declared a personal interest with regard to item 6, 'External Audit Plan', the nature of the interest being that he was a Board Member of Blackpool Operating Company.

Councillor Hunter declared a personal interest with regard to item 6, 'External Audit Plan', the nature of the interest being that he was a Board Member of Blackpool Housing Company.

2 MINUTES OF THE LAST MEETING HELD ON 26 NOVEMBER 2015

The Committee agreed that the minutes of the last meeting held on 26 November 2015 be signed by the Chairman as a correct record.

3 CCTV SERVICE - INTERNAL AUDIT

Councillor Galley introduced the item, explaining that at the last meeting of the Committee, Members had considered the Risk Services Quarter Two report, which made reference to the inadequate assurance statement issued in regards to the audit of the CCTV service. The Committee had requested that an explanation be provided for controls being inadequate and a progress report be provided, detailing how the concerns of Internal Audit had been mitigated.

Mr Pertica, Head of Visitor Services, explained that Internal Audit issued the report on its review of the CCTV service in August 2015, following concerns relating to the lack of

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 28 JANUARY 2016

funding and investment available to the service for a number of years. He advised that there had been a limited capacity of the service to ensure that the required work in relation to asset management, business continuity planning, adherence to corporate policies and health and safety requirements, had been undertaken.

The Committee noted that there were still a number of recommendations that had not yet been actioned and questioned whether the level of risk was at an acceptable level for the service. Mr Pertica advised that the outstanding recommendations were not in areas that would pose any significant risks to the health and safety of staff or of the public and would not risk any reputational damage to the Council. He provided details of the recommendations that were still to be actioned and noted that many related to updating and maintaining the asset register, reviewing the frequency of stock takes and implementing appropriate service level agreements with neighbouring authorities who also used the service.

Mr Pertica advised that the report contained 24 recommendations, some of which had already been actioned by the time the final report was issued. The Committee noted that six recommendations had been classified as Priority One and five of those had now been actioned. Mr Pertica explained that work was ongoing with the Procurement Team on the sixth priority one recommendation.

Members raised questions relating to the recommendation to ensure appropriate insurance cover was put in place. Mr Pertica advised that it was hoped that this would be completed as soon as possible and he explained that the asset register needed to be updated first.

The Committee raised questions regarding the level of communication between the service and Internal Audit before the CCTV service went live. Mr Pertica advised that the service had not at any point ceased recording and that the change to the operation of the service was in its use of Business Improvement District officers and volunteers to monitor CCTV images. He noted that all those working in the CCTV Control Room had completed Security Industry Authority training before they started and that they had to obtain the appropriate security clearance in order to gain access to the control room adjacent to the Police Station. Mr Jack, Chief Executive, advised that in light of the number of Priority One recommendations in the Internal Audit report, it would have been appropriate to reconsider the usual reporting cycles to Internal Audit and that this would be done in future.

The Committee noted that funding for reintroducing the monitoring of CCTV had been secured from external sources, such as the Department for Communities and Local Government, the Home Office and the Lancashire Police and Crime Commissioner. Members questioned what the impact of the potential lack of funding in future would be and Mr Pertica advised that unless the service was financially supported by the Council and/or its partners, it would not be possible to continue monitoring CCTV images. The Committee considered that it would be appropriate for the Tourism, Economy and Resources Scrutiny Committee to consider the impact of the service once its performance was able to be demonstrated.

The Committee agreed:

- 1) To request that the Chief Internal Auditor monitor the progress of the action plan and

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 28 JANUARY 2016

update the Committee on the completion of the recommendations contained within the Internal Audit report;

3) To recommend that the Tourism, Economy and Resources Scrutiny Committee consider the impact of the CCTV Service once its performance was able to be demonstrated.

Background papers: Internal Audit Report – Review of CCTV Service

4 STRATEGIC RISK REGISTER - INADEQUATE CHANGE MANAGEMENT

The Committee considered a progress report in relation to the individual risks identified on the Council's Strategic Risk Register, specifically in relation to those risks regarding Inadequate Change Management. The Committee discussed plans to control and mitigate the risks with the strategic risk owners, Mr Jack, Chief Executive and Mr Thompson, Director of Resources.

Mr Thompson advised the Committee that over the past few years there had been numerous examples of how change had been adequately managed. He highlighted the property rationalisation that had been undertaken that had resulted in numerous services being brought together at Bickerstaffe Number One and enabling cultured transformation.

Mr Thompson explained that past success was not necessarily an indication of future ability to manage change adequately and he highlighted the potential difficulties that could be created in the event of unexpected changes as a result of legal rulings. He provided the Committee with the recent example of NHS Trusts applying for mandatory rate relief. In such an event, the local authority would suffer a significant decrease in revenue.

Mr Thompson advised the Committee that he considered the risk of Inadequate Change Management to be high and noted that the Council now had fewer members of staff than it did in 2000, yet now provided significantly more services.

Mr Jack identified a number of sub risks for the Committee. The sub risks included national changes and unfunded new burdens falling on the local authority, such as the localisation of business rates, which would increase the risk of a reduction in revenue should a business within the town fail. The Committee discussed changes to social care brought about by changes in the Care Act and Mr Jack also noted the increased level of scrutiny over safeguarding services, for which budget cuts could not be an excuse for service failings or inadequacies.

Mr Jack also advised the Committee of the implications arising from the various schools in Blackpool undergoing a process of becoming academies. He reported that the funding received by the local authority per pupil had decreased significantly, but that there still remained a number of statutory duties the local authority was responsible for, relating to school improvement. He noted the work that was being undertaken by the Blackpool Challenge Board in an attempt to drive school improvement across all schools in the town.

As a further example of a change that posed a risk to the Council, Mr Jack advised the Committee that the increase to the National Minimum wage would cost approximately

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 28 JANUARY 2016

£3.5 million in Adult Social Care alone.

In response to questions from the Committee, Mr Jack advised that, as part of plans to mitigate against the risk of inadequate change management, an aim was to encourage greater cooperation between various agencies within the public sector. Members were provided with the example of the Vanguard programme that would change the way primary care was provided across the Fylde coast, to illustrate how an improved partnership approach could be achieved.

The Committee questioned what an acceptable level of risk was for Inadequate Change Management. It was explained that the risk would always remain high due to the inherent unpredictability of the risk. Ms Greenhalgh advised the Committee that the Strategic Risk Register was a working document and the level of risk score was reviewed every six months.

Background papers: None

5 STRATEGIC RISK REGISTER - FAILURE TO KEEP PEOPLE SAFE

The Committee considered a progress report in relation to the individual risks identified on the Council's Strategic Risk Register, specifically in relation to those risks regarding Failure to Keep People Safe. The Committee discussed plans to control and mitigate those risks with the strategic risk owner, Mrs Curtis, Director of People.

Mrs Curtis advised the Committee that the risk was considered to be a high level risk and would continue to be so into the foreseeable future. It was considered that there remained significant pressures relating to transience and the complexity of youth offending and looked after children cases. The Committee noted the particular problems caused by large families entering Blackpool with many children needing care placements, with children often being too old for any early help provision to make an impact.

Members were provided with details of the controls and mitigation for the risk. Mrs Curtis provided details of the governance framework for Adults and Children's Services and the work undertaken by the Safeguarding Boards. The Committee was informed of the external inspection processes undertaken in relation to Children's and Adult's Services by the Care Quality Commission and Ofsted. The Committee discussed the difficulty of not knowing what situations may arise and which complex needs of residents may present to local authority services. However, Mr Jack advised that the exact type of risk may not be foreseeable, but that by having plans in place to deal with needs should they arise helped to mitigate the risk.

Mrs Curtis also reported details of the Child Sexual Exploitation training, which had been co-produced with the Police and was being offered to care providers, elected Members, taxi drivers and businesses in the town.

The Committee was provided with details about the contract monitoring process for care homes, which helped to ensure robust monitoring of all care homes in Blackpool. Mrs Curtis advised that, although care homes were subject to Care Quality Commission inspections, Adult Services undertook its own monitoring of care homes via a robust quality framework.

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Upon questioning from Members, Mrs Curtis advised that in relation to care homes and the sector more generally, there were risks regarding market failure, which for example, could result in potential safeguarding concerns arising following the closure of a care home. It was also considered particularly traumatic for some elderly people to be moved and the impact on health and wellbeing had to be evaluated..

The Committee questioned what level of risk was considered acceptable for failure to keep people safe. Mrs Curtis advised Members that ideally the risk would not be 'red' rated. However, due to the context of the town it was appropriate for the foreseeable future that the risk was rated as being red. In the long term, work to increase resilience in the community and lower the level of transience would help to lower the potential risk.

Background papers: None

6 EXTERNAL AUDIT PLAN 2015/2016

Mr Leviston, Manager, KPMG, presented KPMG's Audit Plan 2015/2016. Mr Leviston advised Members that external auditors were required to review and report on the Council's:

- Financial statements (including the Annual Governance Statement), providing an opinion on the accounts; and
- Use of Resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (value for money conclusion).

Mr Leviston reported that with regards to financial statement audit planning, KPMG were required to consider two standard risks for all organisations. He reported that one of the risks was management override of controls. He advised that management was typically in a powerful position to be able to perpetrate fraud, owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appeared to be operating effectively. Mr Leviston advised that he did not suspect this was occurring but that professional standards required that appropriate testing of controls and procedures needed to be undertaken. He reported that the other risk assessment that KPMG was required to test was fraudulent revenue recognition.

The Committee was also provided with details of the significant audit risks and that KPMG was required to determine with reasonable confidence whether or not the financial statements were free from material misstatement. He advised that materiality for the external audit planning purposes had been set at £3.5 million for the Local Authority's standalone accounts, which amounted to approximately one percent of gross expenditure.

Members were also advised that the planned audit fee for 2015/2016 was £110,153, which was a 25% reduction from the previous year.

The Committee agreed to note the report.

Background papers: None

7 ANTI-MONEY LAUNDERING POLICY AND PROCEDURES

Ms Greenhalgh presented the Anti-Money Laundering Policy and Procedure and explained that the policy set out what money laundering was and the legal framework that was in place to govern it. Ms Greenhalgh advised that the policy applied to all employees and elected Members and that it aimed to help maintain high standards of conduct by preventing criminal activity through money laundering. It was noted that the policy also included casual employees and agency staff.

Upon questioning from Members, Ms Greenhalgh reported that the Council was not at particularly high risk of money laundering, as usually the most at risk organisations tended to be businesses handling a high level of cash. Ms Greenhalgh advised that she could only recall one incident of concern in relation to money laundering in the past few years.

The Committee agreed to approve the Anti-Money Laundering Policy and Procedure.

Background papers: None

8 DATE OF NEXT MEETING

The Committee noted the date of the next meeting as 6pm on Thursday, 10 March 2016 at the Town Hall, Blackpool.

Chairman

(The meeting ended at 7.24 pm)

Any queries regarding these minutes, please contact:

Chris Kelly, Senior Democratic Governance Adviser

Tel: 01253 477164

E-mail: chris.kelly@blackpool.gov.uk

Report to:	Audit Committee
Relevant Officer:	Tracy Greenhalgh- Chief Internal Auditor
Date of Meeting	10 March 2016

RISK SERVICES QUARTER THREE REPORT 2015/2016

1.0 Purpose of the report:

1.1 To provide the Audit Committee with a summary of the work completed by Risk Services in quarter three of the 2015/2016 financial year.

2.0 Recommendation(s):

2.1 To note the findings from the Risk Services Quarterly report.

3.0 Reasons for recommendation(s):

3.1 The report covers areas relevant to the work of the Committee in terms of internal audit, corporate fraud, risk and resilience.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

N/a

4.0 Council Priority:

4.1 The relevant Council Priorities are

- "The economy: Maximising growth and opportunity across Blackpool"
- "Communities: Creating stronger communities and increasing resilience"

5.0 Background Information

- 5.1 Each quarter the Chief Internal Auditor produces a report summarising the work of Risk Services and this includes the overall assurance statements for all audit reviews completed in the quarter.

Does the information submitted include any exempt information?

No

List of Appendices:

Appendix 3a: Risk Services Quarter Three Report

6.0 Legal considerations:

- 6.1 All work undertaken by Risk Services is in line with relevant legislation. This is particularly important when undertaking fraud investigations where a number of regulations need to be adhered to.

7.0 Human Resources considerations:

- 7.1 N/a

8.0 Equalities considerations:

- 8.1 N/a

9.0 Financial considerations:

- 9.1 All work has been delivered within the agreed budget for Risk Services.

10.0 Risk management considerations:

- 10.1 The primary role of Risk Services is to provide assurance that the Council is effectively managing its risks and provide support to all services in relation to risk and control. Risks that have been identified in the quarter are reported in the summary report.

11.0 Ethical considerations:

- 11.1 N/a

12.0 Internal/ External Consultation undertaken:

- 12.1 The Risk Services Quarterly Report was presented to the Corporate Leadership Team on the 27 January 2016.

13.0 Background papers:

- 13.1 N/a

Risk Services Quarterly Report
1st October to 31st December 2015

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Risk Services Quarter Three Report – 2015/2016

1. Third Quarter Summary

Service Developments

1.1 *Internal Audit*

Internal audits that have been scoped in the quarter and/or fieldwork underway include:

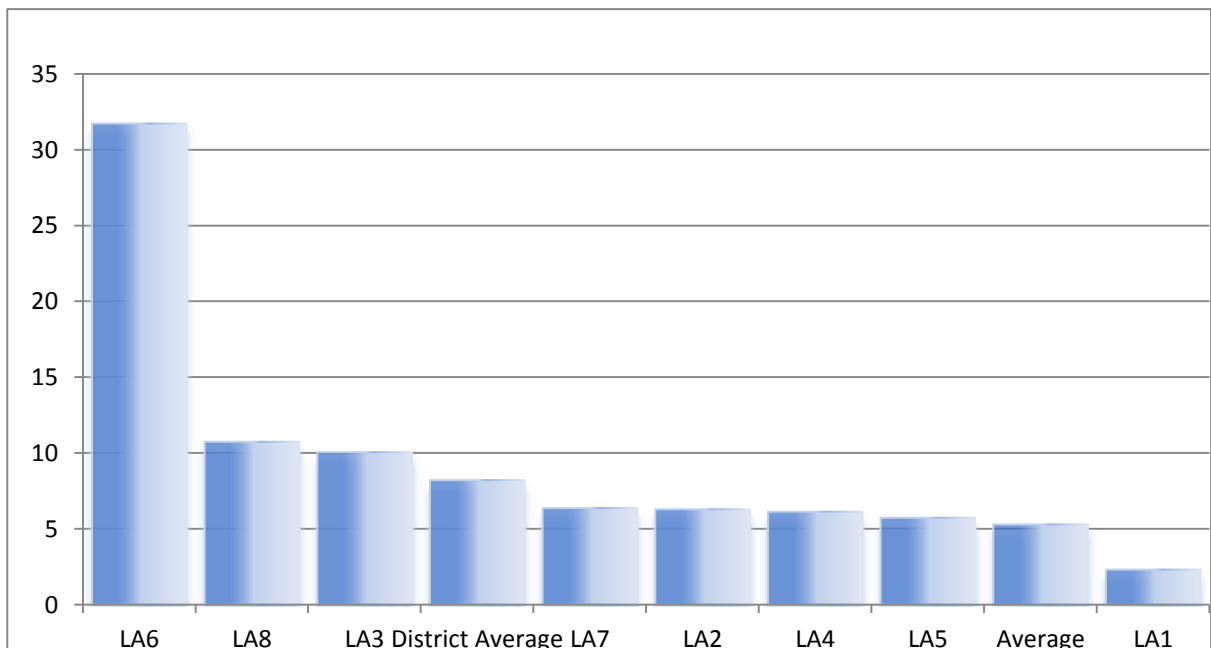
- Executive Decision Making
- Coroners Service
- Banking Contract
- Lancashire Waste Partnership
- Coastal Communities Fund
- Payroll
- Care Act: Deferred Payments
- Framework-I – Non-Residential Payments
- Highways
- Delivery of Saving Targets
- Early Education Free Entitlement

Details of the scope and final outcome for each of the above audits will be reported to Audit Committee in the Risk Services quarterly report once the fieldwork has been completed and draft report agreed.

The team have participated in a benchmarking exercise with other local authorities in Lancashire, whilst the majority of responders were District Councils as opposed to Unitary Councils and therefore have a reduced remit compared to Blackpool; there were still some interesting findings which can be learned from and will be fed into future service improvement plans. A summary of the findings can be seen in the following charts (for the purpose of identification Blackpool’s code is **LA1**).

Summary of Key Financial Data

Table 1: Audit Days per Million Turnover 2015/16



Risk Services Quarter Three Report – 2015/2016

Table 2: Staff Cost per FTE 2015/16

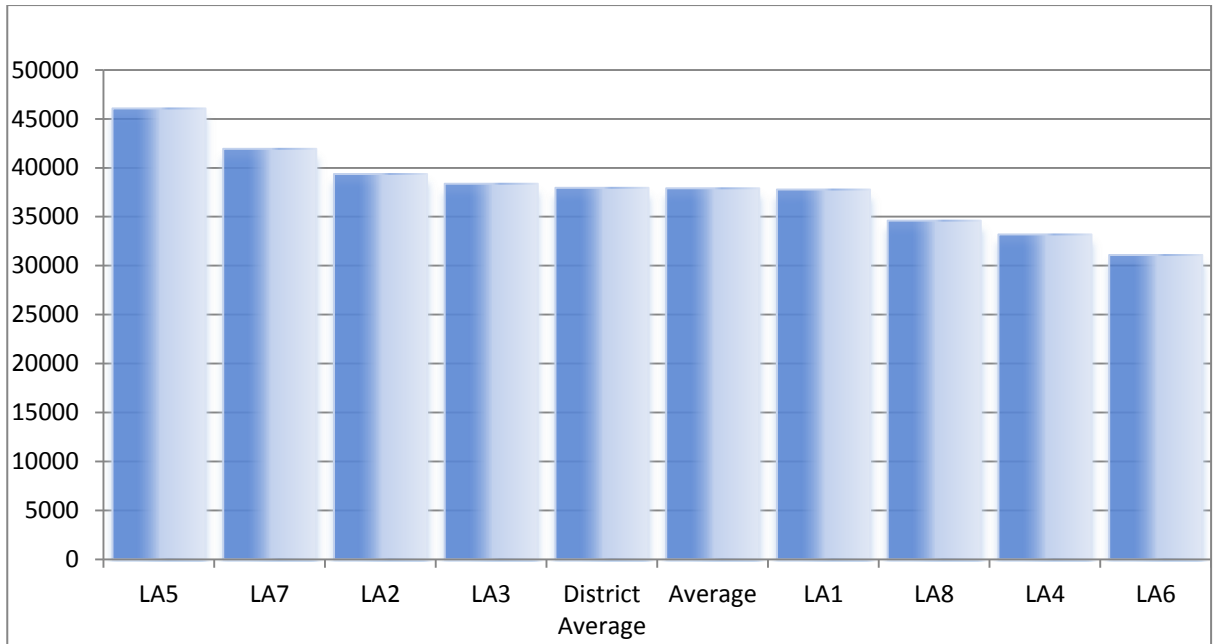
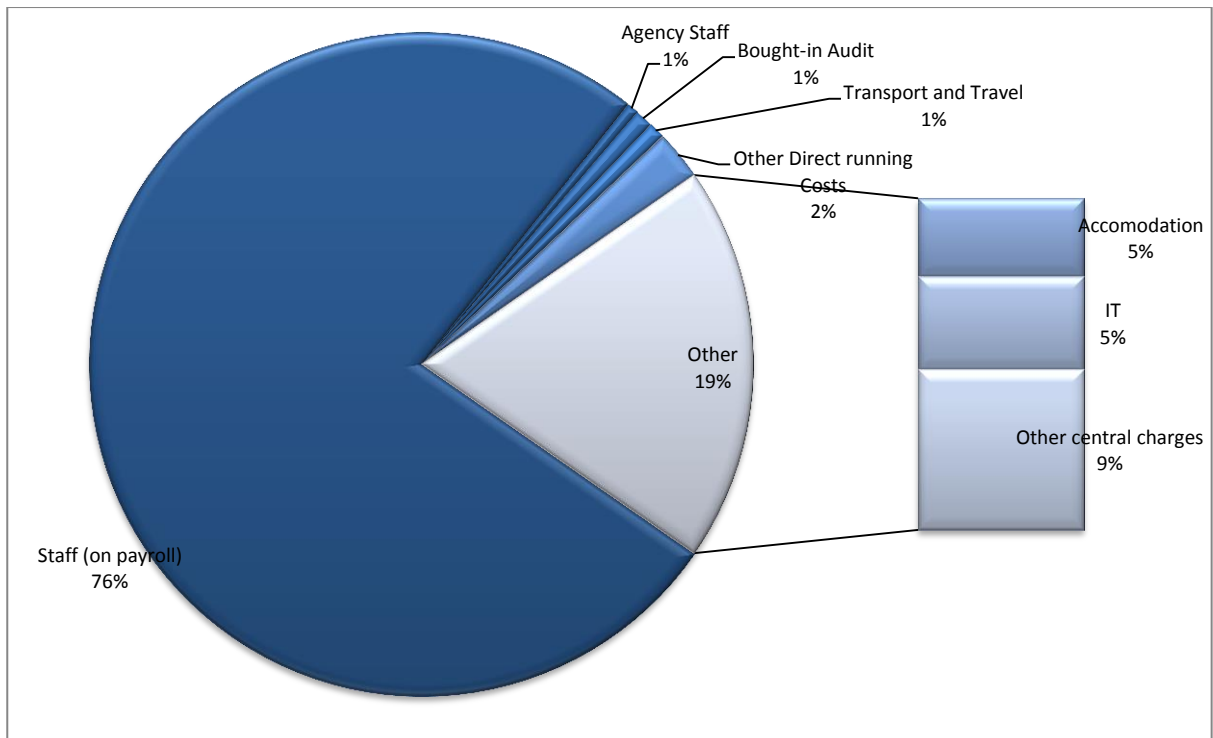
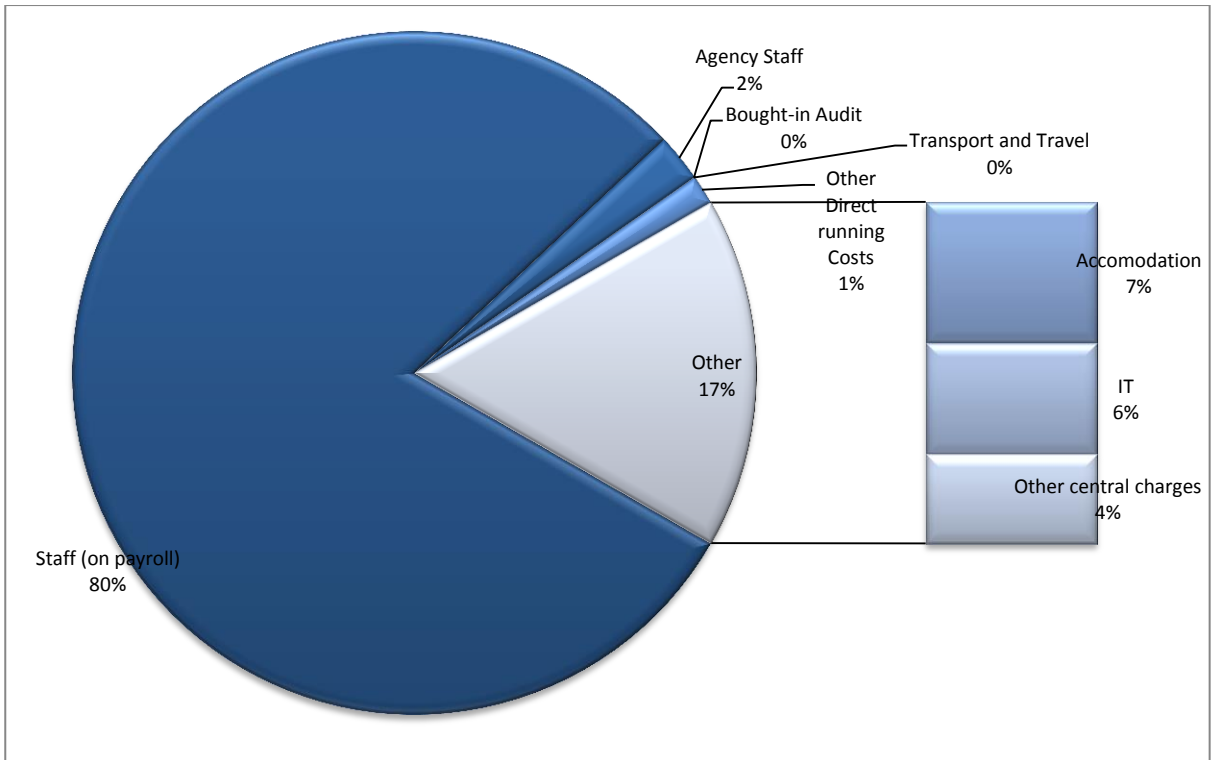


Table 3: Distribution of Costs (Average) 2015/16



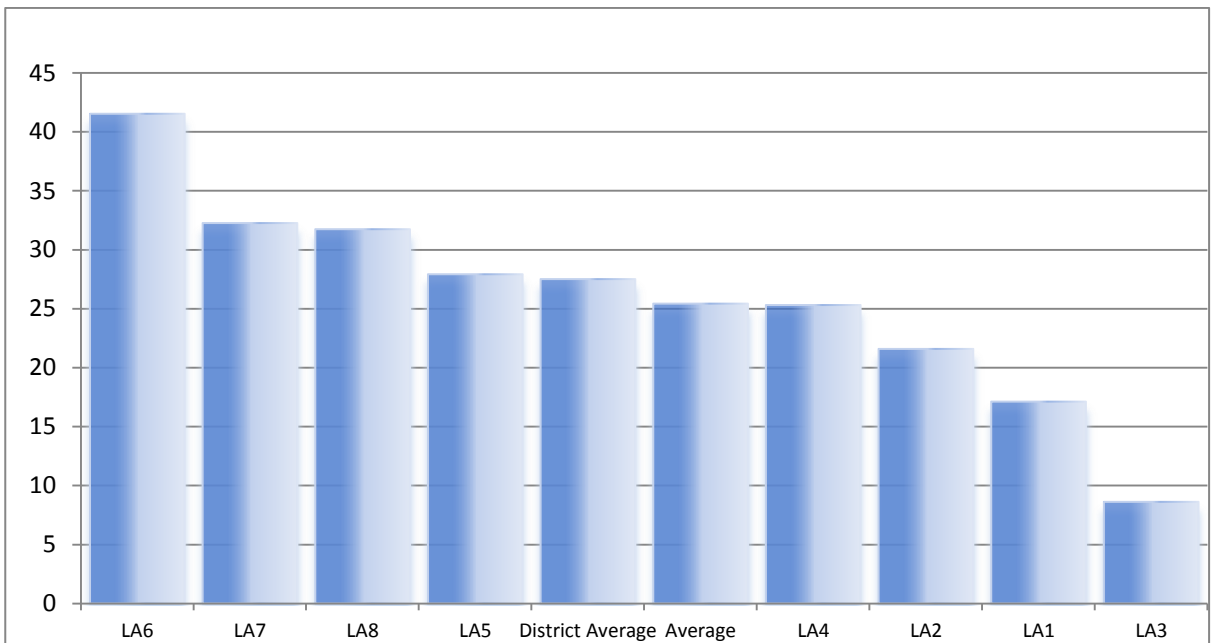
Risk Services Quarter Three Report – 2015/2016

Table 4: Distribution of Costs (Blackpool) 2015/16



Summary of Internal Audit Plan Data

Table 5: Percentage of Audit Plan - Financial Systems 2015/16



Risk Services Quarter Three Report – 2015/2016

Table 6: Percentage of Audit Plan - Strategic and Operational Risks 2015/16

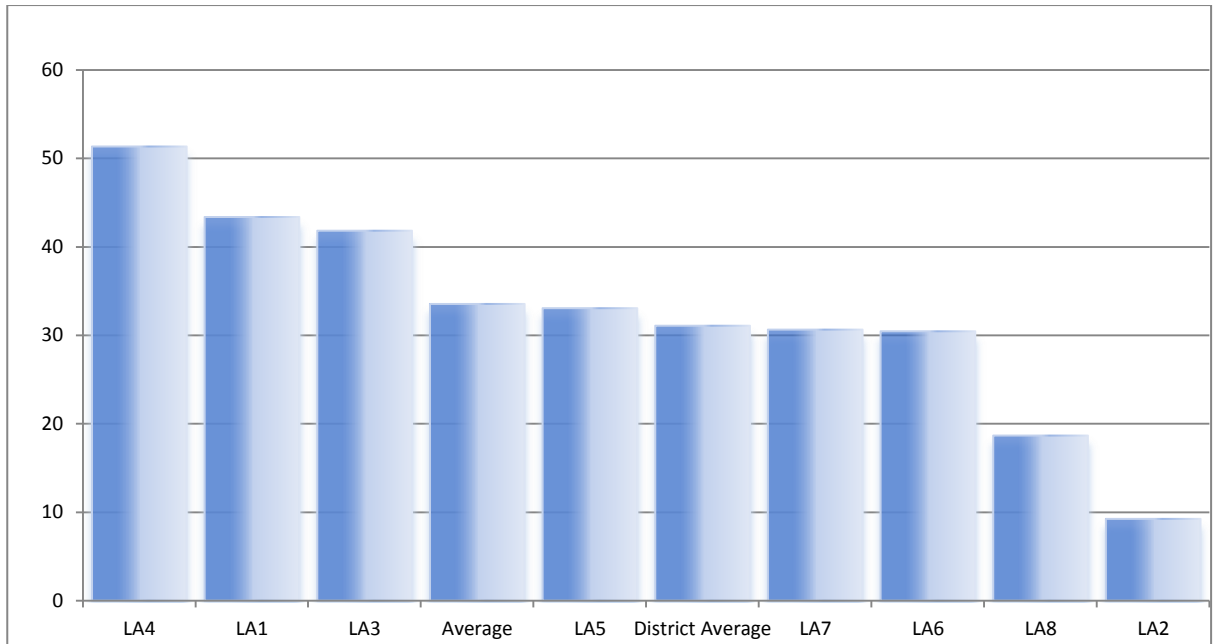
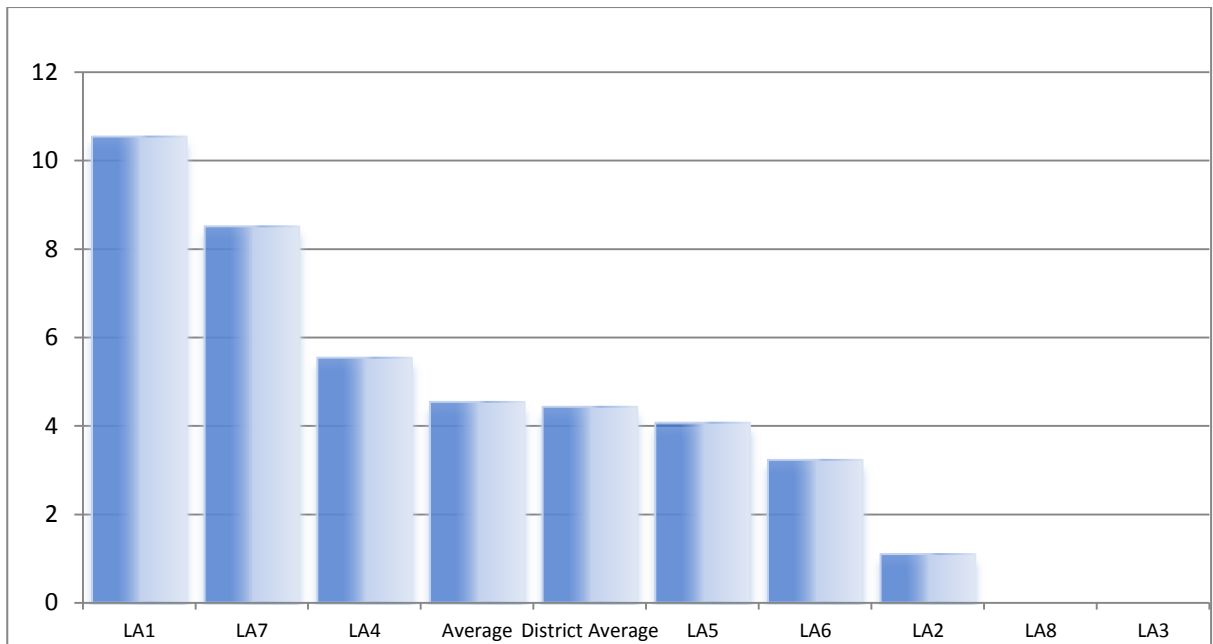


Table 7: Percentage of Audit Plan – Corporate Governance 2015/16



Risk Services Quarter Three Report – 2015/2016

Table 8: Percentage of Audit Plan – IT 2015/16

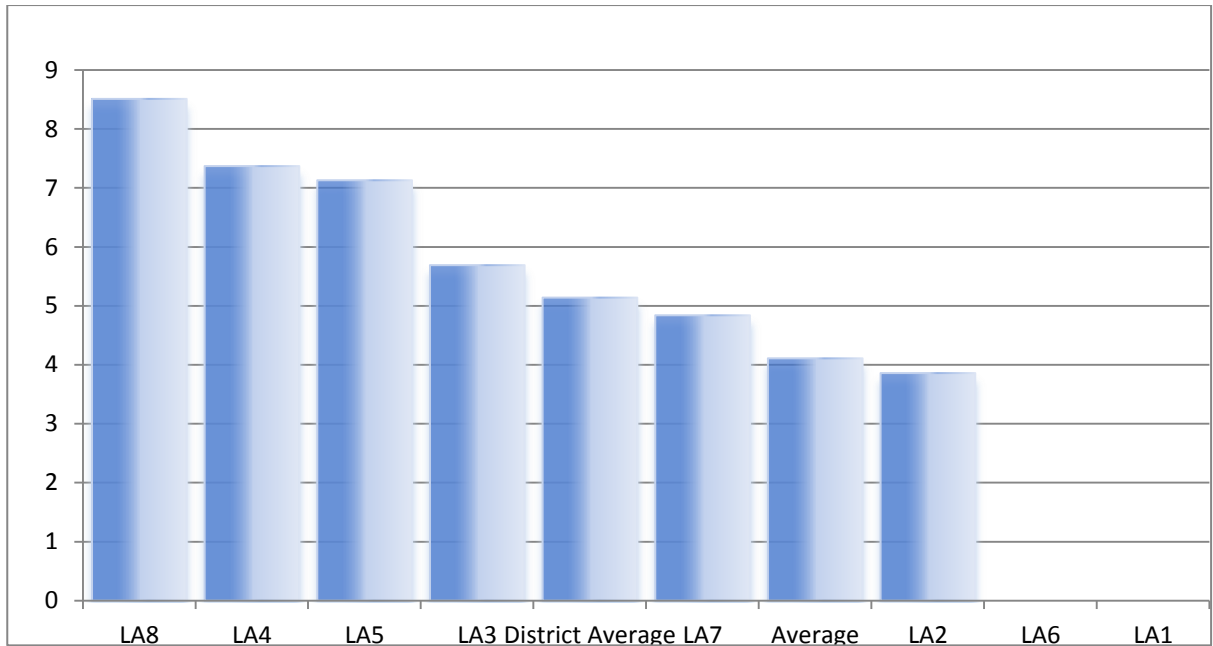
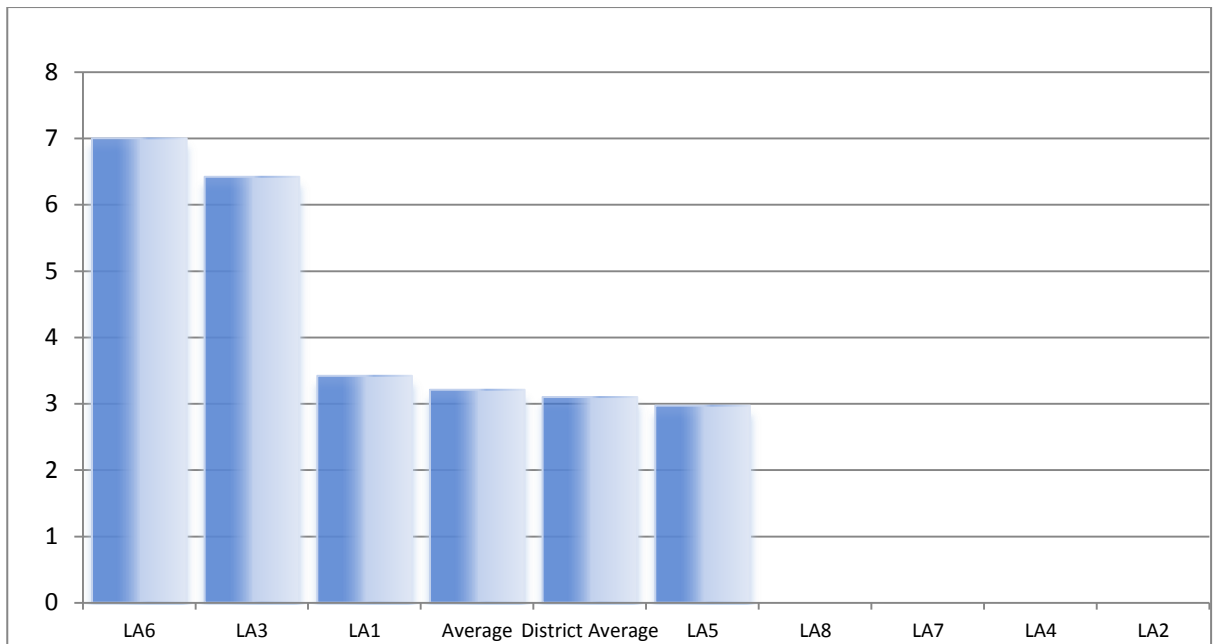


Table 9: Percentage of Audit Plan – Consultancy and Advice 2015/16



Risk Services Quarter Three Report – 2015/2016

Table 10: Percentage of Audit Plan – Contingency 2015/16

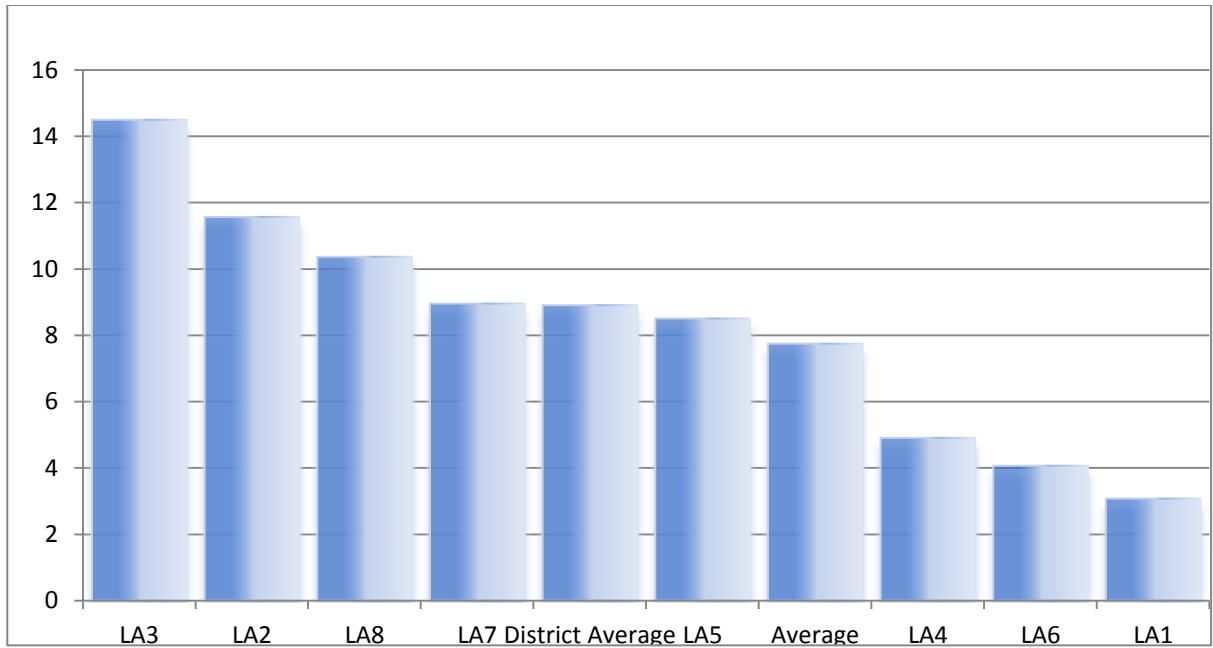
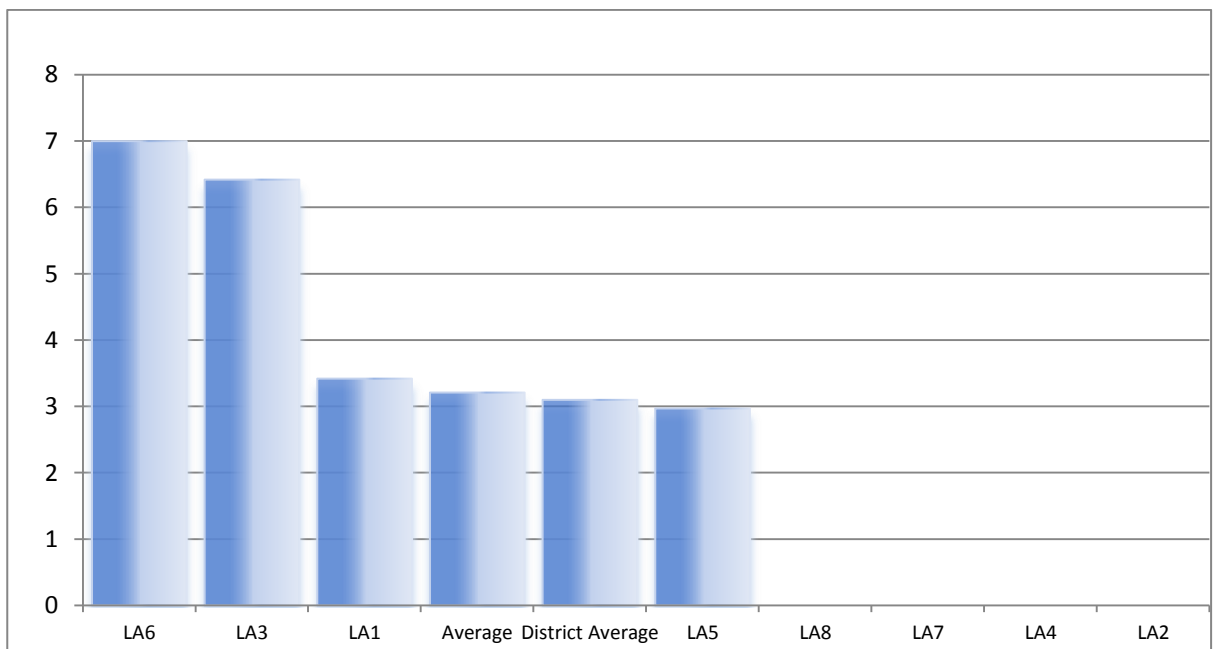
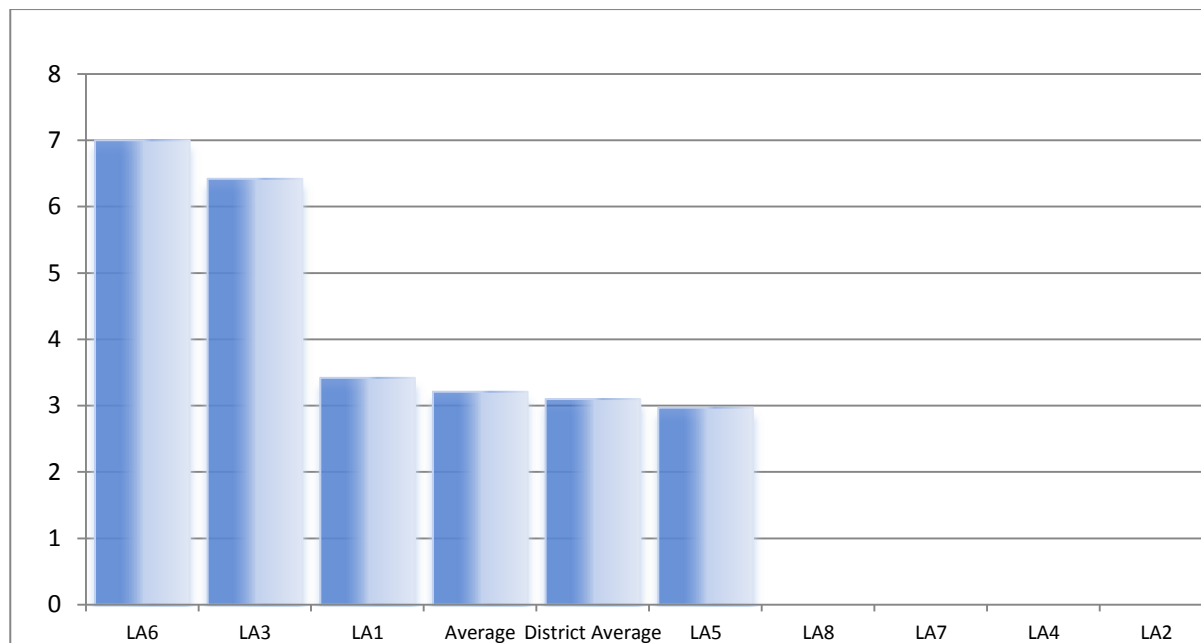


Table 12: Percentage of Audit Plan – Establishment (Non-Schools) 2015/16



Risk Services Quarter Three Report – 2015/2016

Table 13: Percentage of Audit Plan – Grant Certification 2015/16



1.2 Corporate Fraud

The Council’s Corporate Fraud Officer resigned in the quarter and approval has been obtained from the Corporate Resourcing Panel to recruit to this post. A recruitment campaign is currently underway with a view to the successful candidate joining the team in quarter four of this financial year.

Chris Cudlip, the new Insurance Fraud Officer, joined the team at the beginning of the quarter and work is underway to develop policies and procedures for tackling insurance fraud. The recruitment of the Insurance Fraud Officer is a spend to save initiative as it is anticipated that the proactive prevention and detection of fraud will help to reduce the overall cost of public liability claims. To aid with this, a visit to Leicester City Council was undertaken as they have been reviewing insurance fraud for some time now and have seen good results. Best practice learned from this visit will be incorporated into the procedures being developed at Blackpool Council.

An i-pool training course on Anti-Money Laundering is being developed by the team and roll out is planned to coincide with the implementation of the new policy and procedure which is being taken to Audit Committee in January 2016 for approval.

The team arranged a training session on the Regulation of Investigatory Powers Act (2000) for staff involved in the governance, authorisation and application of the powers. The training was well received and an additional session is being arranged for March 2016 for staff who were unable to attend. Many lessons were learned from the training and the Corporate RIPA Group is looking at how these can be incorporated at the Council going forward.

Risk and Resilience

Kayleigh Stockdale joined the team in the quarter as the Assistant Risk and Resilience Officer replacing the Risk and Resilience Officer who left the Council earlier this year.

A risk management review of the Highways Service has been undertaken by the Council’s claim handlers. The outcome of this was positive and it was recognised that the Council is proactively trying to reduce risk in this area. A number of recommendations were made and an action plan has now been agreed with the Highways Team to implement these.

Risk Services Quarter Three Report – 2015/2016

An i-pool training course relating to risk management and business continuity planning is being developed by the team with a view to launch by the end of the financial year. It is hoped that this will provide all employees with the tools they need to effectively manage risk on a day to day basis. The team have also been working alongside Corporate Procurement, Organisational and Workforce Development and the Council’s insurers to arrange a number of training sessions relating to Contracts and Partnerships.

As previously reported a quality review of business continuity plans is currently underway by the team. It has been agreed that this process will also be extended to risk registers to ensure a consistent quality across the Council.

A project is underway with colleagues in ICT and Property Services to explore the potential for moving the Emergency Control Centre to Bickerstaffe House. The new building is more suited to providing a resilient space for such a function and will ensure that it can easily be accessed by key staff in the event of a major incident.

The team have been involved in the various responses to severe weather over the quarter and have arranged mutual aid, where requested, in the form of Emergency Response Group Volunteers and the provision of sandbags.

2. Performance

Risk Services Performance indicators

Performance Indicator (Description of measure)	2015/16 Target	2015/16 Actual
Professional and technical qualification as a percentage of the total.	85%	71%

Internal Audit Team performance indicators

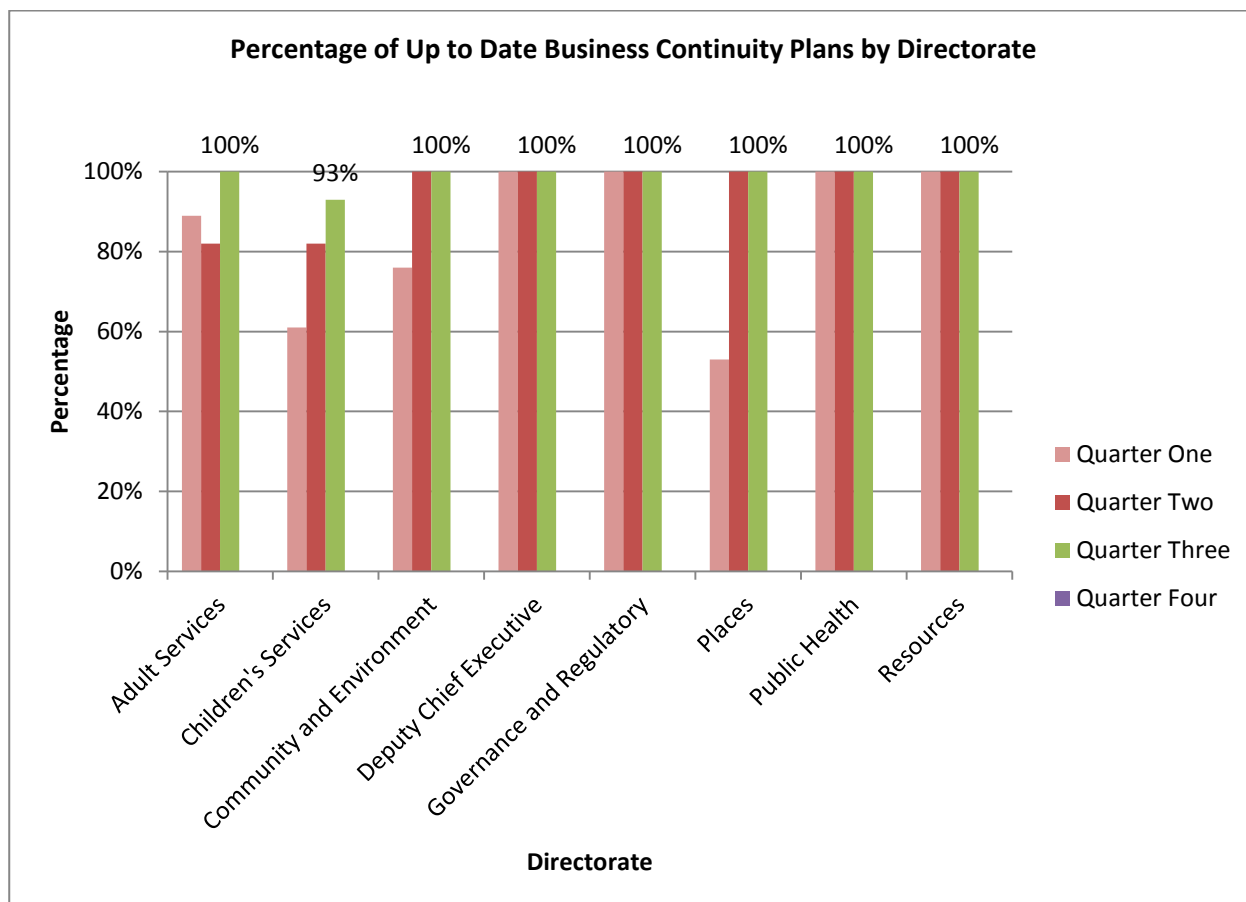
Performance Indicator (Description of measure)	2015/16 Target	2015/16 Actual
Percentage audit plan completed (annual target).	90%	64%
Percentage draft reports issued within deadline.	96%	96%
Percentage audit work within resource budget.	92%	89%
Percentage of positive satisfaction surveys.	85%	88%
Percentage compliance with quality standards for audit reviews.	85%	87%

Risk Services Quarter Three Report – 2015/2016

Risk and Resilience Team performance indicators

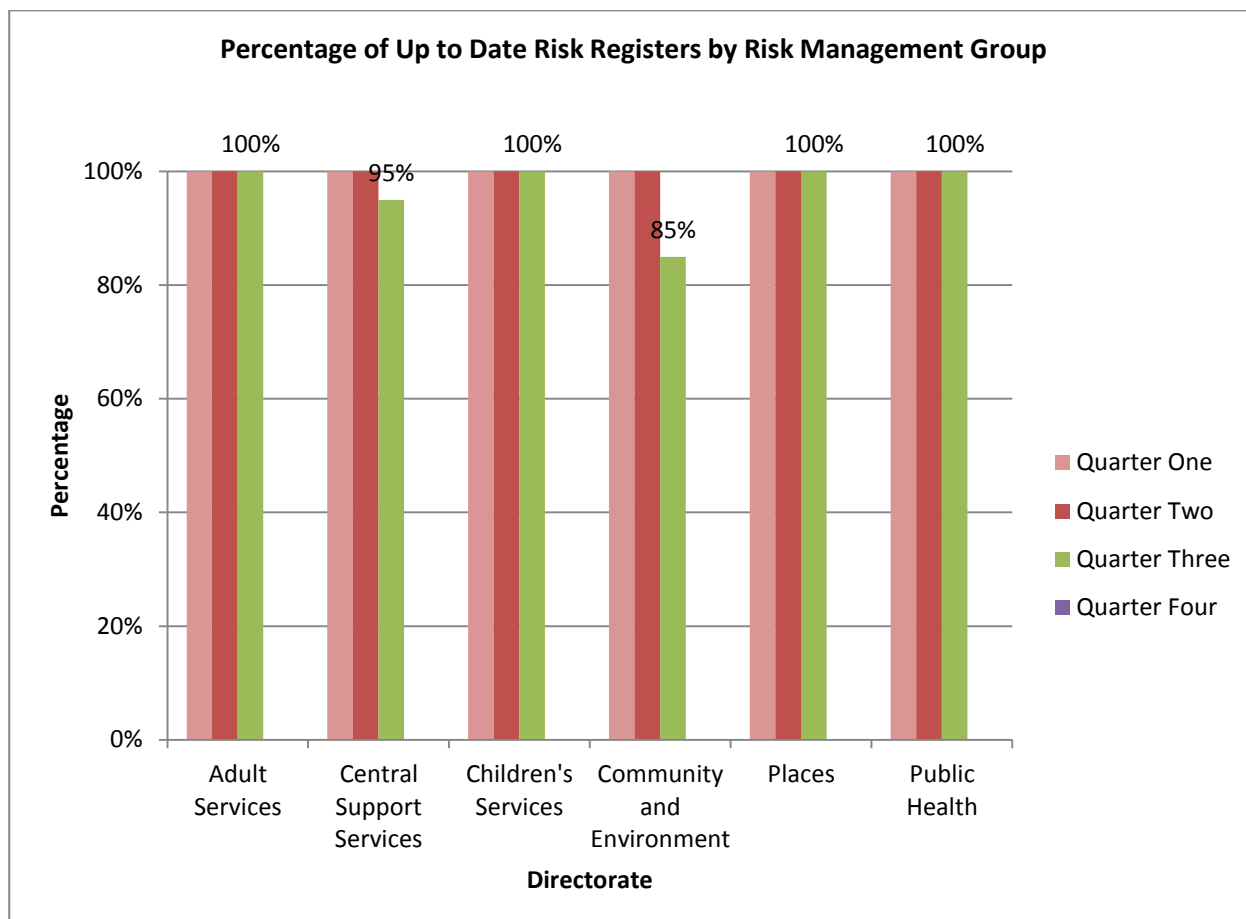
Performance Indicator (Description of measure)	2015/16 Target	2015/16 Actual
Percentage of Council service business continuity plans up to date.	90%	98%
Number of risk and resilience training and exercise sessions held (annual target).	6	5
Number of trained Emergency Response Group Volunteers (for monitoring purposes only – responsibility lies with Adult Social Care)	60	43
Percentage integration into the Lancashire Resilience Forum workstreams.	70%	70%
Percentage of property risk audit programme completed (annual target).	90%	55%
Percentage of risk registers revised and up to date at the end of the quarter.	90%	95%

*In support of the 98% of business continuity plans up to date by the end of the quarter the following graph shows a breakdown by directorate:



Risk Services Quarter Three Report – 2015/2016

*In support of the 95% of risk registers revised and up to date by the end of the quarter the following graph shows a breakdown by department:



Corporate Fraud Team performance indicators

Performance Indicator (Description of measure)	2015/16 Target	2015/16 Actual
Percentage of high risk / recommended National Fraud Initiative matches investigated (annual target).	100%	98%

Risk Services Quarter Three Report – 2015/2016

Corporate Fraud Team Statistics (Including National Fraud Initiative Findings)

	Number of Referrals Received	Number of Fraud Proven	Under Investigation	No Fraud	Value of Fraud / Error	Action Taken				
						AP	Pro	Rec	NFA	Disc
Type of Fraud	2015/2016 Cumulative Figure									
Council Tax Discount	15	1	2	12	£1,233.84	0	0	1	12	0
Council Tax Reduction (CTR)	32	2	23	7	£392.41	0	0	2	7	0
Business Rates	0	0	0	0	£0.00	0	0	0	0	0
Procurement	4	0	1	3	£0.00	0	0	0	3	0
Fraudulent Insurance Claims	5	0	5	0	£0.00	0	0	0	0	0
Social Care	0	0	0	0	£0.00	0	0	0	0	0
Economic & Third Sector Support	0	0	0	0	£0.00	0	0	0	0	0
Debt	2	0	1	1	£0.00	0	0	0	1	0
Pension	0	0	0	0	£0.00	0	0	0	0	0
Investment	0	0	0	0	£0.00	0	0	0	0	0
Payroll & Employee contact fulfilment	1	0	1	0	£0.00	0	0	0	0	0
Expenses	0	0	0	0	£0.00	0	0	0	0	0
Abuse of position - financial gain	6	1	2	3	£1,449.99	0	0	0	3	1
Abuse of position - manipulation of financial or non-financial data	2	2	0	0	£0.00	0	0	0	0	2
Fraudulent cashing of housing benefit cheque	2	0	0	2	£0.00	0	0	0	2	0
Disabled parking concessions	1	0	0	1	£0.00	0	0	0	1	0
National Fraud Initiative (high risk)	2,752	6	31	2,715	£56,940.59	0	0	6	2,721	0
Totals:	2,822	12	66	2,744	£60,016.83	0	0	9	2,750	3

	October	November	December
Number of Referrals Sent to a Third Party – Not including NFI	2	4	0

Risk Services Quarter Three Report – 2015/2016

3. Appendix A: Performance & Summary Tables for Quarter Three

Internal Audit reports issued in period

Directorate	Review Title	Assurance Statement
Adult Services	Framework-i – Residential Payments	<p><u>Scope:</u></p> <p>The scope of our audit was to undertake compliance testing on controls around residential care and nursing care payments through the Framework-i system to assess whether these are operating effectively.</p> <p><u>Assurance Statement:</u></p> <p>We consider that the current controls are adequate, with some risks identified and assessed and some changes necessary. Significant improvement has been made by the service in relation to authorisation controls and recording of decisions made since our last review.</p>
Children’s Services	Better Start Project	<p><u>Scope:</u></p> <p>The scope of our audit was to review the effectiveness of the Better Start governance arrangements.</p> <p><u>Assurance Statement:</u></p> <p>We consider the controls in place around the processes for Better Start governance to be adequate. There were a number of key developments that were work in progress at the commencement of the audit review which have now been addressed. We made a number of recommendations to further strengthen the arrangements.</p>
Children’s Services	Moor Park Primary School	<p><u>Scope:</u></p> <p>Compliance testing based on a random sample was carried out in the following areas:</p> <ul style="list-style-type: none"> • Purchasing • Procurement • Petty cash and purchase cards • Income • Payroll • Banking <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are adequate with some risks identified and assessed and several changes necessary. Our testing revealed minor lapses in compliance with the controls.</p>

Risk Services Quarter Three Report – 2015/2016

Directorate	Review Title	Assurance Statement
Children's Services	St Teresa's Primary School	<p><u>Scope:</u></p> <p>Compliance testing based on a random sample was carried out in the following areas:</p> <ul style="list-style-type: none"> • Purchasing • Procurement • Petty cash and purchase cards • Income • Payroll • Banking <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are adequate with some risks identified and assessed and several changes necessary. Our testing revealed minor lapses in compliance with the controls.</p>
Children's Services	St Bernadette's Primary School	<p><u>Scope:</u></p> <p>Compliance testing based on a random sample was carried out in the following areas:</p> <ul style="list-style-type: none"> • Purchasing • Procurement • Petty cash and purchase cards • Income • Payroll • Banking <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are adequate with some risks identified and assessed, several changes necessary. Our testing revealed minor lapses in compliance with the controls.</p>

Risk Services Quarter Three Report – 2015/2016

Directorate	Review Title	Assurance Statement
Community and Environment	Leisure Centres Establishment Visit	<p><u>Scope:</u></p> <p>The scope of the audit was to undertake compliance testing on key financial controls at the following leisure centres:</p> <ul style="list-style-type: none"> • Moor Park Health and Leisure Centre; • Blackpool Sports Centre including High Ropes; • Palatine Leisure Centre; • Gateway Fitness Centre. <p><u>Assurance Statement:</u></p> <p>Our compliance testing has identified a number of low and medium priority risks which need addressing to ensure future compliance with key controls in the leisure service. As no high risk areas have been identified and the fact that the leisure centres are dealing with low value transactions we have concluded that overall the controls in place are adequate. However, the recommendations made in the report should be addressed to reduce the risk of inaccurate transactions or low level fraud within the service.</p>

Risk Services Quarter Three Report – 2015/2016

Directorate	Review Title	Assurance Statement
Community and Environment	Anchorsholme Coastal Protection Work	<p><u>Scope:</u></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> • The effectiveness of the governance arrangements; • The effectiveness of the processes in place to manage contract performance and variations; • The arrangements in place to ensure that the project is carried out effectively in co-ordination with United Utilities works and • The effectiveness of engagement and consultation with the public regarding the project. <p><u>Assurance Statement:</u></p> <p>We consider that the project governance arrangements in place for the delivery of the Anchorsholme Coast Protection Scheme are adequate with most risks identified and assessed and some control improvements required.</p> <p>The effectiveness of the processes in place to manage contract performance and variations are adequate however we are concerned that payments are being authorised by project assurance without sight of all relevant information and we consider this part of the process to be inadequate.</p> <p>Regular meetings are held with United Utilities to help coordinate the work and whilst there are some issues still to be resolved we consider that adequate steps are being taken to address these and appropriate contingencies have been identified.</p> <p>We consider that an appropriate programme for engagement with local residents has taken place both at the outset and throughout the life of the project.</p>

Risk Services Quarter Three Report – 2015/2016

Directorate	Review Title	Assurance Statement
Deputy Chief Executive	Ability to Transform	<p><u>Scope:</u></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> • Whether the Council is identifying and exploiting opportunities for transformational change to improve service delivery and efficiency; • How well equipped the Council is to achieve successful transformational change going forward; and • Identification and assessment of different models for the provision of central support services to support transformational change. <p><u>Assurance Statement:</u></p> <p>The Council has achieved major changes in recent years and has recognised that the only way it can continue to manage services facing increased demands with ever decreasing resources is by further identifying and exploiting opportunities for transformational change. We consider that through the recent CLT discussion paper and the ongoing development of leadership the Council is responding to the further challenges ahead. We consider that the Council is identifying and, to a degree exploiting, opportunities for transformational change to improve service delivery and efficiency and assess this part of the review scope as adequate with some areas for improvement identified.</p> <p>However, at the time of our review the resourcing available, or detailed plans as to how those resources will be made available, to achieve fundamental transformational change were not in place. There remains therefore a significant risk that the Council will not be able to achieve the required level of transformational change.</p>

Risk Services Quarter Three Report – 2015/2016

Directorate	Review Title	Assurance Statement
Deputy Chief Executive	Compliance with Corporate Procedures	<p>Scope:</p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> • The general reasons for non-compliance with corporate procedures and requests for information; • The risks and consequences associated with not complying with corporate procedures; • The level of understanding of the risks associated with non-compliance; and • Sanctions available to address non-compliance. <p>Assurance Statement:</p> <p>We consider that the controls in place to ensure compliance with corporate procedures are currently inadequate, with a number of material risks identified and significant improvement required. Data available on non-compliance with corporate procedures indicates poor compliance levels in some departments in a number of areas.</p>

Risk Services Quarter Three Report – 2015/2016

Directorate	Review Title	Assurance Statement
Deputy Chief Executive	Information Management and Data Breaches	<p><u>Scope:</u></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> • The processes in place for recording and reporting data breaches and near misses and methods in place for ensuring staff awareness of the processes and consequences of breaches. • The measures that services are putting in place as a result of data breaches and near misses to prevent future breaches from happening. • The mitigation of specific perceived high risk areas for information management such as temporary/contract staff, mobile working, administrator accounts and leavers processes. • For services that are still heavily reliant on paper records, whether such reliance could be significantly reduced and how well the services mitigate the risks associated with paper records containing protected or sensitive information. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are adequate with some risks identified. Implementation of the recommendations should help to address these risks. It is recognised however that the responsibility for preventing data breaches does not solely rest with ICT Services and staff training and awareness throughout the Council is still being developed.</p>

Risk Services Quarter Three Report – 2015/2016

Directorate	Review Title	Assurance Statement
Place	Car Parking Income	<p><u>Scope:</u></p> <p>The scope of this audit was to review:</p> <ul style="list-style-type: none"> • The processes for income collection and cash counting including accounting, monitoring and reconciliation procedures. • The derivation of income targets and whether these provide for an effective and efficient parking service. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place in relation to cash collection and handling are adequate, with some risks identified and assessed and some further control improvements required. Our testing revealed minor lapses in compliance with the cash collection and handling controls.</p> <p>We note that the income targets for the Car Parking service are not based on current or future parking capacity, fee levels or forecast patronage levels and have not been achieved for a number of years. The recent engagement of consultants to review parking provision should help to remedy this situation in future years.</p>

Risk Services Quarter Three Report – 2015/2016

Directorate	Review Title	Assurance Statement
Place	Cultural Services	<p><u>Scope:</u></p> <p>The scope of the audit was to review:</p> <ul style="list-style-type: none"> • Cultural Services engagement with its service users and whether the way it currently engages best serves the residents of Blackpool. • Whether the service is effectively identifying and utilising opportunities to help the Council in delivering its wider priorities. • How the service can plan its business going forward to maximise the outputs and outcomes achieved in light of decreasing resources. <p><u>Assurance Statement:</u></p> <p>Cultural Services have demonstrated that they effectively engage with residents through a variety of mechanisms and undertake a wide range of projects to reach a number of different target audiences.</p> <p>The service has also demonstrated how it contributes to a range of Council priorities particularly in relation to public health, school improvement, economic development and adult learning. This is supported by positive feedback from a range of internal stakeholders and evidence of a number of the joint working projects undertaken.</p> <p>Steps are taken to plan for the service and the business plan has been rationalised for 2015/2016 to help focus the service on the delivery of key objectives. The service also demonstrates success in bidding for external funding to widen the Cultural Services offer.</p> <p>Whilst a lot of positive work is being undertaken our audit did identify some inconsistencies in approach between different areas of Cultural Services and feedback from internal stakeholders has also identified some potential areas for further development.</p> <p>We therefore consider that Cultural Services are performing adequately across all areas of the scope of this review but have made some recommendations to help further develop the service offer.</p>

Risk Services Quarter Three Report – 2015/2016

Directorate	Review Title	Assurance Statement
Resources	Carbon Reduction Commitment	<p><u>Scope:</u></p> <p>This compliance based review of the Council’s carbon reduction commitment submission for 2014/2015 was based on guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). There is an annual requirement for an internal audit of the scheme to be carried out and copies of associated audit reports should be provided in the authorities evidence pack. The audit focused on a number of control objectives including that:</p> <ul style="list-style-type: none"> • Information contained in the Annual Report is accurate and timely, • All fuel consumption is accurately reported using correct conversion rates and includes core, residual and other fuel types, • Estimated bills are monitored to ensure at least two meter reads are taken in a six month period (to avoid uplifts in carbon allowance purchases associated with estimated bills), • Issues are logged and updated with outcomes to support the evidence pack, • The cost of carbon allowances is budgeted for and accounted for correctly in the Council's financial system. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place for the Carbon Reduction Commitment Scheme are good. Most risks have been identified and assessed and we consider that only minor control improvements are required. Our testing revealed a satisfactory level of compliance with the controls.</p>

Risk Services Quarter Three Report – 2015/2016

Directorate	Review Title	Assurance Statement
Resources	Purchase Cards	<p><u>Scope:</u></p> <p>The scope of the audit was to:</p> <ul style="list-style-type: none"> • Conduct a post implementation review of the project to assess the effectiveness of the transition to the new purchasing card system and identify any outstanding issues which need to be resolved; and • Ensure that key controls have continued to work effectively since the change to the new supplier has taken place. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are inadequate, as a number of material risks are identified and significant improvements are required to ensure any outstanding issues from this project are resolved.</p> <p>For the limited controls that are in place our testing has revealed a number of lapses in compliance.</p>

Progress with Priority 1 audit recommendations

A review of priority one recommendations was undertaken to confirm the current position. This focused on all priority one recommendations implemented, those where new target dates have been agreed, those where no response has yet been received by the service and those not yet due.

Some priority one recommendations have not been implemented by the agreed target date however steps have been taken with the service to agree revised target dates and these will be followed-up once the new target dates are reached.

The Regulation of Investigatory Powers Act 2000

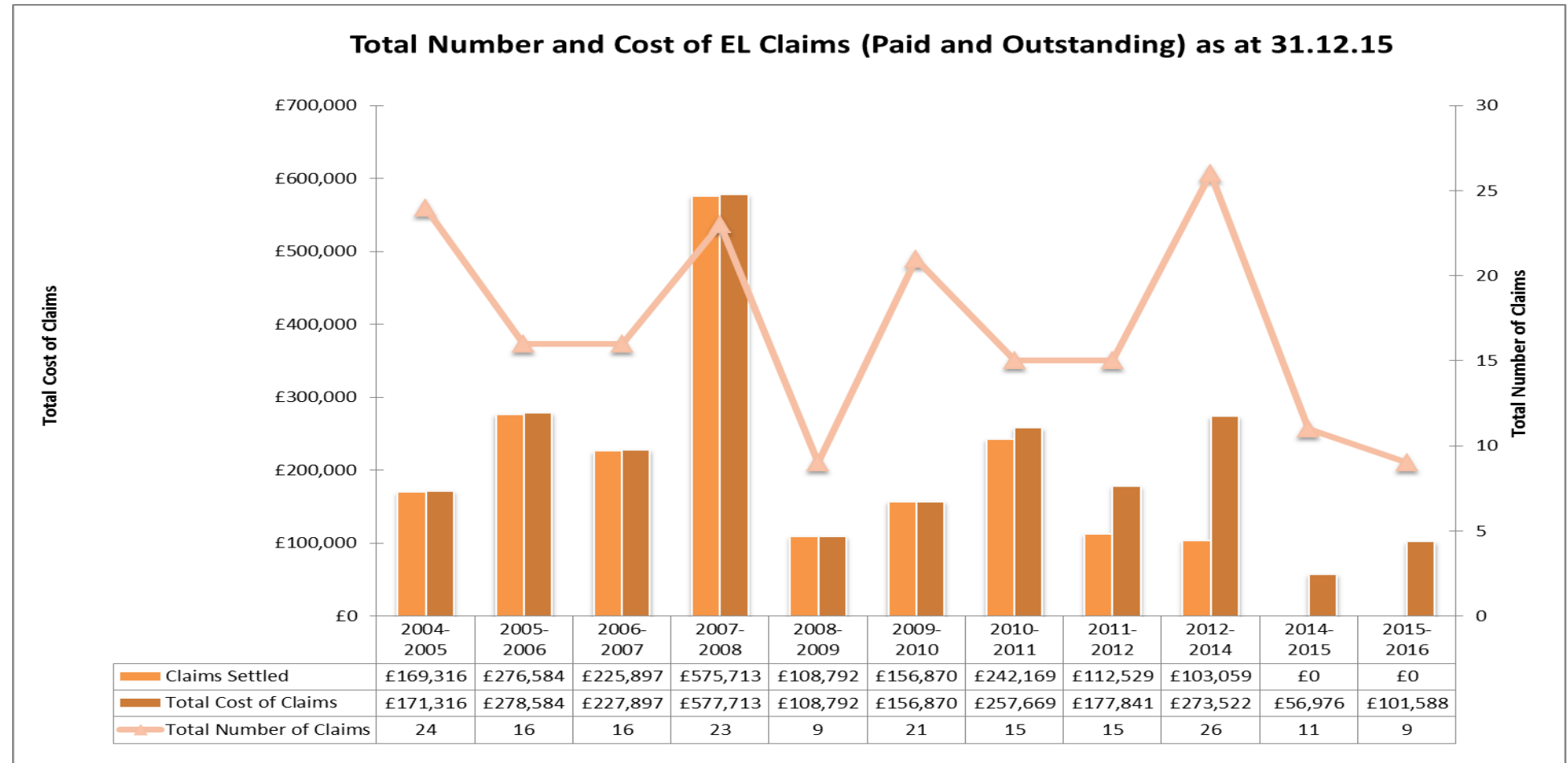
In line with best practice it has been agreed that the Council will report to the Audit Committee the number of RIPA authorisations undertaken each quarter which enables the Council to undertake directed and covert surveillance. Between October and December 2015 the Council authorised one directed surveillance reported to the Governance and Regulatory Service. This was by the Public Protection Team and was related to the sale and distribution of illicit tobacco products.

Insurance claims data

Statistics in relation to insurance claims are collated on a quarterly basis and details of the latest information can be seen in **Appendix B** of this report.

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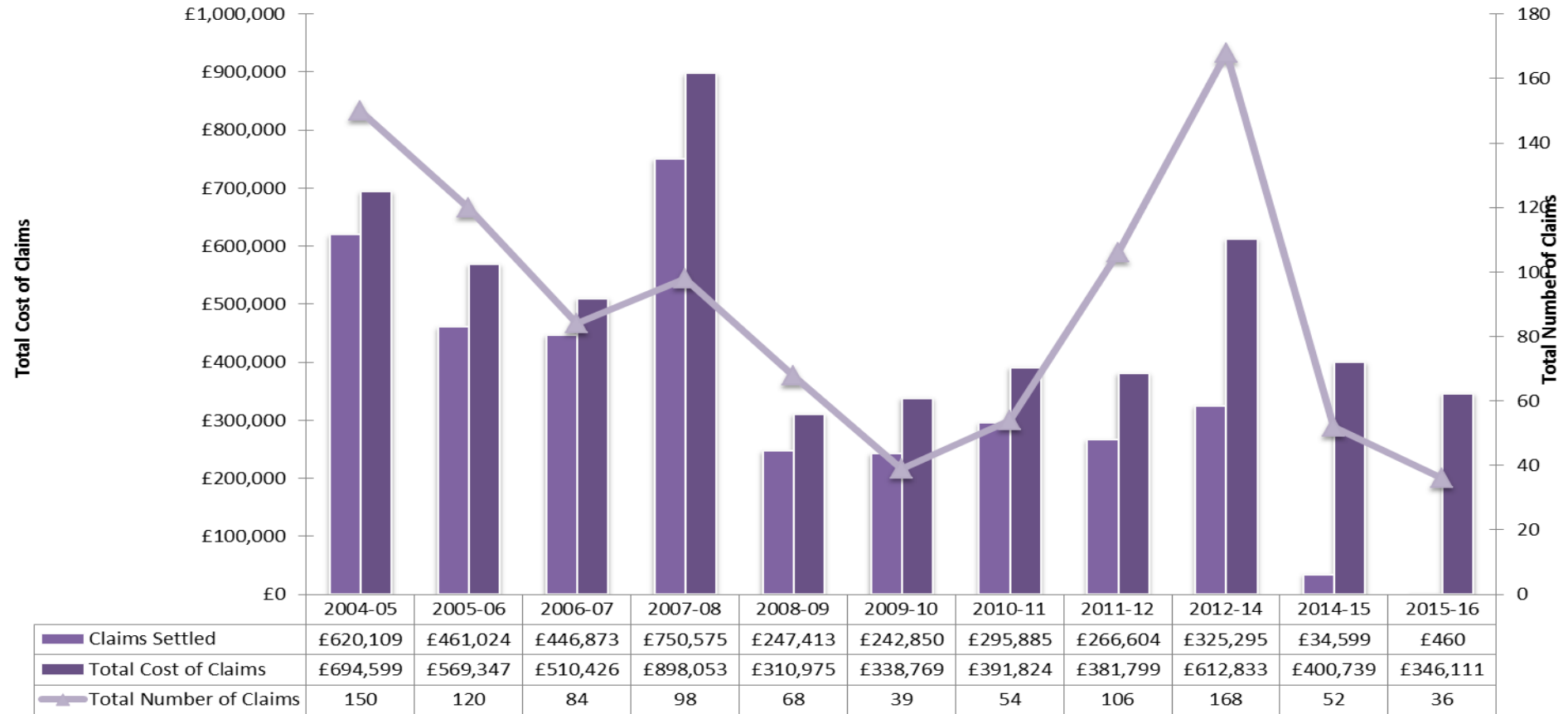
4. Appendix B – Insurance Claims Data



Please note that for the period 2012 to 2014 the policy ran for an 18 month period whilst arrangements were made to align all policy dates to a 1st April start in preparation for the procurement exercise.

Risk Services Quarter Three Report – 2015/2016

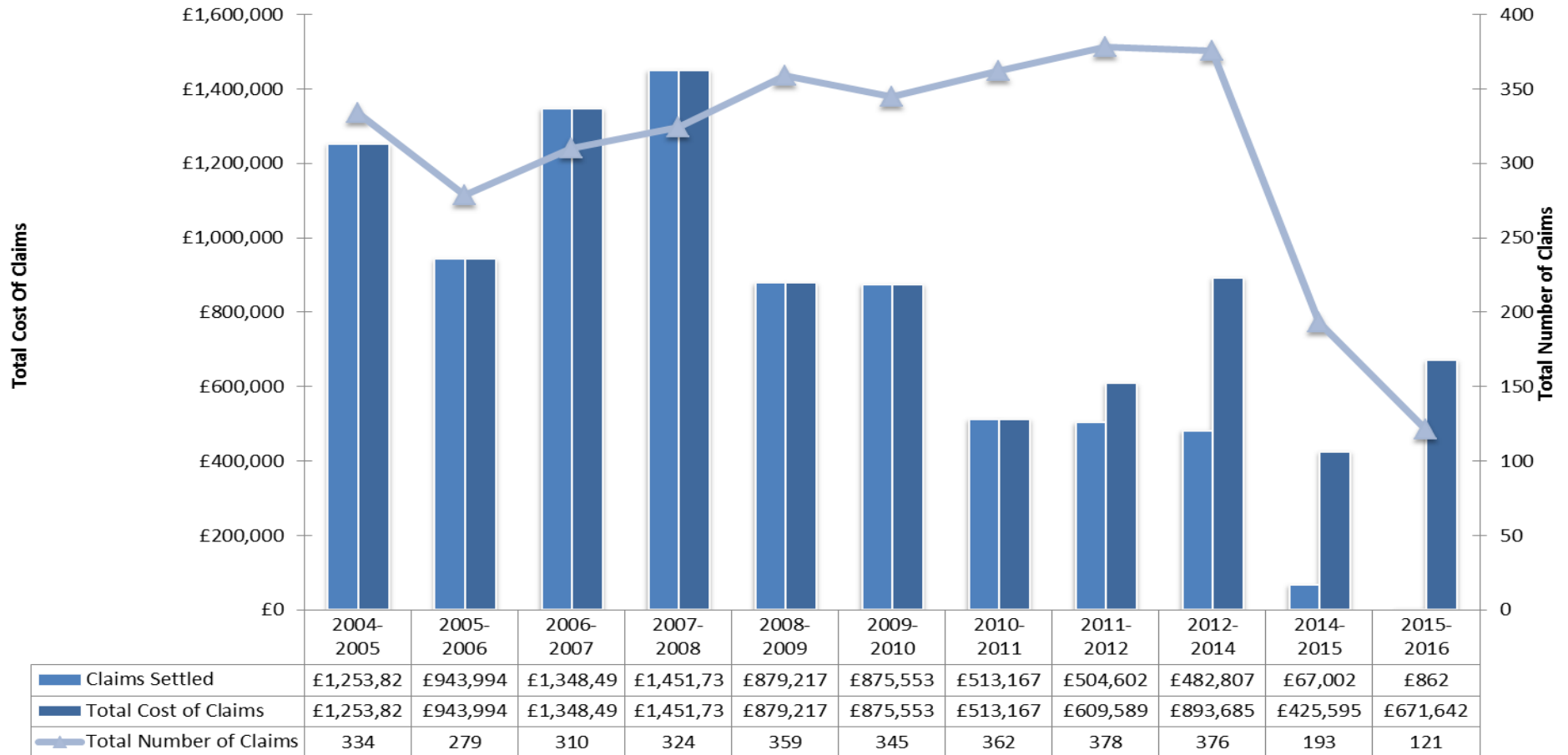
Total Number and Cost of PL Claims (Paid and Outstanding) as at 31.12.15.



Please note that for the period 2012 to 2014 the policy ran for an 18 month period whilst arrangements were made to align all policy dates to a 1st April start in preparation for the procurement exercise.

Risk Services Quarter Three Report – 2015/2016

Total Number and Cost of PLH Claims (Paid and Outstanding) as at 31.12.15



Please note that for the period 2012 to 2014 the policy ran for an 18 month period whilst arrangements were made to align all policy dates to a 1st April start in preparation for the procurement exercise.

Report to:	Audit Committee
Relevant Officer:	Tracy Greenhalgh- Chief Internal Auditor
Date of Decision/ Meeting	10 March 2016

INTERNAL AUDIT PLAN 2016/2017

1.0 Purpose of the report:

1.1 The purpose of this report is to consider and approve the Internal Audit Plan 2016/17.

2.0 Recommendation(s):

2.1 The Audit Committee is recommended to:

1. Approve the Internal Audit Plan for 2016/17, including the plan for counter-fraud and corruption work.
2. Approve the Anti-Fraud and Corruption Statement and the Internal Audit Charter, which are included as appendices to the Plan.

3.0 Reasons for recommendation(s):

3.1 The Public Sector Internal Audit Standards require that the Internal Audit Plan is approved by senior management and the Audit Committee.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:
N/a

4.0 Council Priority:

4.1 The relevant Council Priorities are

- "The economy: Maximising growth and opportunity across Blackpool"
- "Communities: Creating stronger communities and increasing resilience"

5.0 Background Information

5.1 Each risk based review will include core areas of internal control such as business planning, performance monitoring and security of assets.

5.2 Compliance testing accounts for approximately fifty percent of the allocated audit resource. As set out in the 2014/17 audit strategy, the overall approach remains, to complement risk based audit work with a robust set of compliance testing.

5.3 Changes to the programme of risk-based work will only be made following discussion with the Council's Section 151 officer. Any changes will be made known to the Audit Committee through the quarterly report of the Chief Internal Auditor.

5.4 Does the information submitted include any exempt information? No

List of Appendices:

Appendix 4a: Internal Audit Plan 2016/2017

6.0 Legal considerations:

6.1 Each audit review will consider the legal implications faced by the service and will factor these into the evaluation of the service.

7.0 Human Resources considerations:

7.1 A meeting will be arranged with the relevant Director and Head of Service to scope each audit review and agree timings so that staff have adequate notice that an audit is going to be undertaken.

8.0 Equalities considerations:

8.1 The plan is based on a risk assessment of all Council services.

9.0 Financial considerations:

9.1 It is proposed that a significant part of the 2016/17 Internal Audit Plan will focus on financial controls given the budget pressures faced by the Council.

10.0 Risk management considerations:

10.1 An audit universe is in place which lists all Council services and an exercise is undertaken to risk assess each service using a weighted criteria including materiality, system stability, devolved control, internal control and sensitivity. This is undertaken by the Internal Audit Team using their combined knowledge and experience. The

Chief Internal Auditor then meets with each Departmental Management Team to present internal audit's priorities and establish what they consider to be risks faced by their service areas.

- 10.2 All of the above information is collated into one document and a further risk assessment is undertaken by the Chief Internal Auditor to identify which of the risks can be resourced in the internal audit plan. Factors which inform this include whether a follow-up of priority one recommendations is already planned, time since last review, whether assurance can be obtained from a different source and whether internal audit can gain assurance through an alternative method.

11.0 Ethical considerations:

- 11.1 Each internal audit undertaken will be completed in compliance with the Code of Ethics as outlined in the Public Sector Internal Audit Standards.

12.0 Internal/ External Consultation undertaken:

- 12.1 Planned audit work has been discussed with the Chief Executive, Senior Management and the Section 151 Officer.

13.0 Background papers:

- 13.1 N/a

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Internal Audit
Annual Plan
2016-2017

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Internal Audit Annual Plan 2016-17

1. Introduction

- 1.1 The purpose of this report is to obtain approval for the internal audit and corporate fraud plan of work for 2016/17. This plan principally covers internal control review and anti-fraud and corruption work. The Public Sector Internal Audit Standards recommends that the audit plan is approved by both the Audit Committee and senior management.
- 1.2 In terms of reporting lines for the service the Chief Internal Auditor reports to the Director of Resources on operational issues and the Chief Executive and Audit Committee as appropriate on strategic issues.
- 1.3 The audit plan is based on the service structure, which includes six full time equivalent operational audit staff.
- 1.4 The service will report summary findings of work undertaken on a quarterly basis to the Audit Committee, Corporate Leadership Team and Resources Directorate Management Team. As in previous years, the Audit Committee can request more detailed information on any work undertaken. The annual opinion of the Chief Internal Auditor will contribute to the Council's Annual Governance Statement.
- 1.5 Professional standards require the internal audit charter and anti-fraud and corruption strategies to be periodically reviewed and reapproved by the organisation. In the current times of significant organisational change it is considered that annual review of these documents is appropriate and they are both appended to this plan for members' consideration. It should be noted that a fundamental review of the internal audit charter has taken place for 2016/17 and it is now based on best practice from the Chartered Institute of Internal Auditors and therefore there are a number of changes from 2015/16.

2. Overall balance of coverage

- 2.1 The work of the team is divided into four main services to the Council:
 - Reviews of Council systems and processes on a risk assessed basis to ensure controls are adequate, coupled with a programme of follow-up work to ensure significant findings are implemented;
 - Compliance testing to ensure:
 - Significant financial systems remain 'fit for purpose'
 - Adequate financial procedures in schools
 - Appropriate controls over capital contracts and larger revenue contracts
 - Effective procurement activity, including non-contracted spend
 - Provision of consultancy and advice to service management on request regarding aspects of internal control;

Internal Audit Annual Plan 2016-17

- Fraud investigation, where appropriate in conjunction with the Corporate Fraud Officer.

2.2 Internal audit continues to work closely with the Council's external auditors, KPMG. Regular liaison meetings are held to avoid duplication and exchange key findings on areas of mutual concern.

3. Risk-based reviews

3.1 Within each risk based review we will continue to include core areas of internal control such as business planning, performance monitoring and security of assets. Segregation of duties in key processes will remain an important focus given the current economic climate and issues identified from past work.

3.2 Planned audit work has been discussed with the Chief Executive, Senior Management and the Director of Resources. The plan has also been discussed by the Corporate Leadership Team on the 9th February 2016.

3.3 The demand for audit work in 2016/2017 has exceeded the available resource and therefore a decision has been taken to focus on the areas with the highest perceived risk.

3.4 The plan has been compared to the financial risk assessment included in the Council's budget to help ensure that key areas of financial risk are aligned to the audit plan.

3.5 Changes to the programme of risk based work will only be made following discussion with the Council's Section 151 officer. Any changes will be made known to the Audit Committee through the quarterly report of the Chief Internal Auditor.

3.6 A list of risk based reviews which will be covered in 2016/2017 can be found in **Appendix A**.

4. Compliance testing

4.1 Compliance testing accounts for approximately fifty percent of the allocated audit resource. As set out in the 2014/17 audit strategy, the overall approach remains, to complement risk based audit work with a robust set of compliance testing. The compliance element of the audit programme can be split into the following sub-headings, further details as to the areas of coverage can be found in **Appendix A** of this report.

Financial Control Assurance Testing

4.2 This involves the testing of core financial system transactions to ensure that all major financial systems are subject to an adequate level of audit review work annually. Computer audit techniques have been extended and manual sample testing reduced to help ensure the widest range of coverage focused on transactions which warrant further investigation.

4.3 The results of the Financial Control Assurance Testing are reported each quarter to the relevant Head of Service with a full copy of the results provided to the Director of Resources. These reports offer assurance throughout the year that key financial controls are working effectively and also identify any control weaknesses for follow-up and resolution.

Internal Audit Annual Plan 2016-17

Procurement and Contract Audit

- 4.4 A number of reviews will be undertaken to ensure that adequate procurement arrangements are in place and that contracts are being effectively managed.

Schools Audit

- 4.5 It is intended that each maintained school will be subject to an audit of its core financial controls every three years, or more frequently if necessary. A risk assessment has been undertaken to assess which schools will be subject to audit in 2016/2017 and provision has been made in the plan for up to six schools to be visited.

Establishment Visits

- 4.6 A small programme of establishment visits will take place to ensure that financial controls are operating effectively.

Grants and Service Level Agreements

- 4.7 This year's audit programme will also include a review of ward budgets and various grant certifications which require sign-off by the Chief Internal Auditor.

Carbon Reduction commitment

- 4.8 The Carbon Reduction Commitment (CRC) scheme is a mandatory energy efficiency scheme which uses an emissions trading mechanism. The CRC scheme was introduced in April 2010 and involves large public and private sector organisations in the UK. Non-compliance with the scheme will expose the participating organisations to potentially significant financial penalties. To mitigate against this, organisations must develop reliable systems for energy data collection that provide timely, complete and accurate information.
- 4.9 A requirement of the CRC scheme is that each organisation implements a system for regular internal audits, and copies of the audit reports need to be included in the CRC evidence packs.
- 4.10 The first CRC audit at Blackpool Council took place in 2011/2012 and it is intended that a programme of annual audits will be implemented going forward.

5. Counter-fraud and corruption work

- 5.1 The counter fraud programme is based on the guidance in the CIPFA 'Red Book' on fraud prevention and the 'Protecting the Public Purse' document to ensure that it takes account of emerging threats and focuses on priority fraud risks.
- 5.2 As well as work by Risk Services, vigilance and a commitment to tackling fraud by frontline staff remains a vital safeguard in preventing and detecting fraud.

Internal Audit Annual Plan 2016-17

6. Consultancy and advice

- 6.1 The provision of advice to management on matters of risk and control remains an important aspect of the internal audit service. As in prior years a proportion of audit management time has been set aside for ad hoc consultancy work at management request.

7. External work

- 7.1 The internal audit team also undertakes work for a range of external clients. These include Blackpool Coastal Housing where a separate internal audit plan is in place and audit findings are reported to their Finance, Audit and Corporate Services Committee.
- 7.2 In addition, the internal audit team carries out reviews at a number of the leisure assets owned by the Council. An annual audit is undertaken of the Sandcastle Waterpark with the findings reported to the Blackpool Operating Company Board. An audit approach has also been developed with Merlin Entertainment to facilitate an annual review of the controls in place at Blackpool Tower, the Dungeons and Madame Tussauds.
- 7.3 The internal audit team is also looking to implement arrangements with Blackpool Transport Services, Blackpool Housing Company and Blackpool Entertainment Company.
- 7.4 A service offer has also been provided to schools to provide support to them in completing the Schools Financial Value Standard. Whilst there is no requirement that schools are externally assessed against their self-assessment the internal audit team recognise that schools may welcome support. A service offer to schools who have obtained academy status has also been developed to support academies with the provision of an internal audit service.
- 7.5 Blackpool Council provides a number of shared services with Fylde Borough Council, particularly in relation to the provision of revenues and benefits services. These key financial systems are subject to regular audit review and therefore the Council's Internal Audit Team undertake the required work jointly with Fylde Borough Council's audit team to reduce the audit burden on the service .

8. Monitoring performance

- 8.1 As head of the Council's independent assurance service, the Chief Internal Auditor will issue quarterly reports to the Section 151 Officer, Corporate Leadership Team and Audit Committee, to enable any areas of concern to be acted upon as necessary. The Chief Internal Auditor's opinion on the effectiveness of the system of internal control for the 2015/16 year will be included in the fourth quarter report in May 2016.
- 8.2 As with all Council services, performance indicators will be used for monitoring and managing the team. Wherever possible, performance indicators are intended to remain the same year on year to enable trends to be identified. The five PIs in place are:
- Audit plan completed;
 - Reviews delivered to deadline;
 - Reviews delivered to time budget;
 - Customer satisfaction;

Internal Audit Annual Plan 2016-17

- Compliance of audit reviews with department quality standards.

9. Recommendation

9.1 Audit Committee are asked to:

- Approve the internal audit plan for 2016/17, including the plan for counter-fraud and corruption work.
- Approve the anti-fraud and corruption statement.
- Approve the Internal Audit Charter.

Tracy Greenhalgh CMIIA, MSc
Chief Internal Auditor
10th March 2016

Appendix A - Planned Risk Based and Compliance Reviews

Directorate	Service / Topic	Provisional Timings	Allocated Days
Risk Based Reviews			
Community and Environment	Selective Licensing Scheme	Q1	20
Community and Environment	Flood Management	Q2	20
Community and Environment	Commercial Waste	Q4	20
Corporate	Staff Time Recording	Q1	10
Corporate	Driving at Work (Council Vehicles)	Q2	20
Deputy Chief Executive	Cyber Security	Q1	20
Deputy Chief Executive	Health and Safety	Q3	20
Governance and Regulatory	Governance Arrangements and Boards and Panels	Q4	20
People	Direct Payments	Q2	20
People	Managing Client Finances	Q4	20
People	Cost of External Placements	Q2	20
People	Safeguarding (Adult Compliance)	Q1	20
People	Safeguarding Team	Q4	20
People	Placement Orders and Legal Costs	Q2	20
People	Adolescent Hub	Q3	20
People	Framework-I	Q2	15
Place	Beach Patrol	Q1	20
Place	Economic Development (including commercial development and business loans)	Q4	25
Public Health	Integration with Council Services	Q2	20
Public Health	Measuring Outcomes from Preventative Measures	Q4	20
Resources	Social Care Benefits Debts	Q1	20
Resources	Estate Management and Investment Portfolio	Q3	20
Resources	Blue Badge Award Process	Q1	20
Resources	Budgetary and Financial Management	Q2	20
Resources	Treasury Management	Q3	20
Resources (joint with Fylde)	Refunds of Council Tax and Business Rates	Q3	20
Contract / Procurement Audits			
Place	Blackpool Museum	Q2	15
Resources	The Chest and Contract Register	Q4	20
Resources	Catalogue Prices	Q1	20
Compliance Testing			
Children's Services	Bispham Endowed Primary School	TBC	2
Children's Services	Holy Family Primary School	TBC	2
Children's Services	Claremont Community Primary School	TBC	2

Children's Services	Highfield Humanities College	TBC	2
Children's Services	St John Vianney Primary School	TBC	2
Children's Services	Stanley Primary School	TBC	2
Children's Services	Troubled Families	TBC	10
Community and Environment	Parks and Public Playgrounds	Q1	10
Community and Environment	HWRC Establishment Visit	Q3	10
Corporate	Financial Control Assurance Testing	Quarterly	150
Governance and Regulatory	Ward Budgets	Q4	10
Governance and Regulatory	Executive Decisions – Resources	Q3	15
People	Phoenix Centre (Establishment Visit)	Q1	5
People	Keats Centre (Establishment Visit)	Q1	5
Place	Positive Steps into Work	Q4	10
Resources	Carbon Reduction Commitment	Q2	5
Total			807

Appendix B – Proactive anti-fraud workplan 2016/17

The proactive fraud anti-fraud workplan includes the following actions:

Internal Audit

- 1) Undertake Financial Control Assurance Testing (FCAT) compliance audit work using IDEA software to deliver maximum assurance that core systems are operating as described.
- 2) Continue to promote register of interests through internal audit work to reduce the likelihood of undeclared conflicts of interest.

Corporate Fraud

- 1) Develop the use of IDEA software to better target proactive resources for fraud and error testing on a quarterly basis.
- 2) Attend the Greater Manchester Fraud Group, half yearly meetings, to share intelligence, best practice and develop training opportunities and promote work on joint initiatives.
- 4) Develop the resources available on the Hub such as updates, warnings of emerging fraud risks, case summaries on proven cases and fraud prevention information.
- 5) Promote the Fraud Awareness I-Pool course and encourage all managers to complete the training.
- 6) Pursue civil, disciplinary and/or criminal sanctions, picked up during investigation process.
- 7) Identify and recover all losses identified during investigation process and recovery action sought through POCA, insurance, payroll and legal means.
- 10) Promote the Council's arrangements on prevention of money laundering, the Bribery Act and whistleblowing, in the latter case in conjunction with Human Resources.
- 11) Undertake proactive fraud detection work on the following risk assessed systems:
 - Insurance Fraud
 - Payroll
 - Purchase Cards
 - Petty Cash
 - Procurement (using CIPFA guidance)
 - Council Tax (including data matching with temporary benefits)
 - Blue badge fraud drive
 - Expenses fraud
- 12) Ensure that all members of the Corporate Fraud Team are suitably qualified to deal with corporate fraud investigations.

Appendix C - Anti-fraud and corruption statement

Blackpool Council is committed to the prevention of fraud and corruption.

It is important to Blackpool Council to use its income and resources in the most effective way for the delivery of high quality services to the community. Blackpool Council requires all employees and elected members to act honestly and with integrity and to safeguard the public resources for which they are responsible. Blackpool Council also expects the same levels of honesty and integrity from all individuals and companies dealing with the Council and will take appropriate action when fraud, bribery or corruption is suspected.

Introduction

The purpose of this statement is to set out the procedures to be followed where fraud, bribery or corruption is suspected or detected. It is part of Blackpool Council's overall approach to security and therefore it applies to the Council and all other parties who are given access to the Council's information and premises. It covers all personnel including Council staff, freelance, casual and temporary agency staff, contractors and elected members.

There is an expectation and requirement that all individuals, businesses and organisations dealing in any way with the Council will act with integrity and that Council employees at all levels will lead by example to prevent and detect fraud, bribery and corruption. The Council subscribes fully to the principles laid down by the Nolan Committee which include:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

Senior management and elected members are also expected to deal effectively with any potentially fraudulent or corrupt activity that comes to their attention.

Blackpool Council can be the victim of a variety of frauds, bribes or corrupt acts from time to time.

Definitions of Fraud

Fraud

The Council regards fraud as being any intentional distortion of financial statements and other records to achieve inappropriate gain, and the misappropriation of assets. This may involve:

- Falsification or alteration of accounting records or other documents
- Misappropriation of assets or theft
- Suppression or omission of the effects of transactions from records or documents
- Recording transactions which have no substance

- Wilful misrepresentations of transactions or of the Council's state of affairs

The Fraud Act 2006 categorises fraud into three main types, namely dishonestly intending to make a gain, or cause a loss or risk of loss by:

- Making a false representation
- Failing to disclose information when there is a duty to do so
- Abuse of position

Bribery & Corruption

Corruption is a serious criminal offence, set out principally in the Prevention of Corruption Acts and now the Bribery Act 2010. Corruption includes offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the body, its members or officers. Some of the main areas of activity, which may be particularly susceptible to corruption include:

- Contracts and commissioning
- Grants
- Asset disposal
- Planning consents
- Licenses and other approvals

The Bribery Act 2010 has established 4 offences:

- Offering, promising or giving a bribe
- Requesting, receiving or accepting a bribe (whether directly or through a third party)
- Bribing a foreign public official
- The failure of a commercial organisation to prevent bribery

Legislation

The Council will at all times whilst conducting investigations utilise and comply with the requirements of the appropriate legislation including:

- The Police and Criminal Evidence Act 1984 (PACE)
- The Theft Acts of 1968
- The Fraud Act 2006
- Audit Commission Act 1998
- Serious Crime Act 2007
- Proceeds of Crime Act 2002 (POCA)
- The Data Protection Act 1998
- Criminal Attempts Act 1981
- Forgery and Counterfeiting Act 1981

- The Corruption Acts (1889-1916)
- The Public Interest Disclosure Act 1998
- The Human Rights Act 1998
- The Regulation of Investigatory Powers Act 2000
- Criminal Procedures and Investigations Act 1996
- Criminal Justice Act 1987
- Bribery Act 2010

Council rules relating to fraud and corruption

Council employees are expected to abide by the National and Local Conditions of Service relating to their employment, which include conduct issues. Employees are also expected to follow any code of conduct related to their profession where these require a further duty of care.

Council members are required to comply with the Model Code of Local Government Conduct and associated protocols, which provide guidance to members on recommended standards of conduct in carrying out their duties and in their relationships with the Council and Council officers.

All members and employees are required to declare any offer or receipt of gifts or hospitality that are in any way related to their relationship with the Council. A hospitality register is maintained of all declarations. A register is also maintained for officers to declare any business or related interests, membership of, or associations with, clubs, societies and other organisations.

The Council's constitution governs the way the Council conducts its activities and places an obligation on all members and employees to act in accordance with procedure rules, responsibilities and functions and supporting financial regulations.

Senior management have a role in ensuring that the Council takes adequate steps to safeguard against the risk of bribery.

The Corporate Leadership Team must ensure that all staff have access to these rules and regulations and that staff receive suitable training where appropriate. Members and employees must make sure that they read, understand and comply with the rules and regulations that apply to them.

Should any person knowingly break the rules and regulations then the Council may take formal action. The Council not taking adequate precautions to reduce the risk of bribery could also lead to a criminal conviction.

Fraud and Corruption Reporting

It is the responsibility of all staff to be alert for occurrences of fraud, bribery and corruption and to be aware that unusual events, transactions or behaviours could be indications of fraud (or attempted fraud) and corrupt practices. Fraud, bribery and corruption may also be highlighted as a result of specific management checks, by a third party, or in the course of audit reviews by both internal and external audit.

Service managers are responsible for maintaining an adequate framework of internal control to minimise potential losses by the Council. Risk Services is available to provide advice and assistance in

this area, but service management retains responsibility for preventing and highlighting possible fraudulent and corrupt activity.

Any suspicion of fraud will be taken seriously. If you become aware of a suspected fraud or irregularity you should report it to either:

- your Line Manager;
- your Head of Service or Director,
- the Chief Internal Auditor; or
- via the whistle blowing procedure.

When a member of staff reports suspicions to their line manager or head of service, their information should be taken seriously and they should be dealt with in a considerate way. Managers receiving the information should report it to the Chief Internal Auditor as soon as possible so that a decision can be made about the need for an investigation.

Confidentiality for all parties will be maintained over reports made in good faith which cannot be substantiated following investigation. A reporting member of staff may choose to remain anonymous and such anonymity will be respected. However, identification is preferred and will assist the investigation. An anonymous disclosure cannot be made under the Public Interest Disclosure Act 1998 (the 'Whistleblowing Act'); staff must identify themselves to receive protection under the Act.

Employees must not do any of the following:

- contact the suspected individual in an effort to determine facts or demand restitution;
- discuss the case facts, suspicions, or allegations with anyone outside the Council (including the press) unless specifically asked to do so by the Monitoring Officer or the Chief Internal Auditor;
- discuss the case with anyone within the Council other than the people listed above;
- attempt to seize paperwork or other evidence.

Investigation Procedure

All fraud, bribery and corruption investigations should be discussed at the outset with the Chief Internal Auditor and Deputy Chief Executive to ensure appropriate procedures are followed and any necessary support is provided.

You must not attempt to personally conduct investigations or interviews or question anyone unless asked to do so by the leader of the investigation team.

Investigation results will not be disclosed to, or discussed with, anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputation of persons subsequently found innocent of alleged wrongful conduct, and to protect the Council from potential civil liability.

In cases where an individual is suspected of fraud, which a subsequent investigation does not substantiate, it is important that the potential damage to the individual's reputation is minimised. Whoever originally reported the suspected fraud or irregularity will be informed that the investigation has revealed no wrongdoing.

Any necessary investigative activity will be conducted without regard to any person's relationship to the Council, position or length of service.

Conduct of Investigation

Investigations will be carried out by the Chief Internal Auditor or Corporate Fraud Officer, or a senior manager who is independent of the direct line responsibility, and will be conducted with discretion and sensitivity.

Those carrying out the investigation will confine themselves to investigating those matters that are the subject of, or relevant to, the suspected fraud, bribery or corruption.

On completion of the investigation, a written report will be prepared stating the facts established by the investigation. The report should avoid speculation or any statement that cannot be supported by evidence.

Prosecution Policy

Whenever possible, the Council will take action against all perpetrators of fraud and corruption, whether internal or external to the authority.

In cases of internal fraud and corruption the Chief Internal Auditor will discuss the findings of any investigation with the relevant service management and HR officers, who together will decide whether to take disciplinary action.

Cases of internal or external fraud and corruption, where there is potentially sufficient evidence for a criminal prosecution, will be referred to the police.

It may be necessary to involve the police for other reasons, e.g. to take forensic evidence or to search premises. In all instances, the investigating team should instigate contact with the police.

Learn From Past Experience

Where fraud, bribery and corruption have occurred management must take any necessary steps to amend systems and procedures to ensure that similar frauds or corrupt practices do not recur. The investigation may highlight where there has been a failure of supervision or a breakdown/absence of control. Internal audit is available to offer advice and assistance on matters relating to internal control, if considered appropriate.

Recovery of Loss

Where the Council has suffered loss, restitution will be sought of any benefit or advantage obtained and the recovery of costs will be sought from any individual(s) responsible for fraud or corruption.

As a first step the individual concerned will be asked to make good the loss. If the individual cannot or will not make good the loss consideration should be given to taking civil recovery action, subject to legal advice received.

Conclusion

Blackpool Council is committed to tackling fraud and corruption whenever it happens. The circumstances of individual frauds and corruptions will vary, but the Council's response should be effective and organised and will rely on the principles included in this document.

Appendix D – The Internal Audit Charter

Introduction

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Blackpool Council.

It assists Blackpool Council in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance processes.

Role

The internal audit activity is established by the Corporate Leadership Team and Audit Committee. The internal audit activity's responsibilities are defined by the Corporate Leadership Team and Audit Committee as part of their oversight role.

Professionalism

The internal audit activity will govern itself by adherence to the CIPFA and CIAA Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

In addition, the internal audit activity will adhere to Blackpool Council's relevant policies and procedures and the internal audit activity's standard operating procedures manual (Audit Manual).

Authority

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free and unrestricted access to any and all of Blackpool Council's records, physical properties and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Corporate Leadership Team and the Audit Committee.

Organisation

The Chief Internal Auditor will report on operational issues to the Director of Resources and the Chief Executive on strategic matters. The Chief Internal Auditor has the authority to communicate and interact directly with the Corporate Leadership Team and the Audit Committee.

Independence and Objectivity

The internal audit activity will remain free from interference by any element in Blackpool Council, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair internal auditor's judgement.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors

must make a balanced assessment of all of the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The Chief Internal Auditor will confirm to the Corporate Leadership Team and Audit Committee, at least annually, the organisational independence of the internal audit activity.

Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of Blackpool Council's governance, risk management and internal control processes in relation to the Council's defined goals and objectives. Internal control objectives considered by internal audit include:

- Consistency of operations or programs with established objectives and goals and effective performance.
- Effectiveness and efficiency of operations and employment of resources.
- Compliance with significant policies, plans, procedures, laws and regulations.
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify and report such information.
- Safeguarding of assets.

Internal audit is responsible for evaluating all processes (Audit Universe) of the entity including governance processes and risk management processes. It also assists the Audit Committee in evaluating the quality of performance of external auditors and maintains a proper degree of coordination with external audit.

Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. It may also evaluate specific operations at the request of management, as appropriate.

Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to the Corporate Leadership Team and Audit Committee, including fraud risks, governance issues and other matters requested or needed by the Corporate Leadership Team.

Internal Audit Plan

On an annual basis, the Chief Internal Auditor will submit to the Corporate Leadership Team and Audit Committee an internal audit plan for review and approval, including risk assessment criteria. The internal audit plan will include timing as well as budget and resource requirements for the next financial year. The Chief Internal Auditor will communicate the impact of resource limitations and significant interim changes to the Corporate Leadership Team and the Audit Committee.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk based methodology, including input from senior managers. Prior to submission of the plan to the Corporate Leadership Team for approval the plan may be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

Reporting and Monitoring

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be reported to the Corporate Leadership Team and the Audit Committee.

The internal audit report will include management's response and corrective action taken or to be taken with regard to specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All high risk findings will remain in an open issues file until cleared and where there is undue delay in implementing agreed actions this will be reported to Audit Committee.

Periodic Assessment

The Chief Internal Auditor is responsible for providing periodically a self-assessment on the internal audit activity regarding its conformity to the Audit Charter (purpose, authority, responsibility) and performance relative to the audit plan.

In addition, the Chief Internal Auditor will communicate to the Corporate Leadership Team and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

Quality Assurance and Improvement Programme

The internal audit activity will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Chief Internal Auditor will communicate to the Corporate Leadership Team and Audit Committee on the internal audit activity's quality assurance programme, including results of ongoing internal assessments and external assessment conducted at least every five years.

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Report to:	AUDIT COMMITTEE
Relevant Officer:	Iain Leviston, Manager, KPMG
Date of Meeting	10 March 2015

CERTIFICATION OF GRANTS AND RETURNS 2014/2015

1.0 Purpose of the report:

1.1 To consider the External Auditor's report on the certification of grants and returns 2014/2015.

2.0 Recommendation(s):

2.1 To note the report and make any recommendations as considered appropriate.

3.0 Reasons for recommendation(s):

3.1 To enable the Committee to consider a report from the External Auditor in relation to the certification of grants and returns 2013/2014 and make appropriate recommendations.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

None.

4.0 Council Priority:

4.1 The relevant Council Priorities are

- "The economy: Maximising growth and opportunity across Blackpool"
- "Communities: Creating stronger communities and increasing resilience"

5.0 Background Information

- 5.1 The report summarises the results of work the external auditor has carried out on the Council's 2014/15 grant claims and returns.
- 5.2 The report includes 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.
- 5.3 A detailed summary of the key outcomes of the work has been included within the report.
- 5.4 Information on the certification work fees has also been provided within the report.
- 5.5 Does the information submitted include any exempt information? No

List of Appendices:

Appendix 5a: Certification of claims and returns 2014/2015

6.0 Legal considerations:

- 6.1 None

7.0 Human Resources considerations:

- 7.1 None

8.0 Equalities considerations:

- 8.1 None

9.0 Financial considerations:

- 9.1 None

10.0 Risk management considerations:

- 10.1 None

11.0 Ethical considerations:

- 11.1 None

12.0 Internal/ External Consultation undertaken:

12.1 None

13.0 Background papers:

13.1 None

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KPMG Annual Report on grants and returns work 2014/15

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Blackpool Council

February 2016

The contacts at KPMG in connection with this report are:

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■ Headlines	2
■ Summary of certification work outcomes	3
■ Fees	5

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Trevor Rees, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to andrew.sayers@kpmg.co.uk After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

<p>Introduction and background</p>	<p>This report summarises the results of work we have carried out on the Council's 2014/15 grant claims and returns.</p> <p>This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2014/15 is:</p> <ul style="list-style-type: none"> ■ Under the Public Sector Audit Appointment arrangements we certified one claim – the Council's 2014/15 Housing Benefit Subsidy claim. This had a value of £88.7 million. ■ Under separate assurance engagements we certified x claims/returns as listed below. <ul style="list-style-type: none"> – DCLG Pooling of Housing Capital Receipts – Teachers' Pensions EOYCa return - £18.4 million – Decent Homes Backlog Funding Agreement – £3.5 million – HCA Compliance audit – review of two grant funded development schemes 	<p>-</p>
<p>Certification results</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 63</p>	<p>Our work on the Council's Housing Benefit Subsidy claim was subject to a qualification letter.</p> <ul style="list-style-type: none"> ■ Additional testing had to be performed on the claim because of the incorrect classification of overpayments that had occurred in previous years. Testing of forty cases identified one case where the overpayment had been correctly classified. As it would have been inappropriate to estimate an adjustment to the claim based on this single finding, it was agreed that that claim should remain unaltered, and the error identified reported in a qualification letter. <p>Our work on the other grant assurance engagements resulted in the following reports:</p> <ul style="list-style-type: none"> ■ Three of the certificates were issued without amendment or qualification; and ■ The HCA Compliance Audit received a qualification on three grounds; such qualifications are not unusual when completing this work. 	<p>Page 3</p>
<p>Audit adjustments</p>	<p>No adjustments were necessary to the Council's grants and returns as a result of our certification work this year.</p>	<p>Page 4</p>
<p>Fees</p>	<p>The indicative fee for our work on the Council's 2014/15 Housing Benefit Subsidy was set by Public Sector Audit Appointments at £18,210. The actual fee for this work was £18,210. The fee is as indicated as the anticipated additional testing, required due to previous errors, was performed but no work over and above this was required.</p> <p>Our fees for the other 'assurance' engagements were subject to agreement directly with the Council totalled £8,850.</p>	<p>Page 5</p>

Overall, we carried out work on five grants and returns:

- 3 were unqualified with no amendment;
- 2 required a qualification to our audit certificate.

Detailed comments are provided overleaf.

Detailed below is a summary of the reporting outcomes from our work on the Council's 2014/15 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments arrangements					
■ Housing Benefit Subsidy	1				
Other assurance engagements					
■ Pooling of Housing Capital Receipts					
■ Teachers' Pensions Return					
■ Decent Homes Backlog					
■ HCA Compliance audit	2				
		2	0	0	3

Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

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Ref	Summary observations	Amendment
1	<p>Housing Benefit Subsidy claim</p> <ul style="list-style-type: none"> ■ Prior year certification work identified instances where overpayments were incorrectly classified as ‘claimant error, eligible overpayments’. These cases should have been classified as ‘local authority delay or overpayment error’. In 2013/14, four such cases were reported, and while no amendment was made to the claim, the claim was qualified as a result. ■ Over the last couple of years, the Council has undertaken a number of actions to reduce the number and scale of errors within the claim. This has included: <ul style="list-style-type: none"> – increased staff training; – greater support for staff undertaking work, including an allocated, more experienced colleague, to help answer subsidy queries as they arise; and – more regular and more detailed review of claims processed by staff. ■ In 2014/15, the errors identified in 2013/14 and previous years required us to undertake testing of an additional 40 cases which contained ‘local authority delay or overpayment’ errors. Testing identified only one case where the overpayment error was identified this year, a significant improvement on prior years. 	<p>£nil</p>
2	<p>HCA Compliance audit</p> <ul style="list-style-type: none"> ■ Our compliance work requires development schemes selected by the HCA to be assessed against a standard checklist. ■ On both of the schemes selected by the HCA: <ul style="list-style-type: none"> ■ We were unable to confirm that the planning conditions had been met because the schemes had yet to be completed; ■ The Council was unable to locate an action plan to demonstrate how it would meet the requirements of the 2012 Construction Commitments; and ■ While sustainability assessments have been conducted, the certificates had yet to be issued. ■ Issues such as these are regularly identified during these compliance checks, and do not have a financial impact on the rate of Affordable Homes Grant the Council can claim. 	<p>£nil</p>

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2014/15 was £27,060.

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2014/15 (£)	2013/14 (£)
Housing Benefit Subsidy claim	18,210	13,483
Pooling of Housing Capital Receipts	2,750	620
Teachers' Pensions Return	3,000	3,000
Decent Homes Backlog	1,600	1,600
HCA Compliance audit	1,500	-
Total fee	27,060	18,703

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2014/15 of £18,210. Our actual fee was the same as the indicative fee, and this compares to the 2013/14 fee for this claim of £13,483. This higher indicative fee reflected the additional 40+ testing required as a result of errors identified in prior periods.

Grants subject to other assurance engagements

The fees for our assurance work on other grants/returns are agreed directly with the Council. Our fees for 2014/15 were in line with those in 2013/14, except for:

- The Pooling of Housing Capital Receipts return fell outside the central approach for the first time in 2014/15. Our reflects the additional administrative and work requirements required to certify this grant outside of the former Audit Commission arrangements.
- The Homes and Communities Agency Compliance audit – this is performed on completed social housing developments subsidised by the HCA's affordable homes grant. A sample of development schemes are picked annually, based on completion dates. Two schemes were selected in 2014/15, compared to none in 2013/14.



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Report to:	AUDIT COMMITTEE
Relevant Officer:	Iain Leviston, Manager, KPMG
Date of Meeting:	10 March 2016

SUBCONTRACTING ARRANGEMENTS

1.0 Purpose of the report:

1.1 To consider KPMG's report into the subcontracting arrangements of the Council in relation to the funding agreement in place with the Skills Funding Agency.

2.0 Recommendation(s):

2.1 To note the report and raise any questions and make any recommendations as considered appropriate.

3.0 Reasons for recommendation(s):

3.1 In line with the external auditor's role in 'providing external assurance on subcontracting controls', it was requested that any recommendations be presented to the Audit Committee.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

None

4.0 Council Priority:

4.1 The relevant Council Priorities are

- "The economy: Maximising growth and opportunity across Blackpool"
- "Communities: Creating stronger communities and increasing resilience"

5.0 Background Information

- 5.1 Blackpool Council has a funding agreement in place with the Skills Funding Agency for the 2015/16 financial year. To deliver the agreed level of funding, the Council has contracted with five subcontractors to deliver part of this provision in accordance with the Council's desire to engage with and support learners requiring pre-basic skills support.
- 5.2 The Skills Funding Agency has introduced a new requirement for this year in its guidance document 'Providing external assurance on subcontracting controls', dated September 2015. This guidance outlines the requirement for the Council to obtain, on an annual basis, a report on the arrangements that it has in place to manage and control its subcontractors in line with the Skills Funding Agency Guidance. The work should be undertaken by an independent accountant.
- 5.3 In connection with that requirement, the external auditor was asked to compare the Council's end-to-end subcontracting processes with the requirements set out in the Funding Agreements and the Skills Funding Agency's funding rules 2015/16, to reflect the requirements of the Skills Funding Agency Guidance and to then report any recommendations to the Audit Committee.
- 5.4 The external auditor evaluated the design and operational effectiveness of the policies and procedures in place that were intended to achieve compliance with the subcontracting requirements, as set out within the Funding Agreement, contracts and the funding rules 2015/16. The attached report details where gaps in policies, procedures and their operating effectiveness were identified as well as recommendations for improvement.
- 5.5 Does the information submitted include any exempt information? No

- 5.5 **List of Appendices:**
Appendix 6a: Subcontracting Arrangements

6.0 Legal considerations:

- 6.1 See attached report.

7.0 Human Resources considerations:

- 7.1 None.

8.0 Equalities considerations:

- 8.1 None

9.0 Financial considerations:

9.1 See attached report.

10.0 Risk management considerations:

10.1 None

11.0 Ethical considerations:

11.1 None

12.0 Internal/ External Consultation undertaken:

12.1 None

13.0 Background papers:

13.1 None

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Subcontracting arrangements

Blackpool Council

29 January 2016

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Executive summary

Findings

Appendices

A. Recommendations

B. Client Contacts and KPMG Staffing

C. Full Disclaimer

Status of report

Discussion draft issued

Management responses received

Final report issued

Distribution

To: (For Action)

Steve Thompson (Director of Resources)

Audit Committee

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28 January 2016

28 January 2016

29 January 2016

This report, together with its attachments, is provided pursuant to the terms of our engagement. The use of the report is solely for internal purposes by the officers of Blackpool Council, pursuant to the terms of the engagement, it should not be copied or disclosed to any third party or otherwise quoted or referred to, in whole or in part, without our written consent. Our full disclaimer is at Appendix C of this report.

Section one

Executive summary

Background to the review

Blackpool Council (the Council) has a funding agreement in place with the Skills Funding Agency (the SFA) for the 2015/16 financial year. To deliver the agreed level of funding, the Council has contracted with five subcontractors to deliver part of this provision in accordance with the Council's desire to engage with and support learners requiring pre-basic skills support. The Council's subcontractors are:

- Blackpool and The Fylde College - £80,000 contract;
- The Volunteer Centre Blackpool, Wyre, and Fylde - £15,000 contract;
- Calico Enterprise Limited - £15,000 contract;
- UR Potential - £15,000 contract; and
- Lancashire Women's Centre - £5,000 contract.

The SFA has introduced a new requirement for this year in its guidance document '*Providing external assurance on subcontracting controls*' (the SFA Guidance), dated September 2015. This guidance outlines the SFA's requirement for the Council to obtain, on an annual basis, a report on the arrangements that the Council has in place to manage and control its subcontractors in line with the SFA Guidance. This work should be undertaken by an independent accountant.

In connection with that requirement, you have asked us to compare the Council's end-to-end subcontracting processes with the requirements set out in the Funding Agreements and the SFA's funding rules 2015/16 to reflect the requirements of section 9 of the SFA Guidance and report any recommendations to the Council's Audit Committee.

In the SFA Guidance, a "subcontractor" is defined as any legal entity that has an agreement with the Council to deliver education and training funded by the SFA.

The report is required to address the specific elements of the Council's end-to-end subcontracting process specified in clause 9 of the SFA Guidance which, in summary, cover the following areas:

- general subcontracting;
- selection and procurement;
- entering into a subcontract;
- monitoring;
- second level subcontracting;
- reporting on subcontracting; and
- fees and charges.

Once the report is finalised, the Council is required to complete and submit a certificate to the SFA confirming that the report identified no recommendations, or that any recommendations identified have been actioned in the form of an implementation plan with dates agreed.

Scope of the review

Responsibility for the establishment, maintenance and operation of subcontracting policies and procedures adequate for the needs of the Council is retained by the Council's officers.

Section one

Executive summary (cont.)

We evaluated the design and operational effectiveness of the policies and procedures in place intended to achieve compliance with the subcontracting requirements set out within the Funding Agreement, contracts and the funding rules 2015/16. Where gaps in policies, procedures and their operating effectiveness were identified we have reported recommendations for improvement to you within this report. We have undertaken this work through:

- interviews with key staff;
- comparing your subcontracting policies and process notes with the requirements referred to in Section 9 of the SFA Guidance;
- performing walkthroughs of your processes and procedures to assess their operating effectiveness; and
- inspecting other relevant evidence such as Council papers.

We have not expressed any opinion as to the adequacy, reliability or effectiveness of any systems of internal controls designed or operated by the Council. Our findings and recommendations are limited to the tests and procedures that we have performed. In this context our report has categorised our findings or recommendations in terms of our assessment of their severity to reflect the priority we suggest they should be given by officers.

Responsibility for the establishment, maintenance and operation of a system of internal controls adequate for the needs of the Council, including responsibility for evaluating the findings and recommendations that arise from the services and for monitoring corrective action taken, will be retained by at all times by the Council's officers.

Summary of Work Undertaken

We evaluated the design and operational effectiveness of the policies and procedures in place intended to achieve compliance with the subcontracting requirements set out within the Funding Agreement, contracts and the funding rules 2015/16. Where gaps in policies, procedures and their operating effectiveness were identified we have reported recommendations for improvement to you within this report. We have undertaken this work through:

- interviews with key staff;
- comparing your subcontracting policies and process notes with the requirements referred to in Section 9 of the SFA Guidance;
- performing walkthroughs of your processes and procedures to assess their operating effectiveness; and
- inspecting other relevant evidence such as board papers.

Section one

Executive summary (cont.)

Areas of Non-compliance with Subcontracting Requirements

We have summarised below the more significant areas where the Council's policies and procedures are not in compliance with the subcontracting requirements set out within the Funding Agreement and the funding rules 2015/16. These comprise our medium level recommendations and those areas we have rated as 'no compliance' on page 5.

- When selecting the subcontractors to appoint, the Council did not undertake a full assessment of the quality of provision that the subcontractor could deliver (**Recommendation Two**).
- A full due diligence exercise was not undertaken for each subcontractor (**Recommendations Three and Six**).
- The contracts signed with subcontractors did not include all of the clauses required by the SFA (**Recommendation 10**).
- The procedures for reviewing subcontractors' provision, including Observations of Learning and Teaching and unannounced site visits, are not documented or included in a Council agreed schedule of visits (**Recommendations Nine, 12 and 13**).
- The Council needs to develop and publish a Supply Chain Fees and Charges Policy that is compliant with the SFA requirements (**Recommendations 14 to 19**).

While we have identified 19 recommendations in total at the Council. While this is a large number, it should be recognised that of the Council's five subcontractors, four are small community based organisations with contracts values of £15,000 or less. It was important to engage with these small organisations to support the Council's objective to engage with pre-basic skills learners who would not attend other Council supported facilities such as their own learning centres or the Blackpool and The Fylde College.

In recognising the importance of engaging with these organisations, it was also recognised by the Council that their small size would mean that a number of requirements would not be met by the organisations when commencing the tendering process, which has led to a number of these recommendations being raised. As noted in the report, the Council is working with these organisations to support them to develop and ensure compliance with the SFA Funding Requirements.

Recommendations Raised

We summarise below the number of recommendations raised as a result of our review. Our recommendations are graded using a combined assessment of risk of non-implementation and priority for the Council. High priority represents the most urgent and high risk category. On this occasion, no high priority recommendations were raised. A more detailed explanation of the relative ratings is included in Appendix A (recommendations).

We have raised 19 recommendations to address the development areas we have identified. These are summarised in the table below.

	High	Medium	Low	Total
Raised	0	4	15	19
Agreed	0	4	15	19
Not Agreed	0	0	0	0

Acknowledgement

We would like to take this opportunity to thank your staff for their assistance during this review.

Section two

Findings

Summary of Findings

The table below shows the main areas that we have tested, along with the results of our testing. We have graded these based on full compliance, partial compliance, no compliance or not applicable. Where an area of non-compliance has been identified we have expanded on this overleaf, as well as including a recommendation to officers.

Summary of Findings		
Area Tested	Observations	Rating
General subcontracting requirements	<ul style="list-style-type: none"> We have identified four areas of non-compliance in relation to Funding Rules 14, 16, 17 and Contract for Services Clause 5.10 / Conditions of Funding clause 4.9. See overleaf for details 	Partial Compliance
Selection and procurement	<ul style="list-style-type: none"> We have identified two areas of non-compliance in relation to Funding Rules 22 and 23. See overleaf for details. 	Partial Compliance
Entering into a subcontract	<ul style="list-style-type: none"> We have identified sixteen areas of non-compliance in relation to Funding Rules 28, 30, 32, 33, 34, 36, 38,39, 41, 42, 43, 44, 45, Financial Memorandum (FE) clause 9.4 / Contract for Services Clause 5.4 / Conditions of Funding (grant) clause 4.4 (employer) clause 4.14, Financial Memorandum (FE) clause 9.5 / Contract for Services Clause 5.5 / Conditions of Funding (grant) clause 4.5 (employer) clause 4.15, and Financial Memorandum (FE) clause 9.7 / Contract for Services Clause 5.7 / Conditions of Funding (grant) clause 4.7. See overleaf for details. 	Partial Compliance
Monitoring	<ul style="list-style-type: none"> We have identified three areas of non-compliance in relation to Funding Rules 46, 47, and 48. See overleaf for details. 	No Compliance
Second level subcontracting	<ul style="list-style-type: none"> We have confirmed with the Council that they do not have any second level subcontracting arrangements, and hence this area of testing was not applicable. 	Not applicable
Reporting on subcontracting	<ul style="list-style-type: none"> We have identified no issues with the controls in place around reporting on subcontracting. 	Full Compliance
Fees and charges	<ul style="list-style-type: none"> We have identified seven areas of non-compliance in relation to Funding Rules 55, 56, 57, 59, 60, 62, and 63. The remaining areas are not applicable to the Council. See overleaf for details. 	No Compliance

Section two

Findings (cont.)

Areas of non-compliance			
Area Tested	Funding Rule	Description of rules	Observations and recommendations
General Subcontracting Requirements	14	Your Governing body / board of directors and your accounting officer must be satisfied that all subcontracting you undertake meets your strategic aims and enhances the quality of your offer to learners. Examples of the senior responsible person are: Chief Exec; MD; Principal or their equivalent. The reasons for subcontracting set out in your published supply chain fees and charges policy should reflect your strategic aims. You must not subcontract to meet short term funding objectives	<p>Approval of subcontracts would have been dealt with through a line management chain and approved by Assistant Deputy Director, who has since left the organisation and has not been replaced. No documentation is available to show the authorisation of the subcontracting.</p> <p>The Council has since instituted a Management Committee, which will make all such decisions going forth.</p> <p>See Recommendation One, Appendix A.</p>
General Subcontracting Requirements	16	You must only use subcontractors who your governing body /board of directors and your accounting officer determine are of a high quality and low risk.	<p>Procurement teams use a risk based approach for each subcontractor. As each subcontractor (with the exception of Blackpool and The Fylde College) is a relatively low level contract due to its very low financial value, they are considered a low risk subcontractor. They perform a quality evaluation for each potential subcontractor and base their decisions on a 60/40 quality/price ratio.</p> <p>However, their subcontractors have not yet been approved as high quality/low risk by their Management Committee, as it has only recently been formed.</p> <p>See Recommendation Two, Appendix A.</p>

Section two Findings (cont.)

Areas of non-compliance			
Area Tested	Funding Rule	Description of rules	Observations and recommendations
General Subcontracting Requirements	17	We expect you to have robust procedures in place to ensure that subcontracting does not lead to the inadvertent funding of extreme organisations.	<p>Four contracts are on the low end of their risk based approach and complete a self-declaration including questions about terrorist connections before a contract is entered into. After the contract has been signed, the contract management team undertake PREVENT training for the subcontractors.</p> <p>Blackpool and the Fylde College are covered under an Exceptions Process, and the due diligence undertaken for them relies on them being on the Register of Training Organisations as well as the List of Declared Subcontractors and an Outstanding Ofsted report. This is not in line with the SFA guidelines regarding Due Diligence.</p> <p>See Recommendation Three, Appendix A.</p>
General Subcontracting Requirements	Contract for Services Clause 5.10 / Conditions of Funding clause 4.9	The Contractor / Body must notify the SFA if there is a change in its name and or ownership. THE SFA reserves the right to terminate the contract if it considers in its absolute discretion that the change in ownership would prejudice The Contractors ability to deliver the services.	<p>The Council works with subcontractors on a regular basis, and no name changes have needed to be addressed in the past.</p> <p>No formal procedures are laid down for name changes or ownership changes of subcontractors</p> <p>See Recommendation Four, Appendix A.</p>

Section two Findings (cont.)

Areas of non-compliance			
Area Tested	Funding Rule	Description of rules	Observations and recommendations
Selection and Procurement	22	<p>When appointing subcontractors you must avoid conflicts of interest and you should:</p> <p>22.1: Tell the Chief Executive, in writing, about any circumstances (e.g. where you and your proposed subcontractor have common directors) which might lead to an actual or perceived conflict of interest</p> <p>22.2: Not award the contract without the Chief executive permission in writing and</p> <p>22.3: Send your request to your central delivery service adviser.</p>	<p>Conflicts of Interest are addressed in the Ground for Exclusion document which is held for four contracts. Conflicts of interest declarations must be completed pre-contract stage and are completed on a risk based approach. However, as the four smaller contracts are not considered large contracts, there is no investigation of this to confirm a lack of conflict of interest.</p> <p>The conflict of interest for the Blackpool and The Fylde College is covered by the Exceptions Process, which involved viewing the College's latest Ofsted report as well as identifying if the College was on the List of Declared Subcontractors from the SFA.</p> <p>See Recommendation Five, Appendix A.</p>
Selection and Procurement	23	<p>You must carry out your own Due Diligence checks when appointing subcontractors. You must not use the Register of Training Organisations as a substitute for carrying out your own due diligence checks.</p>	<p>Blackpool Council procurement team use a risk based approach to the appointing of subcontractors. If a contract is worth less than £85,000, it is considered lower risk and is not always subject to the due diligence procedures of credit risk, etc. Many items of due diligence are covered via a Grounds for Exclusion document, which is a self-certification document completed by each subcontractor.</p> <p>However, the College was appointed through an Exceptions Process, which involved viewing their latest Ofsted report and verifying that they are already under contract with SFA funding through the List of Declared Subcontractors. This is not in line with the SFA Funding Rules.</p> <p>See Recommendation Six, Appendix A.</p>

Section two Findings (cont.)

Areas of non-compliance			
Area Tested	Funding Rule	Description of rules	Observations and recommendations
Entering into a sub contract	28	All learners who are provided with education and training under a subcontract remain your responsibility. This includes learners funded by us or through a 24+ Advanced Learning Loan. If your subcontractor fails to deliver, you will be responsible for making alternative arrangements for the delivery of education and training and/or repaying Skills Funding Agency or Loan funding.	<p>Contracts include a Business Continuity Plan in Section 9, which stipulates that each subcontractor must institute their own business continuity plan and, in the event of a service disruption, 'continue to provide the affected services...in accordance with the Business Continuity Plan'.</p> <p>There are no more formal procedures for continuity of learning or repaying SFA.</p> <p>See Recommendation Seven, Appendix A.</p>
Entering into a sub contract	30	<p>You must not award a subcontract to any organisation if:</p> <p>30.1 it has an above average risk warning from a credit agency;</p> <p>30.2 it has passed a resolution (or the court has made an order) to wind up or liquidate the company, or administrators have been appointed, or</p> <p>30.3 its statutory accounts are overdue.</p>	<p>Blackpool Council procurement team use a risk based approach to the appointing of subcontractors. If a contract is worth less than £85,000, it is considered lower risk and is not always subject to the due diligence procedures of credit risk, etc. Many items of due diligence are covered via a Grounds for Exclusion document, which is a self-certification document completed by each subcontractor.</p> <p>However, the College was appointed through an Exceptions Process, which involved viewing their latest Ofsted report and verifying that they are already under contract with SFA funding through the List of Declared Subcontractors. This is not in line with the SFA Funding Rules.</p> <p>See Recommendation Six, Appendix A.</p>

Section two

Findings (cont.)

Areas of non-compliance			
Area Tested	Funding Rule	Description of rules	Observations and recommendations
Entering into a sub contract	32	You must have a legally binding contract with each subcontractor that includes all the terms set out below in paragraphs 35 to 45.	<p>All contracts are signed and dated.</p> <p>Contracts do not have all terms as set out in paragraphs 35-45 of the SFA's Funding Rules 2015-2016. The requirements of rules 36, 38, 39, 41, 42, 43, 44, and 45 are missing from the contract.</p> <p>Delivery of provision began in late September, however contracts were not always signed at this time as they need to be signed by someone with suitable authority within the subcontracting organisation, which may cause delays in signing.</p> <p>See Recommendation Eight, Appendix A.</p>
Entering into a sub contract	33	<p>You must have a contingency plan in place for learners in the event that:</p> <p>33.1 you need to withdraw from a subcontract arrangement</p> <p>33.2 a subcontractor withdraws from the arrangement, or</p> <p>33.3 a subcontractor goes into liquidation or administration</p>	<p>Contracts include a Business Continuity Plan in Section 9, which stipulates that each subcontractor must institute their own business continuity plan and, in the event of a service disruption, 'continue to provide the affected services...in accordance with the Business Continuity Plan'.</p> <p>There are no more formal procedures for continuity of learning.</p> <p>See Recommendation Seven, Appendix A.</p>

Section two Findings (cont.)

Areas of non-compliance			
Area Tested	Funding Rule	Description of rules	Observations and recommendations
Entering into a sub contract	34	<p>We need assurance that education and training provided by subcontractors will keep to our funding rules. You must make sure that the terms of your subcontracts allow you to:</p> <p>34.1 monitor the subcontractor's activity</p> <p>34.2 have control over your subcontractors, and</p> <p>34.3 monitor the quality of education and training provided by subcontractors</p>	<p>There is a master schedule of when subcontractors are due for review meetings. However there is no schedule for each individual subcontractor. The existing control schedule does not identify a programme of Observations of Teaching and Learning Assessments or unannounced visits. No evidence to suggest that these meetings are signed off by management or that the schedule is reviewed monthly as necessary.</p> <p>Observations of Teaching and Learning Assessments are present for each individual subcontractor and issues identified are followed through on the next OTLA. However no escalation procedures are included and there is no evidence to suggest that OTLAs are reviewed internally or signed off at the manager level.</p> <p>See Recommendation Nine, Appendix A.</p>
Entering into a sub contract	36	<p>Subcontractors must keep to our funding rules.</p>	<p>The Council's Self-Assessment Report includes the statement 'Ensure quality monitoring of subcontractor takes place' under the heading 'Key Actions to be taken to improve and develop provision' to demonstrate that the quality reviews undertaken ensure that subcontractors keep to the SFA funding rules.</p> <p>However, no such clause has been found in the contracts.</p> <p>See Recommendation Ten, Appendix A.</p>

Section two Findings (cont.)

Areas of non-compliance			
Area Tested	Funding Rule	Description of rules	Observations and recommendations
Entering into a sub contract	38	Subcontractors must give us, and any other person nominated by us, access to their premises and all documents relating to Agency-funded provision.	<p>The Council's SAR includes 'Ensure quality monitoring of subcontractor takes place' under the heading 'Key Actions to be taken to improve and develop provision', which may not be enough to demonstrate that the subcontractor has given access to their premises or all documents to the SFA.</p> <p>Additionally, no such clause exists in the contracts.</p> <p>See Recommendation Ten, Appendix A.</p>
Entering into a sub contract	39	<p>Subcontractors must give you sufficient evidence to allow you to:</p> <p>39.1 assess their performance against Ofsted's Common Inspection Framework</p> <p>39.2 incorporate the evidence they provide into your self-assessment report, and</p> <p>39.3 guide the judgements and grades within your self-assessment report</p>	<p>Evidence from each of 2014/15's subcontractors has been provided and has been incorporated into the SAR for 2014/15.</p> <p>However, there is no clause within the contracts requiring subcontractors to provide this information, it has been provided to date on a voluntary basis.</p> <p>See Recommendation Ten, Appendix A.</p>
Entering into a sub contract	41	Subcontractors must co-operate with the lead provider to make sure that there is continuity of learning if the subcontract ends for any reason.	<p>Contracts include a Business Continuity Plan in Section 9, which stipulates that each subcontractor must institute their own business continuity plan and, in the event of a service disruption, 'continue to provide the affected services...in accordance with the Business Continuity Plan'.</p> <p>There are no more formal procedures for continuity of learning.</p> <p>See Recommendation Seven, Appendix A.</p>

Section two Findings (cont.)

Areas of non-compliance			
Area Tested	Funding Rule	Description of rules	Observations and recommendations
Entering into a sub contract	42	<p>Subcontractors must tell you if evidence of any irregular financial or delivery activity arises. Irregular activity could include, but is not limited to:</p> <p>42.1 non-delivery of training when funds have been paid</p> <p>42.2 sanctions imposed on the subcontractor by an awarding organisation</p> <p>42.3 an inadequate Ofsted grade</p> <p>42.4 complaints or allegations by learners, people working for the subcontractor or other relevant parties, and</p> <p>42.5 allegations of fraud</p>	<p>No formalised procedures detailing how the Council ensures such information is declared.</p> <p>Additionally, this clause is not present within the contracts.</p> <p>See Recommendation Ten, Appendix A.</p>
Entering into a sub contract	43	<p>All European Social Fund (ESF) clauses from your funding agreement with us must be included in the subcontract, even if the provision being subcontracted is not funded by the ESF. (full details of the clauses which are to be included in the subcontract regarding ESF are para 20 - 20.5 in the contract for services - education and training 2015-2016.</p> <p>https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/457852/Financial_Memorandum_FE_15-16.pdf</p>	<p>This clause is not present within the contracts.</p> <p>See Recommendation Ten, Appendix A.</p>
Entering into a sub contract	44	<p>Subcontractors must not use our funding to make bids for or claims from any European funding on their own behalf or on our behalf.</p>	<p>This clause is not present within the contracts.</p> <p>See Recommendation Ten, Appendix A.</p>
Entering into a sub contract	45	<p>Subcontractors must not use payments made as match funding for ESF Co-Financing Projects.</p>	<p>This clause is not present within the contracts.</p> <p>See Recommendation Ten, Appendix A.</p>

Section two

Findings (cont.)

Areas of non-compliance			
Area Tested	Funding Rule	Description of rules	Observations and recommendations
Entering into a sub contract	Financial Memorandum (FE) clause 9.4 / Contract for Services Clause 5.4 / Conditions of Funding (grant) clause 4.4 (employer) clause 4.14	Where the Provider has sub-contracted any duties or obligations arising out of this Financial Memorandum, the College shall ensure that there is in place a legally binding sub-contract and send copies of the subcontract to the SFA if requested in writing to do so. Where the College enters into a sub-contract for the purpose of delivering the Provision, the College shall ensure that the sub-contract includes any terms specified in the Funding Rules.	The Council has contracts with their subcontractors, but the contracts do not all include the terms in the Funding Rules. The requirements of rules 36, 38, 39, 41, 42, 43, 44, and 45 are missing from the contract. See Recommendation Ten, Appendix A.
Entering into a sub contract	Financial Memorandum (FE) clause 9.5 / Contract for Services Clause 5.5 / Conditions of Funding (grant) clause 4.5 (employer) clause 4.15	The Provider/ body / employer shall ensure that any sub-contract entered into for the purpose of delivering the Provision under this Financial Memorandum contains a term providing that the SFA has the right to enforce the terms of the sub-contract.	This clause is not present within the contracts. See Recommendation Ten, Appendix A.
Entering into a sub contract	Financial Memorandum (FE) clause 9.7 / Contract for Services Clause 5.7 / Conditions of Funding (grant) clause 4.7	The Provider shall make payment to any sub-contractor within 30 days of receiving a valid claim for payment and ensure that any sub-contract entered into for the purpose of delivering the Provision under this Financial Memorandum contains a term giving effect to this requirement.	Some of the purchase orders have not been raised in line with the 30 day policy. However, the current system in place means that some of the invoices are not sent directly to the correct office, and must be redirected to the Lifelong Learning administrative team. After the correct team receives them, provided there is the correct documentation to support the invoice, a purchase order is raised, sent to Accounts Payable and paid. This is done within 30 days. See Recommendation Eleven, Appendix A.

Section two Findings (cont.)

Areas of non-compliance			
Area Tested	Funding Rule	Description of rules	Observations and recommendations
Monitoring	46	You must robustly manage and monitor all of your subcontractors to ensure that high-quality delivery is taking place that meets the specific funding requirements for each programme being delivered.	<p>Observations of Teaching and Learning have been completed for each of the five subcontractors, but no unannounced visits have been undertaken.</p> <p>Clause 16.1 of the contracts say 'The Authority may monitor the performance of the Services by the Service Provider.'</p> <p>Clause 16.2 of the contracts say 'The Service Provider shall co-operate, and shall procure that its Sub-Contractors co-operate, with the Authority in carrying out the monitoring referred to in clause 16.1 at no additional charge to the Authority.'</p> <p>See Recommendation Twelve, Appendix A.</p>
Monitoring	47	<p>You must carry out a regular and substantial programme of quality-assurance checks on the education and training provided by subcontractors, including visits at short notice and face-to-face interviews with staff and learners. The programme must:</p> <p>47.1 cover whether the learners exist and are eligible</p> <p>47.2 involve direct observation of initial guidance</p> <p>47.3 involve direct observation of assessment, and</p> <p>47.4 involve direct observation of the delivery of learning programmes</p>	<p>Observations of Teaching and Learning have been completed for each of the five subcontractors.</p> <p>A master schedule shows contract review meetings with each subcontractor, but does not specify what themes each meeting will be or what specifically will be discussed at each meeting.</p> <p>See Recommendation Thirteen, Appendix A.</p>
Monitoring	48	The findings of your assurance checks must be consistent with your expectations and the subcontractor's records.	<p>See Funding Rule 34</p> <p>See Recommendation Six, Appendix A.</p>

Section two Findings (cont.)

Areas of non-compliance			
Area Tested	Funding Rule	Description of rules	Observations and recommendations
Fees & Charges	55	Your supply-chain fees and charges policy must be reviewed and signed by your governing body / board of directors and your accounting officer.	<p>The Management Committee is newly implemented and was not available to sign off on the Supply-Chains Fees and Charges Policy, but will be doing so in future.</p> <p>The Assistant Deputy Director used to be responsible for signing off of Supply-Chains Fees and Charges Policy. However, he is no longer with the organisation.</p> <p>See Recommendation One, Appendix A.</p>
Fees & Charges	56	You must publish your supply-chain fees and charges policy on your website before entering into any subcontracting agreements for the 2015 to 2016 funding year.	<p>The Supply Chain Fees and Charges Policy is published on the Council's website. It was published for 2014/15 and only the date was updated for the 2015/16 year on 12 November 2015. Contract with Blackpool and the Fylde College is signed 15 October 2015 and other contracts are dated 24/25 September 2015.</p> <p>See Recommendation Fourteen, Appendix A.</p>
Fees & Charges	57	Your fees and charges policy must only include 'provision subcontracting'. Provision subcontracting is when you subcontract the delivery of full programmes or frameworks. It is not subcontracting the delivery of a service as part of the delivery of a programme (for example, buying the delivery of part of an apprenticeship framework or outreach support). If you are not sure whether your subcontracting arrangements are defined as 'provision subcontracting', please discuss this with our Central Delivery Service.	<p>The Supply Chain Fees and Charges Policy does not include a description of what, specifically, the fees and charges relate to.</p> <p>See Recommendation Fifteen, Appendix A.</p>

Section two Findings (cont.)

Areas of non-compliance			
Area Tested	Funding Rule	Description of rules	Observations and recommendations
Fees & Charges	59	<p>You must, as a minimum, include the following in your supply-chain fees and charges policy.</p> <p>59.1 Your reason for subcontracting.</p> <p>59.2 Your contribution to improving your and your subcontractor's quality of teaching and learning.</p> <p>59.3 The typical percentage range of fees you retain to manage subcontractors, and how you calculate this range.</p> <p>59.4 The support subcontractors will receive in return for the fee you charge.</p> <p>59.5 If appropriate, the reason for any differences in fees charged for or support provided to different subcontractors.</p> <p>59.6 Payment terms between you and your subcontractors; timing of payments in relation to delivering provision and timescale for paying invoices and claims for funding received.</p> <p>59.7 How and when the policy is communicated to and discussed with current and potential subcontractors.</p> <p>59.8 Timing for policy review.</p> <p>59.9 Where the policy is published.</p>	<p>The Supply Chain Fees and Charges Policy has a number of points required by Funding Rule 59, but is also missing a number of them as well.</p> <p>See Recommendation Sixteen, Appendix A.</p>
Fees & Charges	60	<p>You must also publish the actual level of funding paid and retained for each of your subcontractors in 2015 to 2016. This data must be published within 30 days of the 2015 to 2016 ILR closing.</p> <p>60.1 The actual level of funding paid and retained must only include 'provision subcontracting', which is defined in paragraph 57</p>	<p>This information is not published online for 2014/15.</p> <p>See Recommendation Seventeen, Appendix A.</p>

Section two Findings (cont.)

Areas of non-compliance			
Area Tested	Funding Rule	Description of rules	Observations and recommendations
Fees & Charges	62	<p>You must, as a minimum, include the following in your published supply-chain fees and charges.</p> <p>62.1 Name of the subcontractor.</p> <p>62.2 The UKPRN number of the subcontractor.</p> <p>62.3 Contract start and end date.</p> <p>62.4 Type of provision (for example, 16 to 18 apprenticeships, 19+ apprenticeships, classroom learning, workplace learning).</p> <p>62.5 Funding we have paid to you for provision delivered by the subcontractor in that academic year.</p> <p>62.6 Funding you have paid to your subcontractor for provision delivered in that academic year.</p> <p>62.7 Funding you have retained in relation to each subcontractor for that academic year.</p> <p>62.8 If appropriate, funding your subcontractor has paid to you for services or support you have provided in connection with the subcontracted provision.</p>	<p>The Supply-Chains Fees and Charges Policy is missing this information. The Council did not review supply chain fees and charges policy for 2015/16.</p> <p>See Recommendation Eighteen, Appendix A.</p>
Fees & Charges	63	<p>You must publish this information on actual fees and charges alongside your supply-chain fees and charges policy.</p>	<p>This information is not published online.</p> <p>See Recommendation Nineteen, Appendix A.</p>

Appendix A

Recommendations

Recommendations

This appendix summarises the recommendation that we have identified from our work. We have given each of our observations a risk rating (as explained below) and agreed with officers what action you will need to take.

Priority rating for recommendations raised		
<p>High priority: a significant weakness in the system or process which is putting you at serious risk of not achieving your strategic aims and objectives. In particular: significant adverse impact on reputation; non-compliance with key statutory requirements; or substantially raising the likelihood that any of the Council's strategic risks will occur. Any recommendations in this category would require immediate attention.</p>	<p>Medium priority: a potentially significant or medium level weakness in the system or process which could put you at risk of not achieving your strategic aims and objectives. In particular, having the potential for adverse impact on the Council's reputation or for raising the likelihood of the Council's strategic risks occurring.</p>	<p>Low priority: recommendations which could improve the efficiency and/or effectiveness of the system or process but which are not vital to achieving the Council's strategic aims and objectives. These are generally issues of good practice that the auditors consider would achieve better outcomes.</p>

No.	Priority	Issue and recommendation	Management response	Officer and due date
1516-SFA-01	<p>● (Low)</p>	<p>Funding Rules 14 and 55</p> <p>The approval of subcontracts would have been dealt with through a line management chain and approved by Assistant Deputy Director, who has since left the organisation and has not been replaced. No documentation is available to show the authorisation of the subcontracting.</p> <p>The Council has since instituted a Management Committee, which will make all such decisions going forth.</p> <p>We recommend that the Council put in place a procedure to authorise the subcontractors and the Supply-Chain Fees and Charges Policy each year by the Management Committee.</p>	<p>Procedure written to cover the new Management Committee signing off subcontracting arrangements and Supply-Chain Fees and Charges Policy</p>	<p>Responsible Officer</p> <p>Senior Manager (Lifelong Learning)</p> <p>Due Date</p> <p>April 2016</p>

Appendix A

Recommendations (cont.)

No.	Priority	Issue and recommendation	Management response	Officer and due date
1516-SFA-02	● (Medium)	<p>Funding Rule 16</p> <p>The Procurement Team uses a risk based approach for each subcontractor. As each subcontractor (with the exception of Blackpool and The Fylde College) is a relatively low level contract in financial terms, they are considered a low risk subcontractor. They perform a quality evaluation for each potential subcontractor and base their decisions on a 60:40 quality:price ratio.</p> <p>However, the subcontractors have not yet been approved as high quality/low risk by the Management Committee, as it has only recently been formed.</p> <p>We recommend that each subcontractor should be approved by the Management Committee, specifically addressing the quality and risk levels of each individual subcontractor.</p>	<p>Procedure written to cover the new Management Committee signing off subcontracting arrangements for each individual subcontractor including the quality and risk levels of each individual subcontractor.</p>	<p>Responsible Officer</p> <p>Senior Manager (Lifelong Learning)</p> <p>Due Date</p> <p>April 2016</p>
1516-SFA-03	● (Medium)	<p>Funding Rule 17</p> <p>Four contracts are on the low end of their risk based approach and complete a self-declaration including questions about terrorist connections before a contract is entered into. After the contract has been signed, the contract management team undertake PREVENT training for the subcontractors.</p> <p>Blackpool and The Fylde College are covered under an Exceptions Process, and the due diligence undertaken for them relies on them being on the Register of Training Organisations as well as the List of Declared Subcontractors and an Outstanding Ofsted report. This is not in line with the SFA guidelines regarding Due Diligence.</p> <p>We recommend that the Council perform full due diligence procedures for all potential SFA subcontractors.</p>	<p>Procurement procedures to be amended to include full due diligence for SFA contracts.</p>	<p>Responsible Officer</p> <p>Head of Procurement / Head of Legal</p> <p>Due Date</p> <p>April 2016</p>

Appendix A

Recommendations (cont.)

No.	Priority	Issue and recommendation	Management response	Officer and due date
1516-SFA-04	● (Low)	<p>Contract for Services Clause 5.10 / Conditions of Funding clause 4.9</p> <p>The Council works with subcontractors on a regular basis, and no name changes have needed to be addressed in the past.</p> <p>We recommend that the Council institute formal procedures for name and ownership changes to notify the SFA so that this can be adopted if a change occurs in the future.</p>	Procurement procedures to be amended to address the notification of the SFGA for name and ownership changes for SFA contracts.	<p>Responsible Officer</p> <p>Head of Procurement / Head of Legal</p> <p>Due Date</p> <p>April 2016</p>
1516-SFA-05	● (Low)	<p>Funding Rule 22</p> <p>Conflicts of Interest are addressed in the Ground for Exclusion document which is held for four contracts. Conflicts of interest declarations must be completed pre-contract stage and are completed on a risk based approach. However, as the four smaller contracts are not considered large contracts, there is no investigation of this to confirm a lack of conflict of interest.</p> <p>The conflict of interest for the Blackpool and The Fylde College is covered by the Exceptions Process, which involved viewing the College's latest Ofsted report as well as identifying if the College was on the List of Declared Subcontractors from the SFA.</p> <p>We recommend that the Council ensure that for any SFA sub-contract entered into, that a process be undertaken to identify any potential conflicts of interest, or confirmation that no potential conflicts have been identified.</p>	Procurement procedures to be amended to ensure identification of any potential conflicts of interest, or confirmation that no potential conflicts of interest have been identified for SFA contracts.	<p>Responsible Officer</p> <p>Head of Procurement / Head of Legal</p> <p>Due Date</p> <p>April 2016</p>

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Recommendations (cont.)

No.	Priority	Issue and recommendation	Management response	Officer and due date
1516-SFA-06	● (Medium)	<p>Funding Rule 23, 30, and 48</p> <p>The Procurement Team use a risk based approach to the appointing of subcontractors. If a contract is worth less than £85,000, it is considered lower risk and are not always subject to the due diligence procedures of credit risk, etc. Many items of due diligence are covered via a Grounds for Exclusion document, which is a self-certification document completed by each subcontractor.</p> <p>Blackpool and The Fylde College was appointed through an Exceptions Process, which involved viewing their latest Ofsted report and verifying that they are already under contract with SFA funding through the List of Declared Subcontractors. This is not in line with the SFA Funding Rules.</p> <p>We recommend that the Council implement all due diligence procedures for all SFA subcontractors.</p>	Procurement procedures to be amended to address all due diligence procedures for SFA contracts.	<p>Responsible Officer</p> <p>Head of Procurement / Head of Legal</p> <p>Due Date</p> <p>April 2016</p>
1516-SFA-07	● (Low)	<p>Funding Rule 28, 33, and 41</p> <p>Contracts include a Business Continuity Plan in Section 9, which stipulates that each subcontractor must institute their own business continuity plan and, in the event of a service disruption, 'continue to provide the affected services...in accordance with the Business Continuity Plan'.</p> <p>There are no more formal procedures for continuity of learning or repaying SFA.</p> <p>We recommend that the Council institute formalised contingency plans for learner continuity as well as repaying the SFA.</p>	Procedures to be put in place to institute formal contingency plans for learner continuity and repaying the SFA.	<p>Responsible Officer</p> <p>Senior Manager (Lifelong Learning)</p> <p>Due Date</p> <p>April 2016</p>

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Recommendations (cont.)

No.	Priority	Issue and recommendation	Management response	Officer and due date
1516-SFA-08	● (Low)	<p>Funding Rule 32</p> <p>All contracts are signed and dated.</p> <p>Contracts do not have all terms as set out in paragraphs 35-45 of the SFA's Funding Rules 2015-2016. Clauses for rules 36, 38, 41, 42, 43, 44, and 45 are not included within the contract.</p> <p>Delivery of provision began in late September, however contracts were not signed at this time as they needed to be signed by someone with suitable authority within the subcontracting organisation, which caused delays in signing the contract at the subcontractor.</p> <p>We recommend that the Council reviews the SFA funding rules and updates its contracts to include all relevant clauses. Contracts should be prepared in a timely manner to allow them to be signed by both parties before the provision begins.</p>	<p>Contract variations to be made to current contracts to reflect all relevant SFA clauses. Procedures put in place to ensure future contracts are signed by both parties before provision begins.</p>	<p>Responsible Officer</p> <p>Head of Procurement / Head of Legal</p> <p>Due Date</p> <p>April 2016</p>

Appendix A

Recommendations (cont.)

No.	Priority	Issue and recommendation	Management response	Officer and due date
1516-SFA-09	● (Low)	<p>Funding Rule 34</p> <p>There is a master schedule detailing when subcontractors are due to have a review meeting. The existing control schedule however does not identify a programme of Observations of Teaching and Learning Assessments or unannounced visits. No evidence is retained to demonstrate that these meetings are signed off by management or that the schedule is reviewed monthly as necessary.</p> <p>Observations of Teaching and Learning Assessments are present for each individual subcontractor and issues identified are followed through on the next OTLA. However no escalation procedures are included and there is no evidence to suggest that OTLAs are reviewed internally or signed off at the manager level.</p> <p>We recommend that the Council:</p> <ul style="list-style-type: none"> ▪ institute unannounced visits to each subcontractor in order to assess their performance; ▪ review each visit or meeting internally, signing off to confirm it has been carried out, and any issues identified have been followed through with the subcontractor; ▪ create a master schedule for each individual subcontractor that includes: <ul style="list-style-type: none"> – a programme of announced and unannounced visits and other contact; and – a timetable for the return of enrolment forms and registers. <p>Additionally, we recommend that the control schedule should be reviewed monthly and any outstanding items followed up on.</p>	<p>Quality Monitoring Controls to introduce to create an individual file for each subcontractor and transfer both the existing controls and additional controls covering the whole recommendation for monitoring.</p>	<p>Responsible Officer Adult Learning Quality Manager</p> <p>Due Date April 2016</p>

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Recommendations (cont.)

No.	Priority	Issue and recommendation	Management response	Officer and due date
1516-SFA-10	● (Medium)	<p>Funding Rule 36, 38, 39, 42, 43, 44, 45, Financial Memorandum (FE) clause 9.4 / Contract for Services Clause 5.4 / Conditions of Funding (grant) clause 4.4 (employer) clause 4.14 and Financial Memorandum (FE) clause 9.5 / Contract for Services Clause 5.5 / Conditions of Funding (grant) clause 4.5 (employer) clause 4.15</p> <p>No such clauses has been found in the contracts as required by the SFA Funding Rules.</p> <p>We recommend the Council institute a contract variation to each agreement to adjust existing contracts as well as ensure that 2016/17 contracts include appropriate clauses.</p>	<p>Contract variations to be made to be made on existing 15/16 subcontracts and procedures are put in place to ensure 16/17 sub contracts include all relevant SFA clauses.</p>	<p>Responsible Officer</p> <p>Head of Procurement / Head of Legal Services</p> <p>Due Date</p> <p>April 2016</p>
1516-SFA-11	● (Low)	<p>Financial Memorandum (FE) clause 9.7 / Contract for Services Clause 5.7 / Conditions of Funding (grant) clause 4.7</p> <p>Some of the purchase orders have not been raised in line with the 30 day policy. However, the current system in place means that some of the invoices are not sent directly to the correct office, and must be redirected to the Lifelong Learning administrative team. After the correct team receives them, provided there is the correct documentation to support the invoice, a purchase order is raised, sent to Accounts Payable and paid. This is done within 30 days.</p> <p>We recommend to have all subcontractors be required to send invoices directly to Lifelong Learning team at the City Learning Centre so as to expedite the process.</p>	<p>Build the requirement into the subcontract procedures and documents.</p>	<p>Responsible Officer</p> <p>Senior Manager (Lifelong Learning) / Head of Procurement</p> <p>Due Date</p> <p>April 2016</p>

Appendix A

Recommendations (cont.)

No.	Priority	Issue and recommendation	Management response	Officer and due date
1516-SFA-12	● (Low)	<p>Funding Rule 46</p> <p>Observations of Teaching and Learning have been completed for each of the five subcontractors, but there is no evidence that unannounced visits have been undertaken.</p> <p>Clause 16.1 of the contracts say 'The Authority may monitor the performance of the Services by the Service Provider.'</p> <p>Clause 16.2 of the contracts say 'The Service Provider shall co-operate, and shall procure that its Sub-Contractors co-operate, with the Authority in carrying out the monitoring referred to in clause 16.1 at no additional charge to the Authority.'</p> <p>We recommend that the Council include clauses into the contracts of how specifically each subcontractor will be monitored.</p> <p>The Council should also develop formal written procedures of how and when subcontractors will be managed, and what specifically will be discussed at various different types of meetings and observations, i.e. an observation of teaching and learning as opposed to a contract review meeting.</p>	<p>1) Contract variations to be made on monitoring arrangements for 15/16 subcontracts.</p> <p>2) Procedures documenting current practice and addressing the recommendation in place.</p>	<p>Responsible Officer</p> <p>1) Head of Procurement / Head of Legal Services</p> <p>2) Senior Manager (Lifelong Learning)</p> <p>Due Date</p> <p>April 2016</p>
1516-SFA-13	● (Low)	<p>Funding Rule 47</p> <p>Observations of Teaching and Learning have been completed for each of the five subcontractors.</p> <p>A master schedule shows contract review meetings with each subcontractor, but does not specify what themes each meeting will be or what specifically will be discussed at each meeting.</p> <p>We recommend that the Council undertake visits at short notice as well as reviews of documentation.</p>	<p>Procedures documenting current practice and addressing the recommendation in place.</p>	<p>Responsible Officer</p> <p>Senior Manager (Lifelong Learning)</p> <p>Due Date</p> <p>April 2016</p>

Appendix A

Recommendations (cont.)

No.	Priority	Issue and recommendation	Management response	Officer and due date
1516-SFA-14	● (Low)	<p>Funding Rule 56</p> <p>The Supply Chain Fees and Charges Policy is published on the Council's website. It was published for 2014/15 and only the date was updated for the 2015/16 year, this was done on 12 November 2015. The contract with Blackpool and The Fylde College was signed on 15 October 2015 and other contracts are dated 24 or 25 September 2015.</p> <p>We recommend that the Council be sure to publish the policy before contracts are signed.</p>	<p>Procedure written to cover the new Management Committee signing off Supply Chain Fees and Charges Policy and published before contracts are signed.</p>	<p>Responsible Officer</p> <p>Senior Manager (Lifelong Learning)</p> <p>Due Date</p> <p>April 2016</p>
1516-SFA-15	● (Low)	<p>Funding Rule 57</p> <p>The Supply Chain Fees and Charges Policy does not include a description of what, specifically, the fees and charges relate to.</p> <p>We recommend that the Council ensure that future supply chain fees and charges policies state specifically that fees and charges relate only to provision subcontracting.</p>	<p>Supply Chain Fees and charges Policy to be amended to include the recommendations and published.</p>	<p>Responsible Officer</p> <p>Senior Manager (Lifelong Learning)</p> <p>Due Date</p> <p>April 2016</p>

Appendix A

Recommendations (cont.)

No.	Priority	Issue and recommendation	Management response	Officer and due date
1516-SFA-16	● (Low)	<p>Funding Rule 59</p> <p>Supply Chain Fees and Charges Policy has a number of points required by Funding Rule 59, but is also missing a number of them as well.</p> <p>We recommend that the Council include the following points within their Supply-Chain Fees and Charges Policy:</p> <ul style="list-style-type: none"> ▪ Your contribution to improving your own quality of teaching and learning; ▪ The typical percentage range of fees you retain to manage subcontractors, and how this range is calculated; and ▪ If appropriate, the reasons for any differences in fees retained or support provided to different subcontractors. <p>Payment terms between you and your subcontractors; timing of payments in relation to delivering provision and timescale for paying invoices and claims for funding received.</p>	Supply Chain Fees and Charges Policy to be amended to include the recommendations and published.	<p>Responsible Officer</p> <p>Senior Manager (Lifelong Learning)</p> <p>Due Date</p> <p>April 2016</p>
1516-SFA-17	● (Low)	<p>Funding Rule 60</p> <p>This information is not published online for 2014/15.</p> <p>We recommend that the Council publish information on the actual level of funding paid and retained for each of your subcontractors in 2015/16 within 30 days of ILR closing.</p>	Procedure in place and included in the Quality Tracker.	<p>Responsible Officer</p> <p>Business Manager</p> <p>Due Date</p> <p>March 2016</p>

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Recommendations (cont.)

No.	Priority	Issue and recommendation	Management response	Officer and due date
1516-SFA-18	● (Low)	<p>Funding Rule 62</p> <p>The Supply-Chains Fees and Charges Policy does not contain a number of pieces of information required by the SFA Funding Rules, including:</p> <ul style="list-style-type: none"> ▪ The name of the subcontractor. ▪ The UKPRN number of the subcontractor. ▪ Contract start and end date. ▪ Type of provision (for example, 16 to 18 apprenticeships, 19+ apprenticeships, classroom learning, workplace learning). ▪ Funding paid by the Council to the subcontractor for provision delivered by the subcontractor in that academic year. ▪ Funding the Council has paid to the subcontractor for provision delivered in that academic year. ▪ Funding the Council has retained in relation to each subcontractor for that academic year. ▪ If appropriate, funding the subcontractor has paid to the Council for services or support the Council has provided in connection with the subcontracted provision. <p>The Council did not review Supply Chain Fees and Charges Policy for 2015/16.</p> <p>We recommend that the Council publish this information within the supply-chain fees and charges policy.</p>	Supply Chain Fees and Charges Policy to be amended to address the recommendations and published.	<p>Responsible Officer</p> <p>Senior Manager (Lifelong Learning)</p> <p>Due Date</p> <p>April 2016</p>
1516-SFA-19	● (Low)	<p>Funding Rule 63</p> <p>This information is not published online.</p> <p>We recommend that the Council publish information on the actual fees and charges alongside your Supply Chain Fees and Charges Policy online.</p>	Supply Chain Fees and Charges Policy to be amended to address the recommendations and published.	<p>Responsible Officer</p> <p>Senior Manager (Lifelong Learning)</p> <p>Due Date</p> <p>April 2016</p>

Appendix B

Client contacts and KPMG staffing

Client Contacts

During the review we worked with the following people:

Mike Taplin	Senior Manager (Lifelong Learning)
Trevor Rayner	Head of Procurement

We would like to thank these individuals for their help and kind assistance during the audit.

Staffing

The following KPMG staff were involved in the review of subcontracting provision:

Karin Hahn	Auditor
Reena Ghelani	Assistant Manager
Iain Leviston	Manager
Clare Partridge	Director
Tim Cutler	Partner

Appendix C

Full Disclaimer

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