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Blackpool Council

17 May 2016

To: Councillors Cox, Galley, Hobson, Matthews, O'Hara, Owen, Roberts, Ryan and Singleton

The above members are requested to attend the:

AUDIT COMMITTEE

Thursday, 26 May 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 7 APRIL 2016 (Pages 1 - 4)

To agree the minutes of the last meeting of the Audit Committee held on 7 April 2016 as a true and correct record.

3 STRATEGIC RISK REGISTER - SUSTAINABILITY OF THE COUNCIL (Pages 5 - 8)

To consider a progress report on individual risks identified in the Council's Strategic Risk Register.

4 STRATEGIC RISK REGISTER - INEFFECTIVE GOVERNANCE (Pages 9 - 14)

To consider a progress report on individual risks identified in the Council's Strategic Risk Register.

5 RISK SERVICES QUARTER FOUR REPORT - 2015/2016 (Pages 15 - 38)

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

6 ANNUAL INTERNAL AUDIT OPINION AND QUALITY IMPROVEMENT PROGRAMME (Pages 39 - 56)

To provide details of the Chief Internal Auditor's Annual Opinion on the Council's control environment and details of the Quality Improvement Programme.

7 AUDIT COMMITTEE TRAINING PROGRAMME 2016/17 (Pages 57 - 60)

To agree the proposed modular training programme for Audit Committee Members.

8 ANNUAL AUDIT FEE 2016/2017 (Pages 61 - 70)

To consider the external auditor's Annual Audit Fee Letter 2016/2017.

9 DATE OF NEXT MEETING

To note the date and time of the next meeting of the Committee as 30 June 2016, commencing at 6pm.

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
Hobson

Hunter
Matthews

Maycock
O'Hara

Owen

In Attendance:

Mr Neil Jack, Chief Executive

Mr Alan Cavill, Director of Place

Mr Steve Thompson, Director of Resources

Ms Tracy Greenhalgh, Chief Internal Auditor

Mr Chris Kelly, Senior Democratic Governance Adviser (Scrutiny)

1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

2 MINUTES OF THE LAST MEETING HELD ON 10 MARCH 2016

The Committee agreed that the minutes of the last meeting held on 10 March 2016 be signed by the Chairman as a true and correct record.

3 STRATEGIC RISK REGISTER - REPUTATIONAL DAMAGE

The Committee considered a progress report in relation to the individual risks identified on the Strategic Risk Register, specifically in relation to risks regarding Reputational Damage. The Committee discussed plans to control and mitigate the risks with the strategic risk owners, Mr Jack, Chief Executive and Mr Cavill, Director of Place.

Mr Jack advised that in order to assess the measurement of the reputation of the Council and of Blackpool, the media, which included social media, was monitored daily. He explained to Members the process that was followed in regards to granting interviews with media organisations and producing press releases, which helped to build the reputation of the Council and the town.

The Committee was informed that the Government's view of the Council and Blackpool was significantly shaped by inspections and GCSE results. Mr Jack explained that receiving 'inadequate' ratings in more than one inspection could have a detrimental impact on the reputation of the Council as a whole, not just on the inspected services. He reported to the Committee that recent improvements in Children's Services had resulted in improved inspection findings and that had subsequently helped to improve the reputation of the

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 7 APRIL 2016

Council.

Members were provided with details of the work that was being undertaken to promote a positive image of Blackpool in order to encourage investment. It was noted that a lot of people in influential positions had links to the town and positive memories of the place, which had helped to build relationships and connections. Members questioned whether more could be done to work with the private sector, especially with regards to businesses that were not part of the tourism industry. Mr Cavill advised that there had been more than 30 enquiries from businesses regarding the enterprise zone, which should help to increase the promotion of Blackpool.

Mr Cavill advised the Committee of the multi-agency Communications Operative Group, whose purpose was to manage media requests. Members were provided with details of the various requests to film in Blackpool that were considered by the Group and it was noted that Blackpool was one of the most filmed locations in the North West. Mr Cavill reported to the Committee that the Group worked to ensure that the people filming in Blackpool enjoyed a positive experience, in an attempt to increase the likelihood of their return. Mr Cavill also advised the Committee of the success of the joint 'Blackpool's Back' campaign to promote the town and noted the high quality marketing material that was produced.

Members noted that a sub-risk of the Strategic Risk was 'Residents' negative image of Blackpool' and the Committee discussed the requirement to provide high quality services in order to help generate more local pride in Blackpool. It was also considered that the development of Channel Shift would help to further improve residents' opinion of the quality of services delivered. , Members also raised questions relating to the establishment of Citizen's Panels. Mr Jack noted that the aim of the Citizen's Panels was to change the way the Council engaged with the public, but that the establishment of the Panels was currently a work in progress.

The Committee raised questions relating to the potential for attracting more conference trade to the town and Mr Cavill advised of the work that was being undertaken to increase the number of good quality hotel rooms, which would make Blackpool more attractive for potential conference organisers.

A question was raised regarding the damage to the reputation of the town as a result of the off-field issues of Blackpool Football Club. Mr Jack advised that the success of a local football club was often overstated in its impact upon the local economy and noted that, as a result of changes to kick off times to accommodate television schedules, businesses in the Bloomfield Ward area close to the stadium had benefitted to a greater extent when the football club was in the Championship rather than in the Premier League.

Members raised questions relating to the Sub Risk of 'Visitors' negative image of Blackpool', with specific regards to the Cookson Street approach to the Talbot Gateway. Members were advised of the complexities that were involved in improving the area, but that there was a long term ambition to make improvements.

Background papers: None.

4 UNITED UTILITIES CRYPTOSPORIDIUM INCIDENT - DEBRIEF RECOMMENDATIONS

Ms Greenhalgh advised that the report had been requested by the Committee at its meeting of 26 November 2015, in order to provide information on the findings and recommendations of the structured internal debrief that took place relating to the incident of traces of Cryptosporidium being found in the water supply to areas of Lancashire including Blackpool.

The Committee was advised by Ms Greenhalgh that the Water Debrief report contained twenty-eight recommendations, the majority of which had been referred to the Lancashire Resilience Forum for a multi-agency response. However, there were a number of recommendations specific to Blackpool Council that needed to be addressed.

Ms Greenhalgh explained that one of the issues that was specific to the Council, was that internal communications needed to be improved, with particular regards to ensuring that all relevant Council staff could access the Resilience Direct website, in the event of a similar, future incident. It was noted that only one officer had been able to access Resilience Direct throughout the duration of the incident, which had lasted for 31 days.

Responding to questions from Members, Ms Greenhalgh advised that the requirement to review business continuity arrangements for prolonged incidents would be considered in the new business continuity plan template, which was currently being developed. Ms Greenhalgh advised that a further priority action arising from the structured internal debrief, was that the Corporate Leadership Team would identify staff that could be called upon to act as a loggist in a major incident and that it would be required to approve the provision of training for staff to perform their duties appropriately.

Members questioned when the results following a review of the Cryptosporidium incident would be conveyed to the public and Ms Greenhalgh advised that United Utilities were currently awaiting the findings of the Drinking Water Inspectorate.

The Committee discussed the response from United Utilities and the involvement of the Council in communications to the public throughout the duration of the incident. Members were advised that lessons had been learned with regards to how to manage such an incident and it was considered that there was a clear benefit to providing transparent explanations of incidents to the public.

Background papers: None.

5 CIPFA FRAUD AND CORRUPTION TRACKER (2015)

Ms Greenhalgh provided the Committee with the outcomes of the national survey undertaken by the Chartered Institute for Public Finance and Accountancy (CIPFA) in relation to fraud and corruption. She explained that the findings of the report would be utilised to inform the risk register and a basis for the proactive approach taken to corporate

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 7 APRIL 2016

fraud work.

Members raised questions relating to housing benefit fraud. Ms Greenhalgh noted that the levels in Blackpool were quite high compared to the national average, but that the issue was now the responsibility of the Department for Work and Pensions. However, the Department for Work and Pensions' response to dealing with the type of fraud did result in resource implications for the Council, due to the number of enquiries that had to be made to the Council as part of their investigations. Members requested that benchmarking information on housing benefit fraud be presented in a report to a future meeting of the Committee.

The Committee agreed to request benchmarking information on housing benefit fraud be presented in a report to a future meeting of the Committee

Background papers: None.

6 DATE OF NEXT MEETING

The Committee noted the time and date of the next meeting as 6pm on Thursday 26 May 2016 at Town Hall, Blackpool, subject to approval at Annual Council.

Chairman

(The meeting ended at 7.10 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 Officers:	Steve Thompson, Director of Resources Mark Towers, Director of Governance and Partnerships Delyth Curtis, Director of People
Date of Meeting	26 May 2016

STRATEGIC RISK REGISTER – SUSTAINABILITY OF THE COUNCIL

1.0 Purpose of the report:

- 1.1 The Committee to consider a progress report on individual risks identified in the Council's Strategic Risk Register.

2.0 Recommendation(s):

- 2.1 To question the Director of Resources, Director of Governance and Partnerships, and Director of People on identified risks on the Strategic Risk Register in relation to sustainability of the Council.

3.0 Reasons for recommendation(s):

- 3.1 To enable the Committee to consider an update and progress report in relation to an individual risk identified on the Strategic Risk Register.

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:

To not receive an update report, however this would prevent the Committee from monitoring and asking relevant questions of the Strategic Risk Owners in relation to significant risks identified on the Strategic Risk Register.

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 At its meeting in September 2015, the Audit Committee agreed to continue to invite Strategic Risk Owners to attend future meetings to provide updates and progress reports in relation to the individual risks identified on the Strategic Risk Register.

5.2 Does the information submitted include any exempt information? No

5.3 List of Appendices:

Appendix 3(a) - Excerpt from Strategic Risk Register

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 Internal/ External Consultation undertaken:

11.1 None

12.0 Background papers:

12.1 None

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Report to:	AUDIT COMMITTEE
Relevant Officers:	Neil Jack, Chief Executive Mark Towers, Director of Governance and Partnerships Steve Thompson, Director of Resources
Date of Meeting	26 May 2016

STRATEGIC RISK REGISTER – INEFFECTIVE GOVERNANCE

1.0 Purpose of the report:

1.1 The Committee to consider a progress report on individual risks identified in the Council’s Strategic Risk Register.

2.0 Recommendation(s):

2.1 To question the Chief Executive, Director of Governance and Partnerships, and Director of Resources on identified risks on the Strategic Risk Register in relation to ineffective governance.

3.0 Reasons for recommendation(s):

3.1 To enable the Committee to consider an update and progress report in relation to individual risks identified on the Strategic Risk Register.

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:

To not receive an update report, however this would prevent the Committee from monitoring and asking relevant questions of the Strategic Risk Owners in relation to significant risks identified on the Strategic Risk Register.

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 At its meeting in September 2015, the Audit Committee agreed to continue to invite Strategic Risk Owners to attend future meetings to provide updates and progress reports in relation to the individual risks identified on the Strategic Risk Register.

5.2 Does the information submitted include any exempt information? No

5.3 List of Appendices:

Appendix 4(a) - Excerpt from Strategic Risk Register

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 Internal/ External Consultation undertaken:

11.1 None

12.0 Background papers:

12.1 None

Risk	Sub No	Sub Risk	Impact / Consequences	Opportunity	Gross Risk Score			Controls and Mitigation	Net Risk Score			New Developing Controls	Risk Manager	CLT Risk Owner	Target Date	Corporate Priority
					I	L	GS		I	L	NS					
Ineffective Governance	7a	Non-compliance with statutory requirements and internal procedures.	External challenge.		4	5	20	Statutory legal and financial officers in place.	3	4	12	Raise awareness of standards / required and awareness of the consequence of failure.	Head of Democratic Governance	Director of Governance and Partnerships	Ongoing	Deliver quality services
			Quality of service compromised.					Policy team research / proactive consultation response				Consistent use of disciplinary / capability procedures across the Council for serious instances on non-compliance.	Head of Organisation and Workforce Development			
			Health and safety compromised.					Assurance mechanisms such as internal audit, external audit, peer review and external assessments.								
								Constitution and Financial Regulations in place								
								Disciplinary procedures in place.								
								Health and safety procedures in place								
	7b	Lack of effective risk management embedded across the Council.	Ineffective decision making.	Potential to make savings through effectively managing risks	5	4	20	Risk management framework and toolkit in place.	4	3	12	Increased accountability and challenge of the strategic risk register to ensure appropriate action is being taken to reduce risks.	Chief Internal Auditor	Director of Resources	Ongoing	Deliver quality services

		Increased insurance claims.					Service and strategic level risk registers in place.				Revisit each risk management group to ensure that it is working effectively and following the requirements of the risk management framework.				
							Departmental and thematic risk management groups in place.								
							Risk management consider as part of decision making process.								
7c	Increased risk of fraud.	Erosion of internal controls and less resource to tackle fraud.	Increased use of Proceeds of Crime Act.	5	4	20	Anti-fraud and corruption policy in place.	5	3	15	Focus on high risk areas of fraud such as insurance fraud.	Chief Internal Auditor	Director of Resources	Ongoing	Deliver quality services
							Participation in the National Fraud Initiative.				Embed process for investigating Council Tax Reduction Scheme Fraud.				
							Annual internal audit plan in place.				Increase fraud awareness training Council wide.				
7d	Data theft and leakage.	Significant fines from the Information Commissioner	The serious nature of the risk and its consequences will encourage departments to work with ICT to implement robust processes.	4	5	20	Working with services to undertake risk assessments against the Information Asset Register to identify opportunities to identify areas where effort must be focused to reduce the likelihood of a data breach.	4	3	12	Ensure documents and equipment are disposed of appropriately as part of the programme of office moves.	Head of ICT Services	Director of Resources	Ongoing	Deliver quality services

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Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh, Chief Internal Auditor
Date of Meeting	26 May 2016

RISK SERVICES QUARTER FOUR REPORT - 2015/2016

1.0 Purpose of the report:

1.1 To provide to the Audit Committee with a summary of the work completed by Risk Services in quarter four 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:
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 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.

- 5.1 Does the information submitted include any exempt information? No
- 5.2 **List of Appendices:**
Appendix 5(a) - Risk Services Quarter Four 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 None.
- 8.0 **Equalities considerations:**
- 8.1 None.
- 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 None.
- 12.0 **Internal/ External Consultation undertaken:**
- 12.1 The Risk Services Quarterly Report was presented to the Corporate Leadership Team on the 26 April 2016.
- 13.0 **Background papers:**
- 13.1 None.

Risk Services Quarter Four Report 1st January to 31st March 2016

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Risk Services Quarter Four Report – 2015/2016

1. Fourth Quarter Summary

Service Developments

1.1 *Internal Audit*

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

- Banking Contract
- Framework-I – Non-Residential Payments
- Blackpool Housing Company
- Positive Steps into Work
- Ward Budgets

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.

1.2 *Corporate Fraud*

Stephen Hagan has been appointed at the Council’s new Corporate Fraud Officer and will be taking up post in April 2016. Stephen has considerable experience working in corporate fraud in the NHS and his knowledge, particularly around fraud prevention work, will help enhance the current processes in place.

Steps are being taken to revise the Council’s policies and procedures for undertaking covert surveillance as part of the work of the Corporate RIPA Group. These changes are being made to reflect best practice and the knowledge obtained from the training received earlier in the year.

Under the Local Government Transparency Code (2014) there is a requirement to publish on annual basis further information in relation to fraud investigation undertaken by the Local Authority. In order to comply with this it was agreed with the Corporate Leadership Team that this information would be reported on an annual basis in the Risk Services Annual Report and the table below provides the required information for 2015/2016:

Information Recommended for Publication	Council Position
The number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) Regulations 2014, or similar powers.	None.
Number of Counter Fraud Staff Employed by the Authority.	Three.
Amount Spent by the Authority on Counter Fraud Work.	£104,044
Number of Fraud Cases Investigated.	See table on page 6 of this report.
Number of occasions on which fraud was identified.	See table on page 6 of this report.
Monetary value of the fraud detected and recovered.	See table on page 6 of this report.

Risk Services Quarter Four Report – 2015/2016

1.3 *Risk and Resilience*

The team has been working on the insurance renewals for the Council, BCH and the Housing Company to ensure that adequate provision is in place for 2016/17. The terms and cover arrangements implemented for 2015/16 have been retained.

The Driving at Work Handbook has been reviewed in consultation with the Driving at Work Risk Management Group. The document is now going for approval prior to being rolled-out across the Council and will be relevant to all employees who drive a vehicle whilst at work.

Business continuity guidance for information technology has been produced in conjunction with ICT Services. This has been rolled-out via the Senior Leadership Team and will also feature on future risk management group agendas to ensure that all services are aware of the guidance.

A major incident exercise was undertaken on the 19th January 2016 involving a wide range of Council services. The outcome of this exercise is being collated and will help with future learning and development of the Major Emergency Plan.

The team are supporting the planned demolition at Queens Park to offer advice on insurance, risk management and emergency planning arrangements.

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

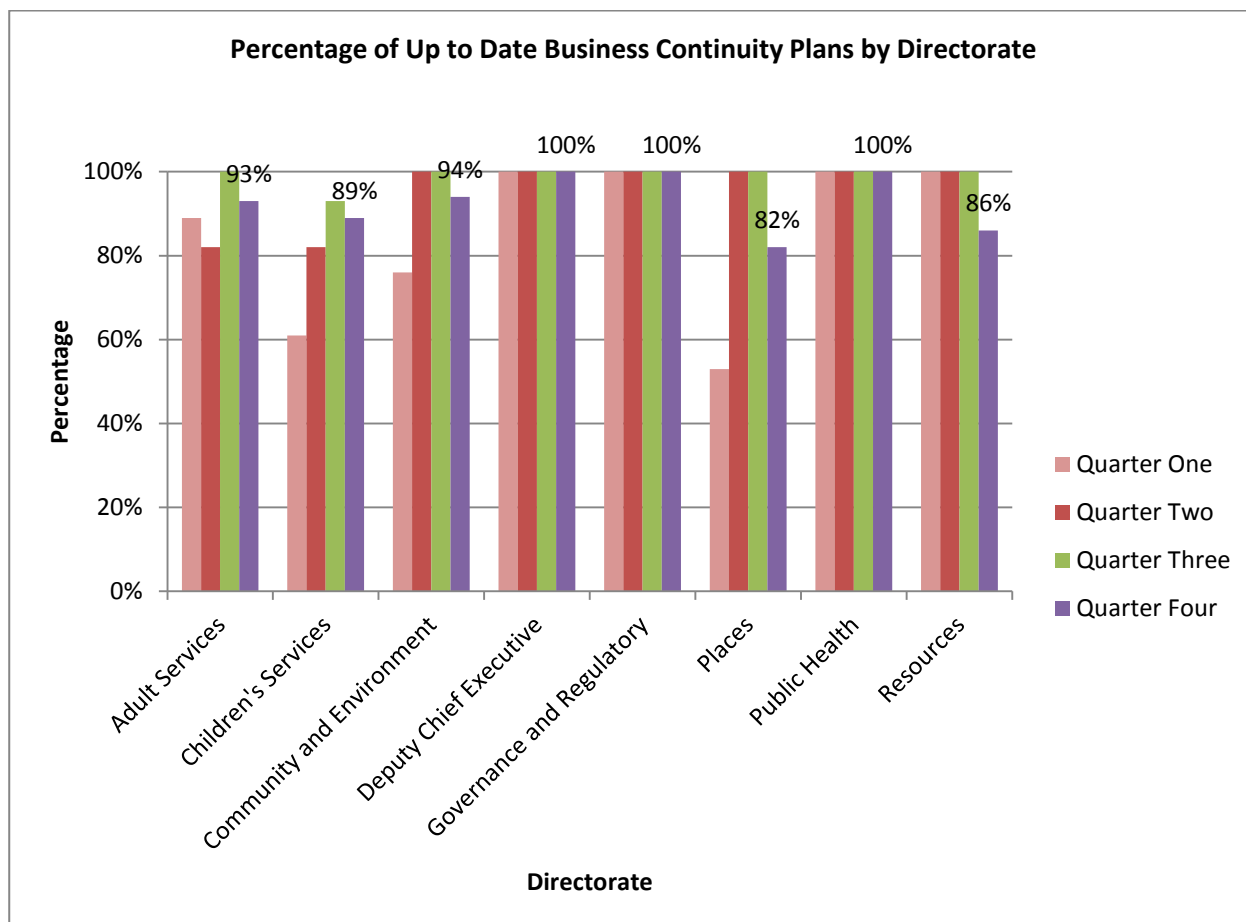
Performance Indicator (Description of measure)	2015/16 Target	2015/16 Actual
Percentage audit plan completed (annual target).	90%	89%
Percentage draft reports issued within deadline.	96%	97%
Percentage audit work within resource budget.	92%	91%
Percentage of positive satisfaction surveys.	85%	88%
Percentage compliance with quality standards for audit reviews.	85%	87%

Risk Services Quarter Four Report – 2015/2016

Risk and Resilience Team performance indicators

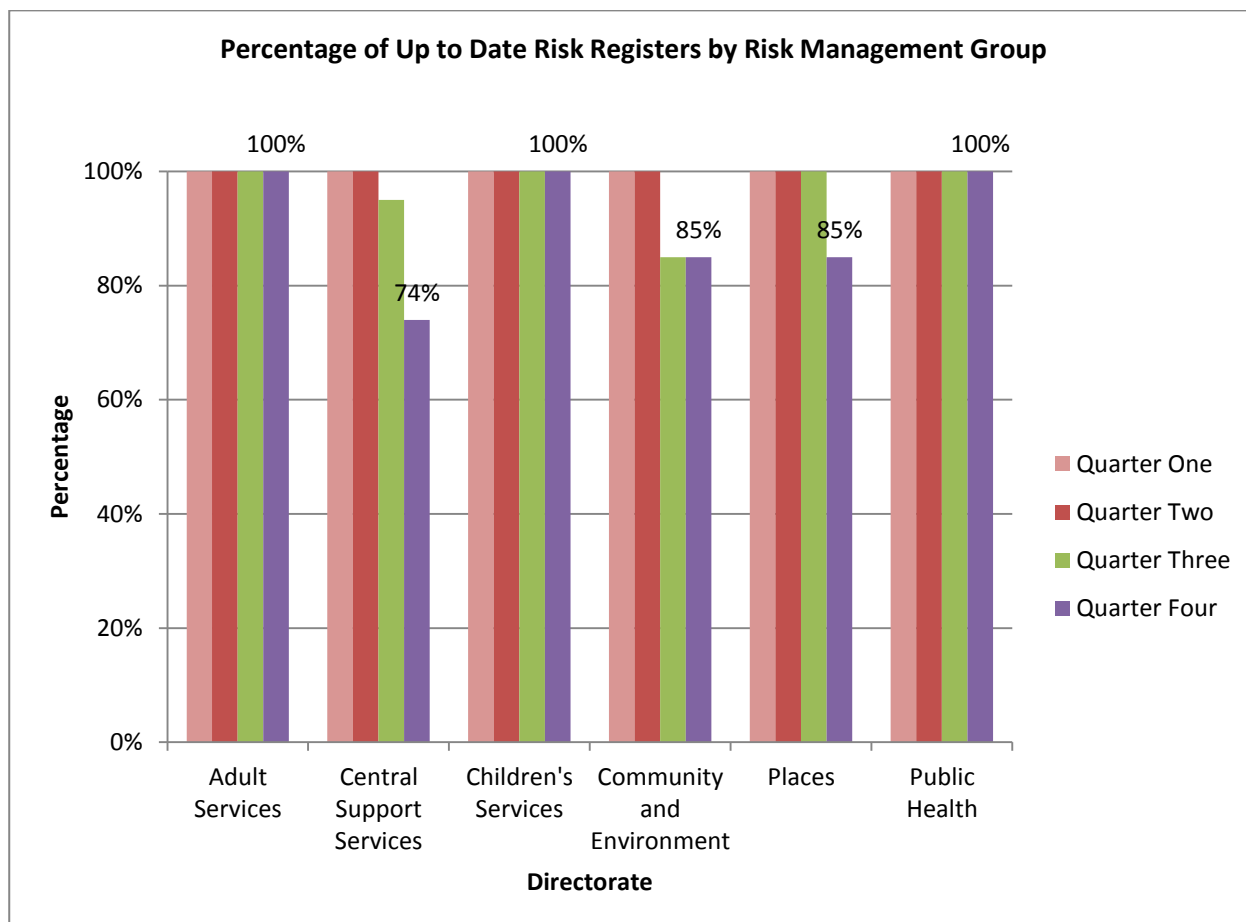
Performance Indicator (Description of measure)	2015/16 Target	2015/16 Actual
Percentage of Council service business continuity plans up to date.	90%	90%
Number of risk and resilience training and exercise sessions held (annual target).	6	10
Number of trained Emergency Response Group Volunteers (for monitoring purposes only – responsibility lies with Adult Social Care)	60	42
Percentage integration into the Lancashire Resilience Forum workstreams.	70%	70%
Percentage of property risk audit programme completed (annual target).	90%	89%
Percentage of risk registers revised and up to date at the end of the quarter.	90%	85%

*In support of the 90% of business continuity plans up to date by the end of the quarter the following graph shows a breakdown by directorate:



Risk Services Quarter Four Report – 2015/2016

*In support of the 85% 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%	100%

Risk Services Quarter Four Report – 2015/2016

Corporate Fraud Team Statistics (Including National Fraud Initiative Findings)

	Number of Referrals Received	Number of Fraud / Error 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	19	1	3	15	£1,233.84	0	0	1	15	0
Council Tax Reduction (CTR)	39	4	19	16	£1,495.59	0	0	4	16	0
Business Rates	0	0	0	0	£0.00	0	0	0	0	0
Procurement	8	1	1	6	£546.11	0	0	1	6	0
Fraudulent Insurance Claims	27	0	22	5	£0.00	0	0	0	5	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 contract fulfilment	1	1	0	0	£21,109.49	0	0	0	0	1
Expenses	0	0	0	0	£0.00	0	0	0	0	0
Abuse of position - financial gain	9	1	2	6	£1,449.99	0	0	0	6	1
Abuse of position - manipulation of financial or non-financial data	5	2	1	2	£0.00	0	0	0	2	2
Fraudulent cashing of housing benefit cheque	2	0	0	2	£0.00	0	0	0	2	0
Disabled parking concessions	2	0	0	2	£0.00	0	0	0	2	0
National Fraud Initiative (high risk)	2,752	553	0	2,199	£120,904.01	0	0	553	2,199	0
Totals:	2,866	563	49	2,254	£146,739.03	0	0	559	2,254	4

	January	February	March
Number of Referrals Sent to a Third Party – Not including NFI	6	4	6

Risk Services Quarter Four Report – 2015/2016

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

Internal Audit reports issued in period

Directorate	Review Title	Assurance Statement
Adult Services	Care Act: Deferred Payments	<p><u>Scope:</u></p> <p>The scope of our audit was to review whether the Council’s Deferred Payment Scheme meets the relevant requirements of the Care Act and whether the business processes supporting the implementation of the scheme are robust.</p> <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place in relation to the deferred payment scheme are adequate, with some risks identified and assessed and some further control improvements required. Implementation of the recommendations specified in the report, should ensure a satisfactory level of control going forward.</p>
Children’s Services	Early Years Free Entitlement Grant	<p><u>Scope:</u></p> <p>The scope of our audit included:</p> <ul style="list-style-type: none"> • The robustness of processes and controls in place designed to ensure that claims for funding of free entitlement are free from fraud or error. • The level of compliance with those processes and controls. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place designed to ensure that claims for funding of free entitlement are free from fraud or error, are adequate however there is a significant degree of reliance on the settings providing accurate and up to date information to the Early Years team in order to ensure that payments are correct.</p> <p>The quality of information provided by settings varies and so overall the level of compliance with the controls within the settings is inadequate given the inconsistencies with attendance record keeping, issuing of invoices and keeping of birth certificates. The addition of spot checks of evidence provided by settings and reinforcement of the procedures will reduce the risk of incorrect payments.</p>

Risk Services Quarter Four Report – 2015/2016

Directorate	Review Title	Assurance Statement
Children's Services	Layton 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>Layton Primary School has cheque book status and has previously experienced issues with completing reconciliations on a timely basis. We understand that work has now been undertaken to resolve this issue and the reconciliation controls are currently working adequately.</p> <p>We consider that the financial controls in place are adequate with some risks identified and assessed and several changes necessary.</p> <p>Our testing revealed minor lapses in compliance with the controls.</p>

Risk Services Quarter Four Report – 2015/2016

Directorate	Review Title	Assurance Statement
Children's Services	Leaving Care Service	<p><u>Scope:</u></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> • The general reasons for the increase in the number of children accessing the Leaving Care service and the increase in costs; • The arrangements for children accessing the Leaving Care service, including relationships with other Council departments, external agencies and local authorities, to assess whether the current arrangements are the most efficient and cost effective way to provide the service; • Controls around payment mechanisms and how expenditure is recorded, controlled and accounted for. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are inadequate, with a number of risks identified and improvements required particularly around the use of cash and financial monitoring. The service is currently taking steps to address identified issues however proposed improvements have not yet been fully implemented.</p>

Risk Services Quarter Four Report – 2015/2016

Directorate	Review Title	Assurance Statement
Children's Services	<p>Troubled Families (January 2016 Grant Submission)</p>	<p>Scope:</p> <p>Our agreed testing of the January 2016 return involved undertaking the following compliance tests:</p> <ul style="list-style-type: none"> • For a sample of ten families per the claim, check that the family was eligible to be selected for the programme and met at least two of the selection criteria. • For a sample of ten families per the claim, check that the results have been attained for each of the criteria identified for each of the families tested (Education/Crime/ASB, Progress to Work and Continuous Employment outcomes). • Check for duplication between this claim and the previous claims to ensure that results are not claimed twice for the same family. • Check for duplication within the current claim to ensure that results are not claimed twice. <p>Assurance Statement:</p> <p>Having carried out an appropriate level of testing we are satisfied that the Troubled Families Payments by Results return submitted in January 2016 is satisfactory and complies with the DCLG Framework published in November 2014.</p> <p>During September 2015 testing we identified four duplicated claims, these were confirmed and agreed to be deducted from the number of claims being made in the January 2016 submission.</p> <p>An additional six duplications were identified as part of the testing for the January 2016 submission, however, there were also six families that were detailed in the submission list that have not been claimed for due to the families not being included at the time of the audit review as they were identified as eligible to be claimed for following the audit testing. Therefore no adjustment to the duplications is necessary though the additional six families will need to be reviewed at the next submission to ensure they are not then claimed for.</p>

Risk Services Quarter Four Report – 2015/2016

Directorate	Review Title	Assurance Statement
Community and Environment	Street Lighting PFI	<p><u>Scope:</u></p> <p>The scope of our audit included:</p> <ul style="list-style-type: none"> • The appropriateness and effectiveness of the Council contract management arrangements now that the contract has moved beyond the Core Investment Programme to include plans for resourcing going forward, resilience and succession planning. • The effectiveness of relationships with other Council services such as Energy and Sustainability and Highways. • Follow-up of the recommendations from the 2013/14 Internal Audit Street Lighting and Traffic Signal PFI. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are adequate with some risks identified and assessed and some further control improvements required. However, we consider the lack of succession planning to be inadequate.</p>
Community and Environmental	Lancashire Waste Partnership	<p>The scope of our audit was to:</p> <ul style="list-style-type: none"> • Follow up recommendations from the 2014/15 Internal Audit Waste PFI report; and • Review the effectiveness of the relationship between the partners. <p><u>Assurance Statement:</u></p> <p>A number of key developments have been implemented to strengthen governance arrangements for the Lancashire Waste Partnership, since our last audit, to improve both governance overall and the effectiveness of partnership working. These developments have helped to foster good working relationships between the parties.</p> <p>There is however a need to make significant savings to the waste disposal budgets of both partners which necessitates a number of significant changes to operations. Although outline proposals for the achievement of the operational savings have been agreed, the detailed plans are to be developed over the next few months. Therefore, at this stage, the lack of an up to date business plan leads us to conclude that overall the governance arrangements are currently inadequate.</p>

Risk Services Quarter Four Report – 2015/2016

Directorate	Review Title	Assurance Statement
Community and Environment	Highways	<p><u>Scope:</u></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> • The responses provided for the ‘dry run’ of the Department for Transport’s Local Highways Maintenance Capital Funding: self-assessment questionnaire for the incentive fund, in particular weaknesses that have been identified and how these can be addressed to achieve the full Band 3 attainment, • The service’s ability to demonstrate value for money for its operations division, and • The service’s plans to deliver the new Road Asset Management Strategy (2015-2045) and whether these are deliverable under the current structure and arrangements. <p><u>Assurance Statement</u></p> <p>The Council has recently submitted the Department for Transport’s Local Highways Maintenance Capital Funding: self-assessment questionnaire for the incentive fund and has assessed itself as attaining band two score.</p> <p>The Council has a number of good practice arrangements in place and the new Road Asset Management Strategy was approved by Executive on 4th April 2016. Additional work needed to be able to demonstrate the ability to attain the full band three score for the Department for Transport’s Highways Capital Maintenance Incentive Fund is set out in a detailed action plan. In terms of having adequate plans to achieve the band three score and having a deliverable highways strategy the service is assessed as adequate.</p> <p>The service is currently liaising with the Corporate Procurement Team to put in place appropriate procurement arrangements for its Operations Service Division which will help ensure value for money going forward.</p>

Risk Services Quarter Four Report – 2015/2016

Directorate	Review Title	Assurance Statement
Corporate	Deliverability of Savings Targets	<p><u>Scope:</u></p> <p>The scope of the audit included a review of the:</p> <ul style="list-style-type: none"> • Overall corporate process to arrive at the approved list of proposed savings including the incorporation of lessons learned from previous years; and • Robustness of the plans in place for deliverability of the individual proposed savings with an emphasis on the larger savings targets and those perceived as highest risk. <p><u>Assurance Statement:</u></p> <p>We consider that the process identified to continue to meet the ever increasing reductions to Council funding is adequate although we have identified some areas for improvement.</p> <p>However, at the time of our review some of the resultant plans to deliver the larger corporate savings targets identified were not sufficiently developed and therefore considered inadequate until the details of their delivery are finalised. We do however recognise that additional savings have had to be identified in a short time frame and appreciate that further work will be undertaken over the coming weeks and months to finalise detailed delivery plans.</p>

Risk Services Quarter Four Report – 2015/2016

Directorate	Review Title	Assurance Statement
Deputy Chief Executives	Payroll	<p><u>Scope:</u></p> <p>The scope of our audit included:</p> <ul style="list-style-type: none"> • Key financial controls, • Segregation of duties, • System access arrangements, • Management information and exception reports, • Integration of the payroll system with other systems; and • Responsibilities of payroll and service management particularly information flows and the timeliness of information. <p><u>Assurance Statement:</u></p> <p>We consider that based on the financial controls testing performed for Blackpool Council the controls in place are adequate. However, clear and robust documentation of procedures is not in place for all key payroll processes.</p> <p>Our testing also found that there were two known instances where controls in place have not been sufficient to prevent significant overpayments. We note that the service has either put in, or agreed to put in, more stringent control measures to prevent future reoccurrence.</p>

Risk Services Quarter Four Report – 2015/2016

Directorate	Review Title	Assurance Statement
Governance and Regulatory	Coroners Service	<p><u>Scope:</u></p> <p>The scope of our audit included: a review of:</p> <ul style="list-style-type: none"> • Whether the service is working effectively on an operational level taking account of the relationships with other bodies such as the Police, the hospital, judiciary and funeral directors; • Whether the new service arrangements and processes brought about following the Coroners and Justice Act 2009 are embedded effectively in the Blackpool and Fylde local authority areas; and • The management of the increased burden brought about by the new requirement to ensure that the death of a person detained subject to Deprivation of Liberty Safeguards (DoLS) is subjected to a coroner's investigation. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are adequate with some risks identified and assessed and some further control improvements required.</p> <p>The service business plan, departmental risk register and business continuity plan need to be revisited to ensure that they adequately reflect the Coroner's service and remain current.</p>

Risk Services Quarter Four Report – 2015/2016

Directorate	Review Title	Assurance Statement
Place	Coastal Communities Fund	<p><u>Scope:</u></p> <p>The scope of our audit was to:</p> <ul style="list-style-type: none"> • Review the LightPool project business plan and its alignment with the details in the bid document. • Assess whether the LightPool business plan is robust, setting out aims and measures that will help to facilitate the successful completion of the Illuminations development and enable success in achieving sustainability and wider economic benefits into the long term future. • Assess whether anticipated outcomes are beginning to be achieved in the first season for LightPool and whether monitoring procedures implemented to date are robust. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are currently inadequate due to the lack of a robust income stream which leaves the project at risk of incompleteness and being unsustainable. We are also concerned that the project is not following a formal project management methodology and key documents such as project plans and action plans are not in place.</p> <p>Results for anticipated outcomes are not yet available although methods proposed for obtaining these are in development. It is recognised however that the project is still in its first year.</p>

Risk Services Quarter Four Report – 2015/2016

Directorate	Review Title	Assurance Statement
Corporate	Executive Decisions	<p><u>Scope:</u></p> <p>This review was undertaken jointly between Internal Audit and Democratic Governance.</p> <p>The agreed scope of the review was to:</p> <ul style="list-style-type: none"> • Establish the roles and responsibilities and breadth and depth of knowledge of the Council’s decision making procedures within directorates. • Review a sample of decisions made within directorates in order to establish whether the Council’s decision making procedures are being followed correctly, or whether there are valid reasons for not doing so that would inform any future review of the decision making process. • Identify any items that should have followed the decision making process through a review of meeting minutes, large items of expenditure, plans, strategies and bid documents and establish any reasons for not following the appropriate procedures and whether there are valid reasons for not doing so that would inform any future review of the decision making process. <p><u>Assurance Statement</u></p> <p>The review was prompted following some known inconsistencies within directorates’ decision making procedures and is intended to provide a lessons learned guide to assist future procedures rather than act as a full compliance audit.</p> <p>The review highlighted a need for improvement in relation to an audit trail of actions from meetings and briefings with senior members. In addition, one funding bid should have been supported by Member approval; however no formal decision was documented due to time pressure in submitting the bid application by the deadline. Overall, assurance over the decision making procedures operating within directorates was assessed as inadequate at the time of the review.</p> <p>As a result of this review, more structured processes and procedures have been developed which will be used in undertaking further reviews in directorates.</p>

Risk Services Quarter Four Report – 2015/2016

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

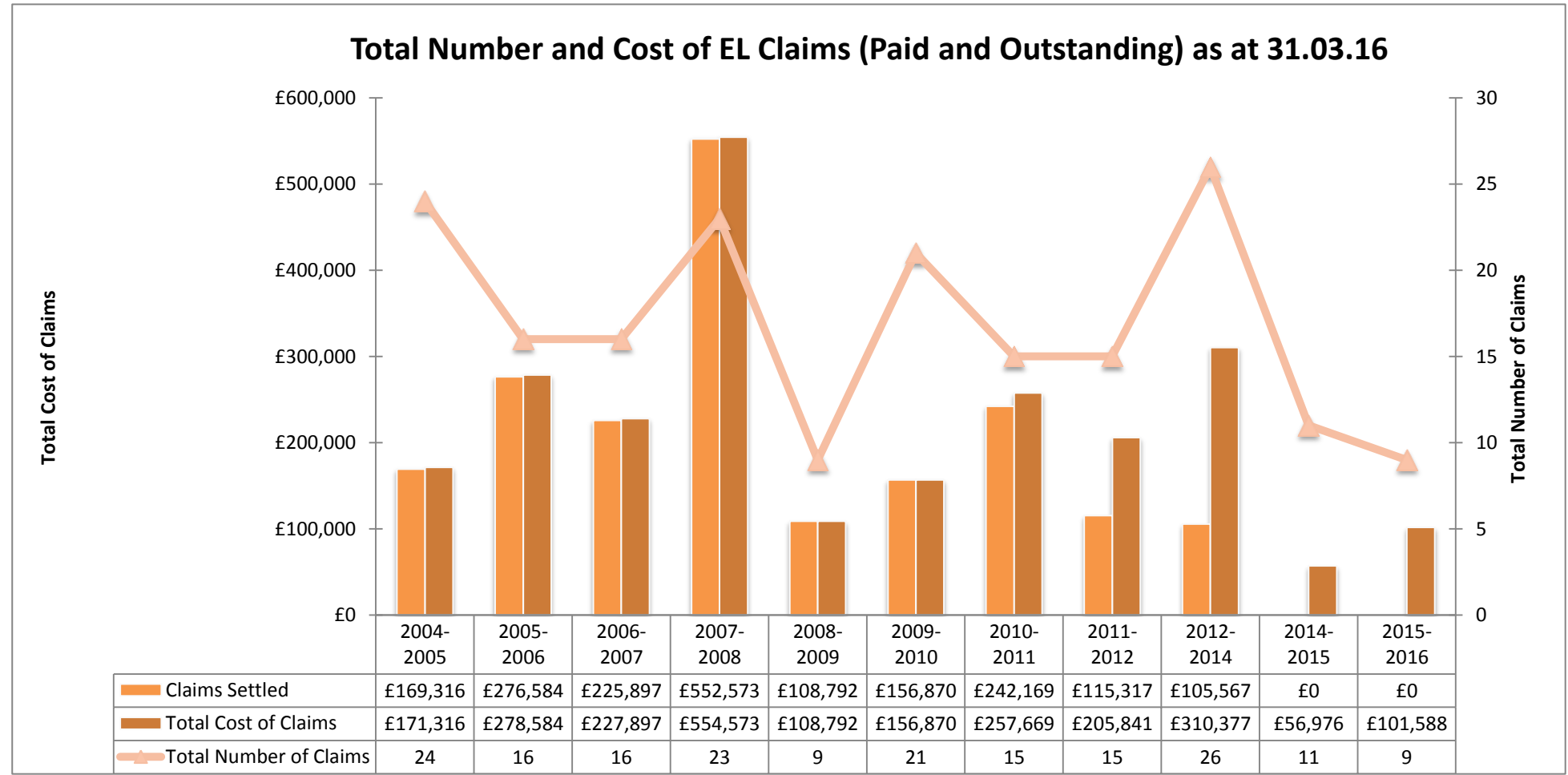
In line with best practice it has been agreed that the Council will report to the Audit Committee the number of RIPA authorisations undertaken each quarter which enables the Council to undertake directed and covert surveillance. Between January and March 2016 the Council did not authorise any directed surveillance reported to the Governance and Regulatory Service.

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.

Risk Services Quarter Four Report – 2015/2016

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 Four Report – 2015/2016

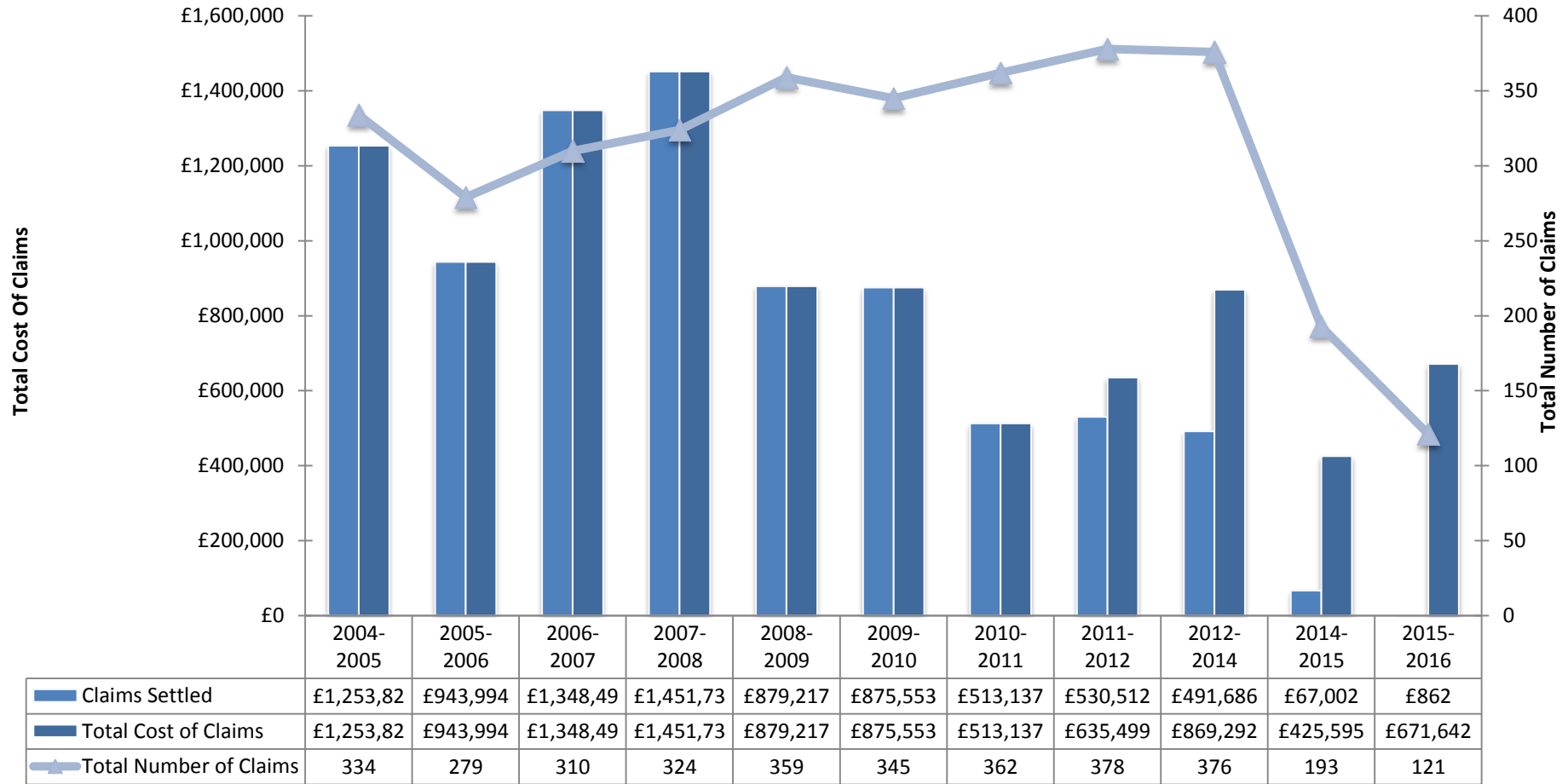
Total Number and Cost of PL Claims (Paid and Outstanding) as at 31.03.16



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 Four Report – 2015/2016

Total Number and Cost of PLH Claims (Paid and Outstanding) as at 31.03.16



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.

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Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh- Chief Internal Auditor
Date of Meeting	26 May 2016

ANNUAL INTERNAL AUDIT OPINION AND QUALITY IMPROVEMENT PROGRAMME

1.0 Purpose of the report:

- 1.1 To provide to the Committee with details of the Chief Internal Auditor’s Annual Opinion on the Council’s control environment and details of the Quality Improvement Programme, which the audit team is working towards in line with the Public Sector Internal Audit Standards.

2.0 Recommendation(s):

- 2.1 To consider the findings from the Annual Internal Audit Opinion and Quality Improvement Programme.

3.0 Reasons for recommendation(s):

- 3.1 The report covers areas relevant to the work of the Committee in terms of internal audit.

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 In line with the Public Sector Internal Audit Standards, the Chief Internal Auditor is required to provide an annual opinion on the overall control environment at the Council, which is based on the findings of internal audit work conducted during the year. The Chief Internal Auditor is also required to present the Quality Improvement Programme to the Audit Committee to demonstrate continual improvement in the service and a range of tools are used to prepare it. The tools include a self-evaluation against the standards, Strategic Audit Plan actions, customer feedback and service improvement days.

5.2 Does the information submitted include any exempt information? No

5.3 List of Appendices:

Appendix 6(a) Annual Internal Audit Opinion and Quality Improvement Programme.

6.0 Legal considerations:

6.1 All work undertaken by Risk Services is in line with relevant legislation.

7.0 Human Resources considerations:

7.1 None.

8.0 Equalities considerations:

8.1 None.

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 whilst ensuring that it adheres to professional standards.

11.0 Ethical considerations:

11.1 None.

12.0 Internal/ External Consultation undertaken:

12.1 The Annual Internal Audit Opinion and Quality Improvement Programme were presented to the Corporate Leadership Team on the 26 April 2016.

13.0 Background papers:

13.1 None

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Annual Internal Audit Opinion & Quality Improvement Programme 2015/16

Blackpool Council

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Annual Internal Audit Report and Opinion

Introduction

In previous years the annual internal audit opinion of the Chief Internal Auditor has been incorporated in the Risk Services Quarter Four Report. However, for 2015/16 onwards the annual opinion will form part of a separate report which also incorporates the internal audit Quality Assurance Improvement Programme, in line with the requirements of the Public Sector Internal Audit Standards. In future years progress against the new Quality Assurance Improvement Programme will also be included as part of this report. This is the first report in the new format for consideration and approval by the Corporate Leadership Team and Audit Committee.

Role of Internal Audit

The role of internal audit is defined as:

‘An independent, objective assurance and consulting activity designed to add value and improve an organisations operation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The requirement of an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance’.

The standards for ‘proper practices’ in relation to internal audit are set out in the Public Sector Internal Audit Standards (2013) and Blackpool Council’s internal audit team needs to demonstrate compliance with these standards or report non-conformance to the Audit Committee.

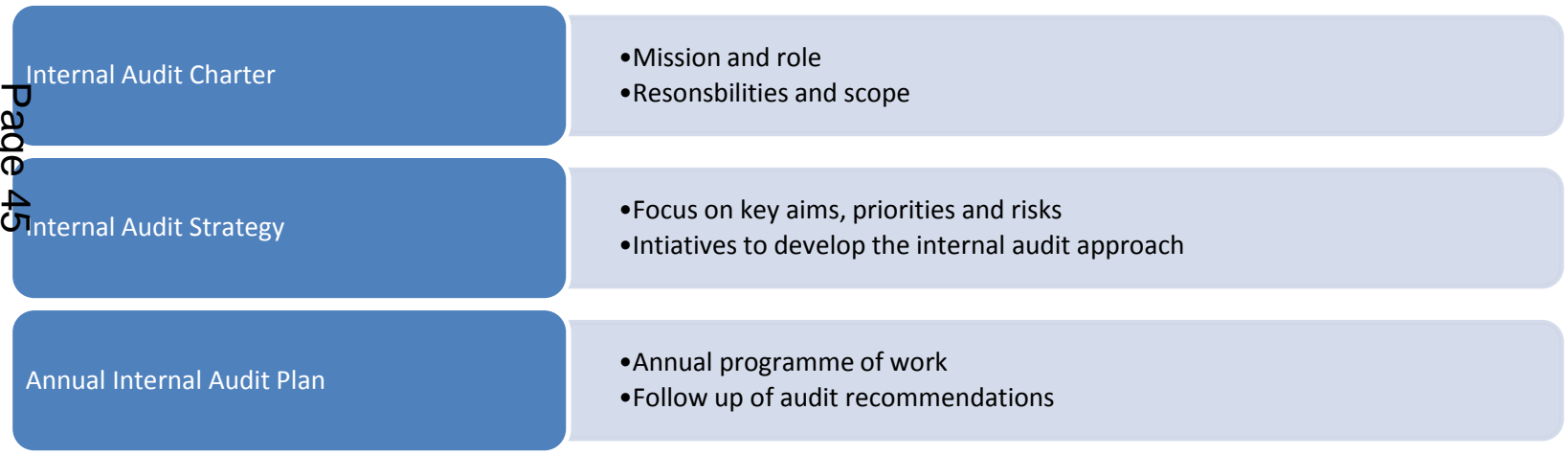
The Council has a duty to establish and maintain appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit’s role is to advise the Council that these arrangements are in place and operating effectively. The Council’s response to internal audit activity should lead to the strengthening of the control environment and therefore contribute to the achievement of the organisation’s objectives.

The role of internal audit is further defined in the Internal Audit Charter which is approved by the Corporate Leadership Team and Audit Committee on an annual basis.

Annual Internal Audit Report and Opinion

Internal Audit Approach

A framework has been implemented to enable an overall annual internal audit opinion to be provided by the Chief Internal Auditor. This incorporates a number of key documents covering the remit of internal audit, its key priorities and plans which when combined enable the annual opinion to be produced. Each of these documents is regularly reviewed to ensure that they remain relevant and meet the requirements of professional standards and the ever changing control environment at the Council. The key documents and their relationships are illustrated below:



The internal audit team provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help improve those systems and processes where necessary.

A full range of internal audit services is provided to help form the annual opinion as illustrated:

Annual Internal Audit Report and Opinion



The outcomes of all planned internal audits are reported to the Corporate Leadership Team and the Audit Committee on a quarterly basis and a full copy of the internal audit report is available on request from the Chief Internal Auditor.

Annual Internal Audit Report and Opinion

Internal Audit Opinion

Blackpool Council's Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its Annual Governance Statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In giving this opinion assurance can never be absolute and therefore, only reasonable assurance that there are no major weaknesses in the processes reviewed can be provided. In assessing the level of assurance to be given the opinion has been given based on:

- Internal audit assurance statements issued throughout the year as part of the annual audit plan.
- Written reports provided as a result of advice / consultancy work undertaken by the internal audit team.
- The implementation of recommendations made by internal audit linked to high risks throughout the year.
- The extent of resources available to deliver the annual internal audit plan.
- The quality and performance of the internal audit service and the extent to which it complies with the Public Sector Internal Audit Standards.
- Whether the target for delivery of the internal audit plan has been achieved.
- Alignment of the annual audit plan with the strategic risk register to ensure that key risks are being effectively managed.
- The results of other review bodies where appropriate.

Annual Audit Opinion 2015/16

The Chief Internal Auditor is satisfied that sufficient assurance work has been carried out to allow the provision of a reasonable conclusion on the adequacy and effectiveness of Blackpool Council's internal control environment.

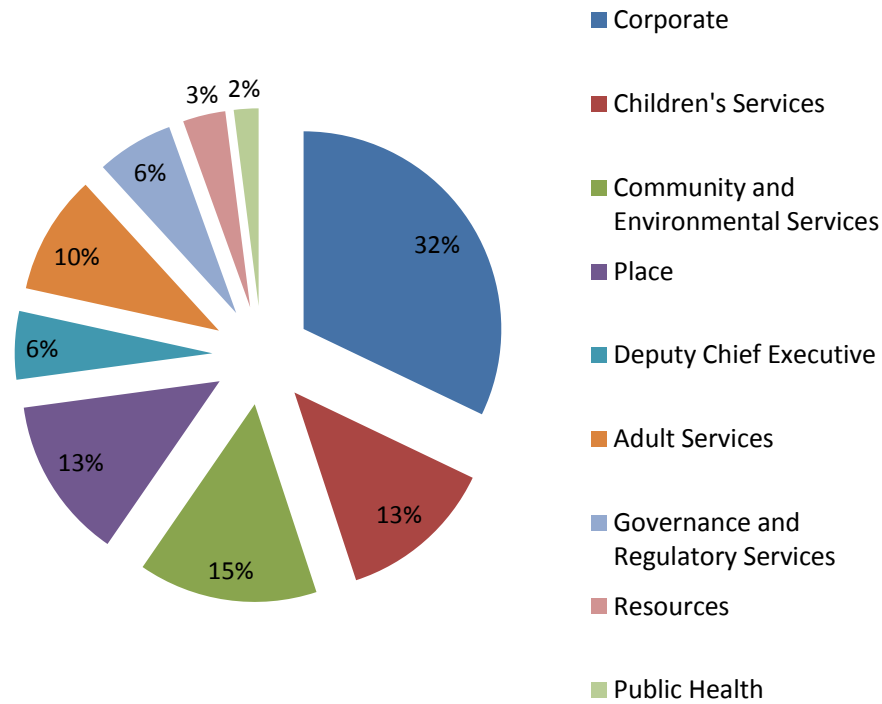
The opinion of the Chief Internal Auditor is that the overall control environment of the Council is adequate.

Where weaknesses have been identified through internal audit work the team have worked with management to agree appropriate remedial actions and a timescale for improvement.

Annual Internal Audit Report and Opinion

Internal Audit Coverage and Output

The Annual Internal Audit Plan for 2015/16 was approved by the Corporate Leadership Team and Audit Committee in March 2015 and 89% of the plan was delivered by the end of the year. Of the plan planned delivered the spilt per directorate was as follows:



Throughout the year internal audit have also been asked to provide advice on a range of risk and control issues. The key areas where advice has been given include:

Annual Internal Audit Report and Opinion

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- Client Finances Banking Arrangements
- Libraries Income Collection
- Registrars Income Reconciliation
- Direct Payment Overpayments
- P2.net interface with E-Invoicing
- Health Watch Financial Arrangements
- Personal Transport Budgets
- Community Shop
- Cosy Homes in Lancashire
- Counterfeit Money
- Materials for sale at Layton Depot
- Finance Process Manager (FPM)
- Petty Cash
- Payment Card Industry Compliance
- Retention Periods
- Conflicts of Interest

A number of planned internal audits for 2015/16 have not been undertaken after discussion with management and these include:

Review	Reason for Deferment
Housing Benefit Risk Based Verification	<ul style="list-style-type: none"> • The risk based verification scheme was not implemented until December 2015 and therefore the audit will be deferred until early 2017/18 for the scheme to be embedded. • Internal audit were involved in the development of the scheme and therefore provided early assurance that the criteria to be applied were appropriate.
Public Health Commissioning	<ul style="list-style-type: none"> • This audit has been deferred until 2017/18 due to potential changes to the model used to provide commissioning services.

Annual Internal Audit Report and Opinion

Governance Arrangements of Boards and Panels	<ul style="list-style-type: none">• Considerable work has been undertaken by Governance and Regulatory Services in 2015/16 to address the control weaknesses.• The audit has been deferred to 2016/17 to provide assurance that the new arrangements are working effectively.
Identification of Carers, Care and Support	<ul style="list-style-type: none">• This was a requirement of the Care Act however given the delays in the implementation there would be little value in undertaking this review in 2015/16.

The Chief Internal Auditor does not consider these deferrals to have an adverse impact of the delivery of the overall opinion for the period. There is also some planned work from 2015/16 which is still at draft report stage as these have yet to be discussed with management however the Chief Internal Auditor does not consider that excluding these will have a negative impact on the delivery of the overall opinion for the period. The reports included in this category include:

- Banking Contract
- Framework-I – Non-Residential Payments
- Positive Steps into Work
- Ward Budgets

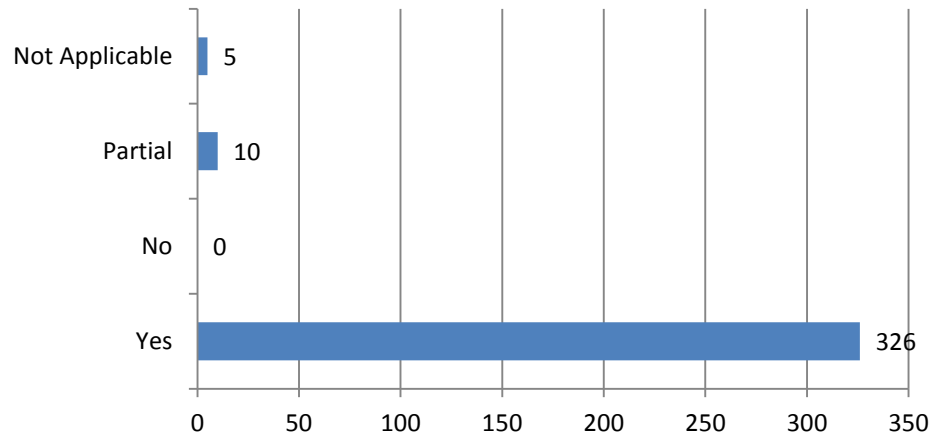
Quality Assurance and Improvement Programme

As part of the Public Sector Internal Audit Standards there is a requirement for the internal audit team to have in place a Quality Assurance and Improvement Programme (QAIP). This must include both internal and external assessment of compliance against the standards. The internal assessments are ongoing and an external assessment must be undertaken once every five years. The external assessment of the service is due to take place in 2016/17.

In addition to evaluating compliance with the standards the QAIP must also assess the efficiency and effectiveness of the internal audit activity, identifying areas for improvement. This is achieved through service improvement days and customer satisfaction surveys.

During 2015/16 the Internal Audit Team carried out a self-evaluation against the standards the results of which can be seen in the following chart:

Annual Internal Audit Report and Opinion



Disclosure of Non-Conformance with the Public Sector Internal Audit Standards

It is the opinion of the Chief Internal Auditor that in all material respects Blackpool Council’s Internal Audit Team conforms to the definition of internal audit, the Code of Ethics and the Public Sector Internal Audit Standards.

Whilst the Public Sector Internal Audit Standards only require non-conformance to be disclosed when it impacts the overall scope or operational of the internal audit activity, the additional requirements for the public sector state that all instances of non-conformance and progress against improvements plans must be reported in the annual report. The QAIP Action Plan can be seen in **Appendix 1** of this report.

Annual Internal Audit Report and Opinion

Internal Audit Performance

In order to monitor the performance of the internal audit team year on year a suite of performance indicators have been agreed and progress against the performance indicators are reported to the Corporate Leadership Team and Audit Committee each quarter. The agreed suite of indicators includes:

- Percentage of annual audit plan completed
- Percentage draft reports issued within deadline
- Percentage audit work within resource budget
- Percentage of positive satisfaction surveys
- Percentage compliance with quality standards for audit reviews.

Details of performance against the targets for a three year period are illustrated below:

	2013/2014		2014/2015		2015/2016	
	Target	Actual	Target	Actual	Target	Actual
Audit plan completed	90%	94%	90%	91%	90%	89%
Draft reports delivered in deadline	96%	94%	96%	97%	96%	97%
Audit work completed in budget	92%	97%	92%	90%	92%	91%
Positive satisfaction surveys	85%	88%	85%	82%	85%	88%
Compliance with quality standards	85%	84%	85%	84%	85%	87%

Whilst the stretched performance targets are not always achieved the variances are minimal and therefore are not cause for significant concern. The internal audit team will continue to strive to achieve all of their performance targets in future years.

Annual Internal Audit Report and Opinion

Appendix 1 – Quality Assurance Improvement Programme Action Plan

Source	Issue	Action	Action By
Public Sector Internal Audit Standards	The Internal Auditor Charter does not define the terms ‘board’ and ‘senior management’ for the purposes of internal audit activity. It should be noted that the board refers to the Audit Committee for the purpose of Blackpool Council.	Internal Audit Charter to be amended to reflect this.	Chief Internal Auditor
Public Sector Internal Audit Standards	The Internal Audit Charter does not establish the responsibility of the board and also the role of the statutory officers (such as CFO, the monitoring officer and the head of paid service) with regard to internal audit.	Internal Audit Charter to be amended to reflect this.	Chief Internal Auditor
Public Sector Internal Audit Standards	The Internal Audit Charter does not document the arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.	Internal Audit Charter to be amended to reflect this.	Chief Internal Auditor
Public Sector Internal Audit Standards	The Chief Internal Auditor does not seek approval from the Board for the internal audit budget and resource plan.	Consider including the internal audit budget in the Annual Audit Plan.	Chief Internal Auditor
Public Sector Internal Audit Standards	The internal audit team have limited knowledge of key information technology risks and controls.	A member of the internal audit team is currently training to be an IT auditor to help address this skills gap.	Chief Internal Auditor

Annual Internal Audit Report and Opinion

Source	Issue	Action	Action By
Public Sector Internal Audit Standards	The risk based audit plan does not demonstrate how the internal audit service links to organisational objectives and priorities.	The links will be documented in future annual audit plans.	Chief Internal Auditor
Public Sector Internal Audit Standards	The risk based audit plan does not include details of the approach to using other sources if assurance and any work that may be required to place reliance upon those sources.	Future annual audit plans will document what the process for this is.	Chief Internal Auditor
Public Sector Internal Audit Standards	The Chief Internal Auditor has not carried out an assurance mapping exercise as part of identifying and determining the approach to use other sources of assurance.	Although this happens in practice is it not documented in the annual audit plan and this will be addressed in future plans.	Chief Internal Auditor
Public Sector Internal Audit Standards	The internal audit activity has not assessed whether the Council's information technology governance supports the organisations strategies and objectives.	Whilst this is done on a review by review basis and overall audit has not been undertaken to assess this corporately. This will be considered for inclusion in future internal audit plans.	Chief Internal Auditor
Public Sector Internal Audit Standards	The annual audit option does not consider all related projects including the reliance on other assurance providers.	This is done in practice however the specific areas where reliance has been obtained from other assurance providers is not documented. Consideration will be given to including this in future annual opinion reports.	Chief Internal Auditor
Strategic Audit Plan 2014/2017	There is a need to set out the role of the Chief Internal Auditor and how this fits with others	Liaise with the Monitoring Officer to determine the appropriateness of implementing a Governance	Chief Internal Auditor

Annual Internal Audit Report and Opinion

Source	Issue	Action	Action By
	charged with governance at Blackpool Council.	Framework for Blackpool Council.	
Strategic Audit Plan 2014/2017	An awareness of governance is not included in the competencies required by the Corporate Leadership Team.	Liaise with the Monitoring Officer to determine whether governance is an area which should be include in the Leadership Charter.	Chief Internal Auditor
Internal Audit Service Improvement Day	Continually review the Financial Control Assurance Testing to ensure that they focus on key controls and that IDEA file interrogation software is used to further automate the process.	The Financial Control Assurance Testing will be reviewed on an annual basis to confirm that they are fit for purpose and that they are completed in the most efficient way.	Audit Manager
Internal Audit Service Improvement Day	Increase the resilience of the audit team through a generic approach to work allocation.	Ensure that all members of the team get involved in a variety of audit work to develop skills and aid with succession planning.	Audit Manager
Internal Audit Service Improvement Day	Raise awareness of the work of the internal audit team.	Develop the internal audit pages on the Hub to provide services with easy access to information relating to internal audit.	Audit Manager
Internal Audit Service Improvement Day	The internal audit team do not yet have relationships with all of the Council wholly owned companies.	An internal audit service is to provide to each of the wholly owned companies to provide assurance to the Board that controls are working effectively,	Chief Internal Auditor
Customer Satisfaction Surveys	If evidence is identified as missing as part of audit testing then service management be informed of this prior to the draft report being issued.	The Audit Team should be reminded of the need for 'No Surprises Auditing' and provide managers with a summary of findings to check accuracy prior to issuing	Audit Manager

Annual Internal Audit Report and Opinion

Source	Issue	Action	Action By
		the draft report.	
Customer Satisfaction Survey	Some audits report focus both on a service and the responsibility of managers to provide information to the service and it is not always clear where this is the case.	Consideration will be given to formatting audit reports in a different way when some findings and recommendations related to a service and some relate to managers corporately.	Audit Manager
Customer Satisfaction Survey	Service managers should be kept informed of progress throughout the audit.	The Audit Team will be reminded of the need to keep service managers informed, including details of planned interviews (where appropriate to do so).	Audit Manager

Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh, Chief Internal Auditor
Date of Meeting	26 May 2016

AUDIT COMMITTEE TRAINING PROGRAMME 2016/17

1.0 Purpose of the report:

1.1 The purpose of this report is to agree the proposed modular training programme for Audit Committee Members.

2.0 Recommendation(s):

2.1 To approve the Audit Committee training programme.

3.0 Reasons for recommendation(s):

3.1 The delivery of training on relevant topics helps to ensure that members of the Audit Committee have the skills and knowledge to effectively fulfil their role.

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 Further to a workshop with Audit Committee Members on the 7 April 2016 where skills and knowledge were discussed and based upon the CIPFA Guidance for Audit

Committees, a number of topics were identified for future training. Therefore, it is proposed that the following training sessions are held:

Date	Time	Topic	Lead Presenter	Comments
30 June 2016	5pm to 6pm	Role of the Audit Committee	Mark Towers	
14 September 2016 (actual meeting 22/9/16)	4.30pm to 6pm	Statement of Accounts	Phil Redmond	The Committee has asked for this training to be held a week before the actual meeting so that Members have time to absorb the information before preparing for committee.
20 October 2016	5pm to 6pm	Reviewing the Annual Governance Statement	Mark Towers	
24 November 2016	5pm to 6pm	Interpreting the Risk Services Quarterly Report	Tracy Greenhalgh	
19 January 2017	5pm to 6pm	Audit Committee Best Practice	KPMG	
2 March 2017	5pm to 6pm	Challenging the Strategic Risk Register	Tracy Greenhalgh	
20 April 2017	5pm to 6pm	Interpreting External Audit Documents	KPMG	

5.2 Does the information submitted include any exempt information? No

5.3 **List of Appendices:**
None.

6.0 **Legal considerations:**

6.1 The provision of modular training helps to ensure that the Audit Committee are able to meet the requirements of the CIPFA Guidance.

7.0 Human Resources considerations:

7.1 The training will be provided by key stakeholders who already engage with the Audit Committee and therefore there will be no additional staffing required.

8.0 Equalities considerations:

8.1 All members of the Audit Committee are invited to attend all training sessions.

9.0 Financial considerations:

9.1 The training will be delivered from existing resources.

10.0 Risk management considerations:

10.1 The provision of training helps ensure that Audit Committee members can effectively fulfil their role in relation to governance of risk management.

11.0 Ethical considerations:

11.1 None.

12.0 Internal/ External Consultation undertaken:

12.1 A workshop was held with Audit Committee members in April 2016 to understand training needs and help to inform the programme.

13.0 Background papers:

13.1 None

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Report to:	AUDIT COMMITTEE
Relevant Officer:	Iain Leviston, Manager, KPMG
Date of Meeting	26 May 2016

ANNUAL AUDIT FEE 2016/2017

1.0 Purpose of the report:

1.1 To consider the external auditor's Annual Audit Fee Letter 2016/2017.

2.0 Recommendation(s):

2.1 To consider the content of the letter, asking questions and making any recommendations as considered appropriate.

3.0 Reasons for recommendation(s):

3.1 To enable the Audit Committee to consider the proposed Audit fees for 2016-17 and to 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:

To not receive the report but this would prevent the effective monitoring and review of the Council's audit fees by the Committee.

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 Annual Audit Fee letter, outlining the proposed Audit Fee for 2016/2017 is attached at Appendix 8(a).

5.2 This letter was received by the Director of Resources in April 2016.

5.3 Does the information submitted include any exempt information? No

5.4 List of Appendices:

Appendix 8(a): Annual Audit Fee Letter 2016/2017.

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 Internal/ External Consultation undertaken:

11.1 None

12.0 Background papers:

12.1 None



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Private & confidential

Mr Steve Thompson
Director of Resources
Blackpool Council
Bickerstaffe House
Talbot Road
Blackpool
FY1 1NA

Our ref il/016/let-589

Contact Iain Leviston
0161 246 4403

6 April 2016

Dear Steve

Annual audit fee 2016/17

I am writing to confirm the audit work and fee that we propose for the 2016/17 financial year at Blackpool Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and Public Sector Audit Appointments Limited's (PSAA's) published work programme and fee scales.

Planned audit fee

The planned audit and certification fees for 2016/17 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

Audit area	Planned fee 2016/17	Planned fee 2015/16
Code of Audit Practice audit fee – Blackpool Council	£110,153	£110,153
Certification of housing benefit grant claims	£13,658	£10,112

PSAA has set the 2016/17 scale fees at the same level as for 2015/16, thereby preserving the 25 per cent reductions that were applied that year which in turn was in addition to the savings of up to 40 per cent in scale audit fees and certification fees in 2012/13. The planned fee is in line with the scale fee.

As we have not yet completed our audit for 2015/16 the audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

Redistribution of Audit Commission surplus

Following completion of the Audit Commission's 2014/15 accounts, PSAA received a payment in respect of the Audit Commission's retained earnings. PSAA will distribute this and any other surpluses from audit fees to audited bodies, on a timetable to be established by the PSAA Board.

This distribution will be made directly by PSAA and not via KPMG. Based on current information, PSAA anticipates that the amount of the redistribution is likely to be in the order of 15% of the scale fee.

Factors affecting audit work for 2016/17

We plan and deliver our work to fulfil our responsibilities under the Code of Audit Practice (the Code) issued by the National Audit Office (NAO). Under the Code, we tailor our work to reflect local circumstances and our assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting our audit responsibilities or financial reporting standards.

CIPFA/LASAAC has confirmed that the 2016/17 *Code of Practice on Local Authority Accounting in the United Kingdom* will adopt the measurement requirements of the CIPFA *Code of Practice on Transport Infrastructure Assets* for highways network assets. This change will require additional work in 2016/17 but PSAA has indicated that it is not appropriate to increase the scale fees to cover the costs of this work because the amount of work required at individual authorities will vary based on local circumstances. The fees for this additional work will therefore be discussed and agreed with you in due course and will be subject to PSAA's normal fee variation process. PSAA expects that the additional fees for a highways authority will be in the range £5,000 to £10,000, where authorities are able to provide the information required and the auditor is able to rely on central assurance of the valuation models in use. This amounts are indicative and therefore costs outside of this range may be necessary.

Under the Code, we have a responsibility to consider an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources and to do this we will undertake appropriate value for money (VFM) audit work. The 2016/17 fees have been set on the basis that the NAO's Code and supporting guidance does not change the level of work required on the VFM audit. Should this not be the case, or if new or increased significant VFM audit risks arise that require further audit work, additional fees will be necessary over and above the scale fee. Any such additional fees will be subject to approval through PSAA's fee variation process.

Certification work

As well as our work under the Code, we will certify the 2016/17 claim for housing benefit subsidy to the Department for Work & Pensions.

There are no longer any other claims or returns that we are required to certify under the PSAA audit contract. Assurance arrangements for other schemes are a matter for the relevant grant-paying body, and may be the subject of separate fees and tri-partite arrangements between the grant-paying body, the audited body, and the auditor. We would be happy to discuss any such certification needs with you.

Assumptions

The indicative fees are based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified for the current year's audit. A more detailed audit plan will be issued early next year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with you and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2. A statement of our independence is included at Appendix 3.

The proposed fee excludes any additional work we may agree to undertake at the request of Blackpool Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

Our team

The key members of our audit team for the 2016/17 audit are:

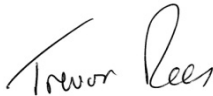
Name	Role	Contact details
Tim Cutler	Partner	tim.cutler@kpmg.co.uk 0161 246 4774
Iain Leviston	Manager	iain.leviston@kpmg.co.uk 0161 438 2504
Reena Ghelani	Assistant Manager	reena.ghelani@kpmg.co.uk 0161 246 4958

Quality of service

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 me and I will try to resolve your complaint. If you are dissatisfied with your response please contact the national contact partner for all of KPMG's work under our contract with PSAA, Andy Sayers (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

Yours sincerely



Trevor Rees
Director, KPMG LLP

cc: Blackpool Council Audit Committee
Public Sector Audit Appointments Limited

Appendix 1 – Audit fee assumptions

In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2015/16;
- you will inform us of significant developments impacting on our audit work;
- internal audit meets the appropriate professional standards;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2016/17 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Improvements to the above factors may allow reductions to the audit fee in future years. Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the detailed audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by KPMG, PSAA, the NAO or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
External audit plan	January 2017
Interim audit report	April 2017
Report to those charged with governance (ISA260 report)	September 2017
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	September 2017
Opinion on Whole of Government Accounts return	September 2017
Annual audit letter	November 2017
Certification of grant claims and returns	January 2018

Appendix 3 – Independence & objectivity requirements

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the **Audit Committee**.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 *Integrity, Objectivity and Independence* requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the NAO's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.

- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of April 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.