

Blackpool Council

21 February 2017

To: Councillors Cox, Elmes, Galley, Hobson, Hunter, Matthews, Mitchell, Roberts and L Taylor

The above members are requested to attend the:

AUDIT COMMITTEE

Thursday, 2 March 2017 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 19 JANUARY 2017 (Pages 1 - 6)

To agree the minutes of the last meeting of the Audit Committee held on 19 January 2017 as a true and correct record.

3 STRATEGIC RISK REGISTER - UNSUSTAINABLE LOCAL ECONOMY/ INCREASED DEPRIVATION (Pages 7 - 10)

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

4 RISK SERVICES QUARTER THREE REPORT - 2016/2017 (Pages 11 - 30)

To provide the Audit Committee with a summary of the work completed by Risk Services in quarter three of the 2016/2017 financial year.

- 5 SAFEGUARDING AGAINST CYBER RISKS** (Pages 31 - 38)
To provide an update in relation to the actions being taken to reduce cyber risks.
- 6 INTERNAL AUDIT PLAN 2017/2018** (Pages 39 - 58)
To consider approval from the Audit Committee for the Internal Audit Plan 2017/18.
- 7 INTERNAL AUDIT CHARTER** (Pages 59 - 74)
To consider approval of the updated Internal Audit Charter.
- 8 EXTERNAL AUDIT PLAN 2016/2017** (Pages 75 - 94)
To consider KPMG's Audit Plan 2016/2017.
- 9 CERTIFICATION OF GRANTS AND RETURNS 2015/2016** (Pages 95 - 106)
To consider the External Auditor's report on the certification of grants and returns 2015/2016.
- 10 DATE OF NEXT MEETING**
To note the date and time of the next meeting of the Committee as Thursday, 20 April 2017, 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, Acting Scrutiny Manager, 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

Elmes

Hunter

Mitchell

L Taylor

Hobson

Matthews

Roberts

In Attendance:

Mr Neil Jack, Chief Executive

Mr Alan Cavill, Director of Place

Mr Mark Towers, Director of Governance and Partnerships

Mrs Tracy Greenhalgh, Chief Internal Auditor

Mrs Hilary Wood, Head of Business Support and Resources

Mr Iain Leviston, Manager, KPMG.

Mr Steve Sienkiewicz, Clerk to the Committee

1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

2 MINUTES OF THE LAST MEETING HELD ON 24 NOVEMBER 2016

The Committee agreed that the minutes of the last meeting held on 24 November 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 risk owners, Mr Jack, Chief Executive and Mr Cavill, Director of Place.

Mr Jack began by explaining that overall, the Council was now seeking to be much more proactive in dealing with media and reputational issues, rather than simply responding to requests for information. Additionally, work was being carried out with the Blackpool Clinical Commissioning Group (CCG) and the Blackpool Teaching Hospital Trust in terms of a more coordinated approach to press and media releases. Going forward, a shared communications service with those agencies was being looked at, similar to what was already in place for legal services and emergency planning, between the Trust and the Council.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 19 JANUARY 2017

Mr Jack went on to explain that different and more effective methods of engaging with the community were currently being examined, particularly in relation to the Fairness Commission. The intention was for all of the different elements of the town to be brought together. A detailed plan was being coordinated by Dr Arif Rajpura, Director of Public Health and the essence of the plan was an intention to be more supportive towards the community.

In terms of new initiatives going forward, Mr Jack spoke about the opportunities afforded by the potential new conference centre and the new Blackpool Museum in order to attract both additional and different types of visitors to the town.

Mr Cavill spoke about the success of the 'Blackpool has it all' media campaign in terms of promoting the town and the fact that over 100 positive press articles had appeared nationally, as a result of active media management. The Committee was informed of the initiatives to bring together public relations from across the business economy in an attempt to manage media commentaries in a joined up way, leading to a lower volume of unilateral press releases.

Mr Jack responded to a number of questions from the Committee. In connection with the risk of negative TV documentaries, regardless of the level of cooperation given by the Council, or other agencies, he explained that the level of cooperation would be decided upon on an individual basis when an approach was made. He quoted the example of the '999 what's your emergency?' TV programme, which gave a very negative view of Blackpool, despite full cooperation being given by the police. Mr Cavill added that the intention was not to turn down all requests and pointed out that the Council had developed a good relationship with TV AM, which had resulted in some very positive morning TV slots being aired.

The Committee asked for additional details to be provided about the corporate branding and the engagement toolkit, as detailed against risk 6b in the register. Mr Jack explained that the corporate branding approach was designed to make it clear who was doing a piece of work or providing a service. In terms of community engagement, this was concerned with initiatives to align arrangements with other public service agencies, with a view to achieving a more joined up approach and to ensure that people were not being overwhelmed with surveys and consultations.

The Committee discussed the various engagement methods used by the Council since the demise of the area forums, including the Council Couch. Views were expressed which included a request for more information on engagement activities and also for more information to be provided to promote the benefits of the proposed new conference centre to the public. Mr Jack explained that attempts were underway to reach out to a wider network of people in the town, in ways that were constructive. He reminded the Committee that the engagement initiatives were a part of the joined up work being undertaken in partnership with the health agencies. In terms of the conference centre, he explained that the final funding arrangements had not yet been agreed, although was hopeful of this happening in the very near future. As such, communications to date had centred around the

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 19 JANUARY 2017

planning application. He was confident that conference centre publicity would increase significantly upon agreement of funding arrangements.

The Committee asked about the availability of different marketing methodologies for the culture and heritage areas of the Tourism and Marketing Strategy. Mr Cavill explained that (subject to funding) the Blackpool Museum would have a separate marketing budget and that the museum would try to attract people who would not normally visit Blackpool. He added that the museum would offer a much more interactive experience to that available at traditional museums.

The Committee asked about the use of less than positive images that were in the public domain and used to promote Blackpool. Examples quoted were photographs of the Tower whilst still covered in scaffolding, used by Booking.Com. Mr Cavill explained that every effort was made to use updated images as far as possible. He added however, that experience had shown that Booking.Com was considered to be a particularly difficult organisation to deal with in relation to such changes.

The Committee pointed out that the target dates for the risks within the register were all listed as 'ongoing' and asked when it was anticipated that things would start to improve. Mr Jack explained that the challenges would always be there, although he anticipated that arrangements in terms of a more joined up media approach would be in place within six months. With regards to community engagement and its links with the NHS Vanguard service, the changes were anticipated within three months. A new programme was currently in place for marketing Blackpool and it was hoped that improved results would be available around Easter 2017. Methods of undertaking visitor surveys had been reviewed with a view to achieving a far more solid evidence base as to the reasons for people visiting Blackpool.

In connection with the joined up communications approach with the health service, the Committee raised concerns about the possibility of relationships becoming compromised as a result. Mr Jack explained his belief that the intention would result in representatives of the organisations having difficult conversations with each other that would lead to better outcomes for residents. The driver behind the scheme was to persuade the organisations to do the right thing for residents and patients, rather than the right thing for the organisations themselves. As such, robust challenge would take place across each of the partners involved. Mr Towers, Director of Governance and Partnerships added that defined responsibilities around governance arrangements were set out within the relevant legal documentation, in such shared services.

The Committee agreed:

1. To note the report.
2. To request the attendance of Dr. Arif Rajpura at the next meeting of the Committee to provide further details of the new community engagement plans.

Background papers: None.

4 ANNUAL GOVERNANCE STATEMENT 2015-2016 MID-TERM REVIEW

The Committee considered the Action Plan following the mid-term review of the Annual Governance Statement 2015-2016. The report was presented by Mr. Towers, who explained the statutory background to the Annual Governance Statement which was designed to provide assurance around the governance framework of the Council. He explained that Members and officers had inputted into the self assessment and the action plan had been developed to build upon the existing assurance process. Mr Towers further explained that efforts to consult with a wider group of respondents was an action contained with the current plan. Mrs Greenhalgh, Chief Internal Auditor added the mid-term review had proved to be a very useful process in checking progress on developments.

Mr Towers responded to several questions from the Committee. Asked how the Leadership Charter would be used, he explained that the current Individual Performance Appraisal (IPA) exercise consisted largely of operational management objectives and that a new approach was now being examined to identify different leadership behaviours, values and principles. He confirmed that going forward, managers would be asked to explain if and how they felt their objectives had been met, during the appraisal interview.

The Committee asked whether the whistleblowing policy was linked into fraud awareness training and what the timelines were regarding progress. Mrs Greenhalgh explained that it was hoped that whistleblowing training and awareness raising would be in place by the end of the financial year. She acknowledged that the take up for fraud awareness training was still low and that areas of the Council considered to be most important in terms of the training were now being targeted.

Asked about progress on the review of ethical principles, Mrs Greenhalgh confirmed that this would be focussed on in the next six months.

The Committee discussed the issue around performance management, identified within the report as needing to be more robust and the data more accessible. Mr Jack acknowledged that performance management data was inconsistent across the organisation. Some of the data was considered to be too cumbersome and needed to be streamlined. A great deal of data was in existence but it did not necessarily support current decision making processes and was not altogether complete across the Council.

The Committee asked questions around the proposal for an independent member to be appointed to the Audit Committee and the information that was contained within the action plan in support of that. Mr Towers explained that the proposal had been developed in conjunction with best practice and that the Committee had been supportive when the Action Plan had been agreed in June 2016 and now the Leader of the Council had confirmed his support.

The Committee discussed the issue around managing risk with reduced resources and asked whether this would have an impact on the Corporate Risk Register. Mrs Greenhalgh explained that the Risk Register was currently in the process of being reviewed and a report would be presented to the Committee in due course.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 19 JANUARY 2017

Members asked about the prospects for progress against the action plan in six months' time. Mr Towers explained that when the 2016/2017 Annual Governance Statement was produced, it would include an update as to progress against the mid-term review actions. Asked about any budget implications for the plan, he explained that if it was felt that a budget risk existed, it would be highlighted within the report. No additional budget requirements had been identified in the current action plan.

The Committee agreed to note the report.

Background papers: None.

5 DEPARTMENTAL RISKS - ADULT SERVICES AND CHILDREN'S SERVICES

Following a request made at its last meeting, the Committee considered a report which highlighted items on the Adult Services and Children's Services departmental risk registers that were scored as a high net risk. The report was presented by Mrs Wood, Head of Business Support and Resources (Children and Adult Services). She explained the context of the report, in that the Departmental Risk Register sat directly underneath the Strategic Risk Register, detailing the high risk items and identifying whether they were adequately represented on the Strategic Risk Register. She added that three out of the four risks on the departmental register were represented on the Strategic Register.

A brief explanation was given as to the reasons for the items being on the departmental register. Mr Jack then explained in more detail some of the background, context and measures being taken to mitigate the risks. Crucially, it was acknowledged that the high numbers of looked after children needed to be reduced, whilst understanding the higher levels of unpredictability and unforeseeability that existed in terms of risks against children, compared with adults. He explained however that the Council was getting better at wider family engagement, and spoke of the arrangements for improved local support. These included the Crash Pad model, providing short term respite care and the Pause model, providing medical and psychological support and looking directly at the problems in a person's life. The evidence base existed to suggest that improved local support achieved improved outcomes, as well as being significantly cheaper to deliver. The aim was to reduce the number of looked after children from the current figure of over 500, to around 450 within three years.

Mrs Wood explained other additional initiatives currently underway with a view to reducing the number of looked after children. These included a forensic review currently underway of the 20 most costly placements and the three-five year Commissioning Strategy being developed, which would outline future plans for children's placements.

Mrs Wood and Mr Jack responded to questions from the Committee. It was confirmed that no financial incentives would be provided by way of encouragement to take part in the Pause programme, and that only medical and psychological interventions were provided.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 19 JANUARY 2017

The Committee asked about the tight and robust management oversight that was detailed as one of the controls and mitigations provided against the risk of failure to keep people safe within the Children's Services department. Members queried whether this should not be happening in all areas. Mrs Wood agreed that should be the case and pointed out this was a specific action around supporting good practice, reviewing cases and explaining why decisions were being made.

The Committee discussed the likely impact of the financial plan that was currently being worked towards and asked about the possibility of the high net risk scores being reduced at the end of three years. Mrs Wood expressed an aim to bring the current scores of 20 down to 16 if successful and to achieve more manageable risk levels.

The Committee asked about items on the risk register where actions being taken might overlap with other departments, quoting housing as an example. Mrs Wood agreed to reference those areas where joint working was being undertaken, going forward.

In conclusion, the Committee asked about likely progress on the report in 12 months time. Mrs Wood explained that she was hopeful that some of the actions would have been achieved and would then become part of controls and mitigations in place.

The Committee thanked Mrs Wood for her attendance and agreed to note the report.

Background papers: None.

6 DATE OF NEXT MEETING

The Committee noted the time and date of the next meeting as 6pm on Thursday 2nd March 2017 at Town Hall, Blackpool.

Chairman

(The meeting ended at 7.30 pm)

Any queries regarding these minutes, please contact:

Chris Kelly, Acting Scrutiny Manager

Tel: 01253 477164

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

Report to:	AUDIT COMMITTEE
Relevant Officers:	Alan Cavill, Director of Place Steve Thompson, Director of Resource John Blackledge, Director of Community and Environmental Services
Date of Meeting	2 March 2017

STRATEGIC RISK REGISTER – UNSUSTAINABLE LOCAL ECONOMY/ INCREASED DEPRIVATION.

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 Members will have the opportunity to question the Director of Place, Director of Resources and the Director of Community and Environmental Services on identified risks on the Strategic Risk Register in relation to Unsustainable Local Economy/ Increased Deprivation.

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 June 2016, 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.

Does the information submitted include any exempt information?

No

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

Risk	Sub No.	Sub-Risk	Impact / Consequences	Opportunity	Gross Risk			Controls and Mitigation	Net Risk			New / Developing Controls	Risk Manager	CLT Risk Owner	Target Date	Corporate Priority
					I	L	GS		I	L	NS					
Unsustainable Local Economy / Increased Deprivation.	8a	Lack of good quality affordable housing.	Negative impact on local economy.	Key in the regeneration of Blackpool.	4	4	16	ALMO Stock.	4	3	12	Complete the build of the provision of 400 new family homes on the Rigby Road site and progress Queens Park Development.	Strategic Head of Development	Director of Place	Ongoing	Communities and Economy
			Potential criminal activities.	Revitalise areas in the town.				Regulation of private sector / link with RSLs.								
			Inability to regenerate Blackpool.					Creation of Blackpool Housing Company to help transform private sector housing.								
	8b	Increased deprivation and unemployment.	Dependency on Council services.			4	4	16	Introduction of living wage for Council staff and promoting this with contractors.	4	3	12	Strategic Head of Development	Director of Place	Ongoing	Communities and Economy
Commitment to use local suppliers where possible.												Completion of the Central Business District Project.				
	8c	Lack of appropriate transport infrastructure.	Loss of trade, reputation and confidence from residents.			4	4	16	Road Asset Management Strategy in place.	4	3	12	Head of Highways and Traffic Services	Director of Community and Environment	Ongoing	Communities and Economy

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Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh, Chief Internal Auditor
Date of Meeting	2 March 2017

RISK SERVICES QUARTER THREE REPORT - 2016/2017

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 2016/2017 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 and health and safety.

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 4(a): Risk Services Quarter Three Report

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. 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 26 January 2017.

13.0 Background papers:

13.1 None.

Risk Services Quarter Three Report 1st October to 31st December 2016

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1. Third Quarter Summary

Service Developments

1.1 *Internal Audit*

There have been some staffing changes in the internal audit team with Edith Thompson, Auditor, leaving the Council. A recruitment process was undertaken and Nicola Alcock from the Place Directorate was successful in being offered the role of Auditor. Nicola joins the team in January 2017.

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

- Blackpool Museum Project
- Framework-I
- Treasury Management
- Executive Decisions – Resources
- Stanley Primary School
- Health and Safety
- Adolescent Hub
- Estate Management and Investment Portfolio
- Refunds of Council Tax and Business Rates
- Care and Repair

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 internal audit team have agreed an audit plan with the newly formed Audit Committee for Blackpool Housing Company and will be undertaking work for this wholly owned company this financial year.

1.2 *Corporate Fraud*

Proactive anti-fraud work undertaken by the team has focused on Council Tax Single Person Discount fraud, insurance fraud and blue badge fraud. A fraud risk has presented in year in relation to direct payments and work is now underway with the direct payments team to look at how best to prevent, detect and tackle direct payment fraud.

1.3 *Risk and Resilience*

The focus of the teams work this quarter has been in relation to insurance matters. The insurance recharges for 2016/17 have been calculated and work undertaken to prepare for the insurance renewals for 2017/2018. The requirements of the Insurance Act (2016) put a greater emphasis on disclosure than ever before and therefore considerably more information has needed to be collated for the renewals process. A detailed reconciliation between the financial data held in the claims handling and the financial management system has also been undertaken to ensure that insurance claim figures quoted are accurate going forward.

The team have started to review the quality of risk registers and the first directorate report has now been issued and work is underway on the other directorates' risk registers. A programme of transferring the business continuity plans onto the new template, which creates further integration with the Major Emergency Plan, has also commenced, although it is envisaged that it will be twelve months before all plans have been transferred.

1.4 *Health and Safety*

The team have issued a number of staff briefing notes in the quarter including the importance of safety, communication and cooperation when dealing with health and safety matters.

Blackpool Council: Risk Services

A review of the Health and Safety arrangements has been undertaken and is nearing completion. They have been reviewed to take account of organisational changes and changes in practice and legislation. These will be cascaded across the organisation in the new calendar year.

The team has been proactively promoting the use of health and safety monitoring to managers, which is a process that has been agreed with the Corporate Leadership Team. The team are offering to work with managers to set up monitoring systems which the managers can then use going forward. To date there has been limited take up but this will continue to be promoted over the next twelve months.

2. Performance

Risk Services Performance indicators

Performance Indicator (Description of measure)	2016/17 Target	2016/17 Actual
Professional and technical qualification as a percentage of the total.	85%	83%

Internal Audit Team performance indicators

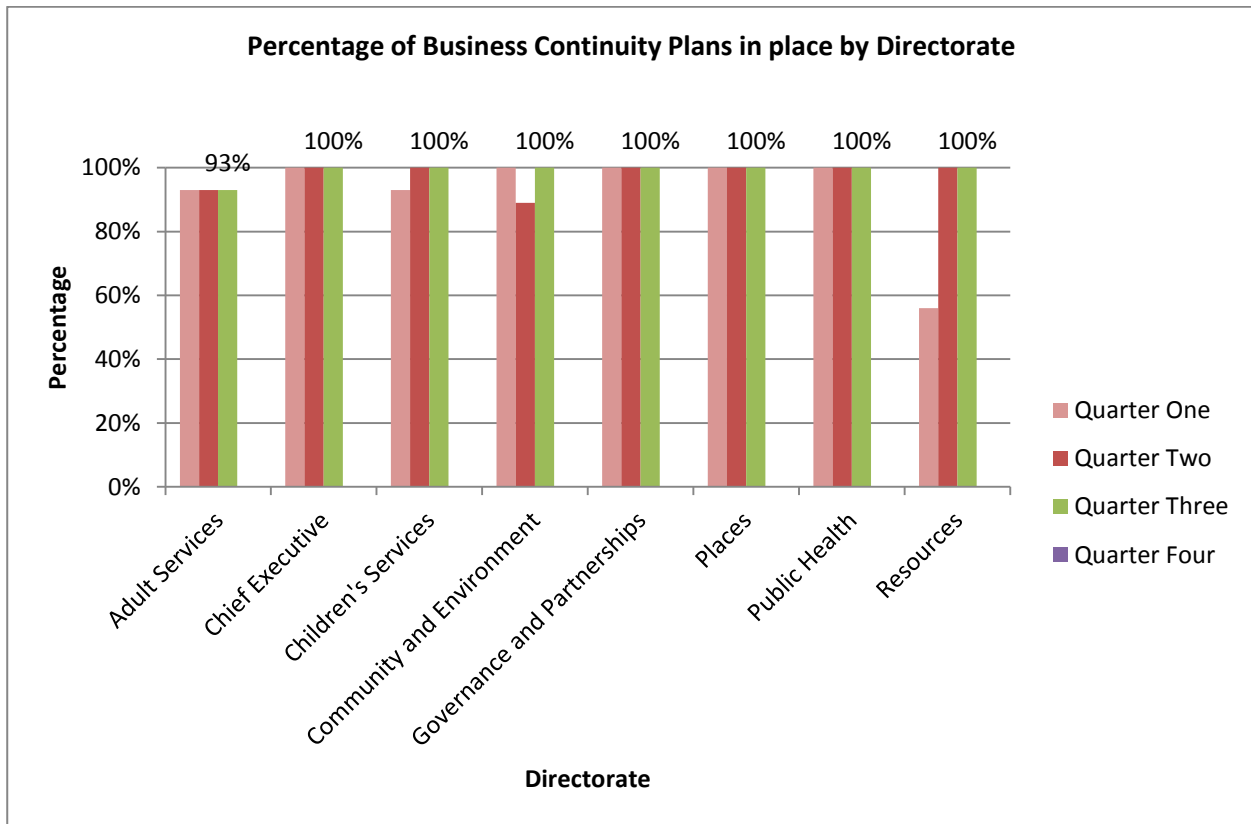
Performance Indicator (Description of measure)	2016/17 Target	2016/17 Actual
Percentage audit plan completed (annual target).	90%	59%
Percentage draft reports issued within deadline.	96%	86%
Percentage audit work within resource budget.	92%	93%
Percentage of positive satisfaction surveys.	85%	92%
Percentage compliance with quality standards for audit reviews.	85%	87%

Risk and Resilience Team performance indicators

Performance Indicator (Description of measure)	2016/17 Target	2016/17 Actual
Percentage of Council service business continuity plans up to date.	90%	99%
Percentage of risk registers revised and up to date at the end of the quarter.	90%	100%
Number of risk and resilience training and exercise sessions held (annual target).	6	4
Number of trained Emergency Response Group Volunteers (for monitoring purposes only – responsibility lies with Adult Social Care)	60	50
Percentage of property risk audit programme completed (annual target).	90%	60%

Blackpool Council: Risk Services

In support of the 99% of business continuity plans up to date by the end of the quarter the following graph shows a breakdown by directorate:

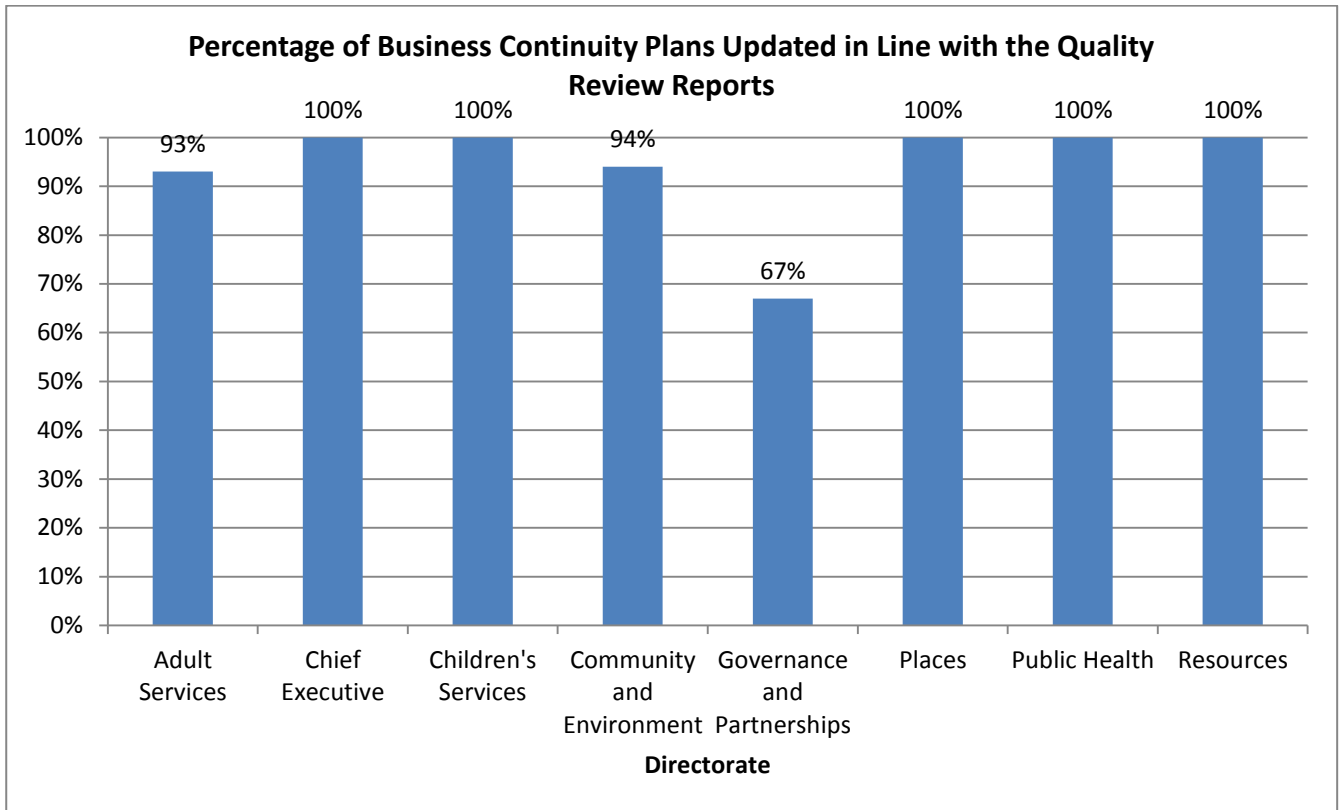


All Council services now have a business continuity plan in place but the following service plan is out of date:

Directorate	Plan which requires updating
Adult Services	<ul style="list-style-type: none"> • Homecare

At the last Committee data was requested on the quality of the business continuity plans in place. All business continuity plans have been quality reviewed by the Risk and Resilience Team and a report issued to the Risk Champion highlighting improvements which are required. The below chart shows the percentage per directorate of those services who have complied with the quality check requirements:

Blackpool Council: Risk Services

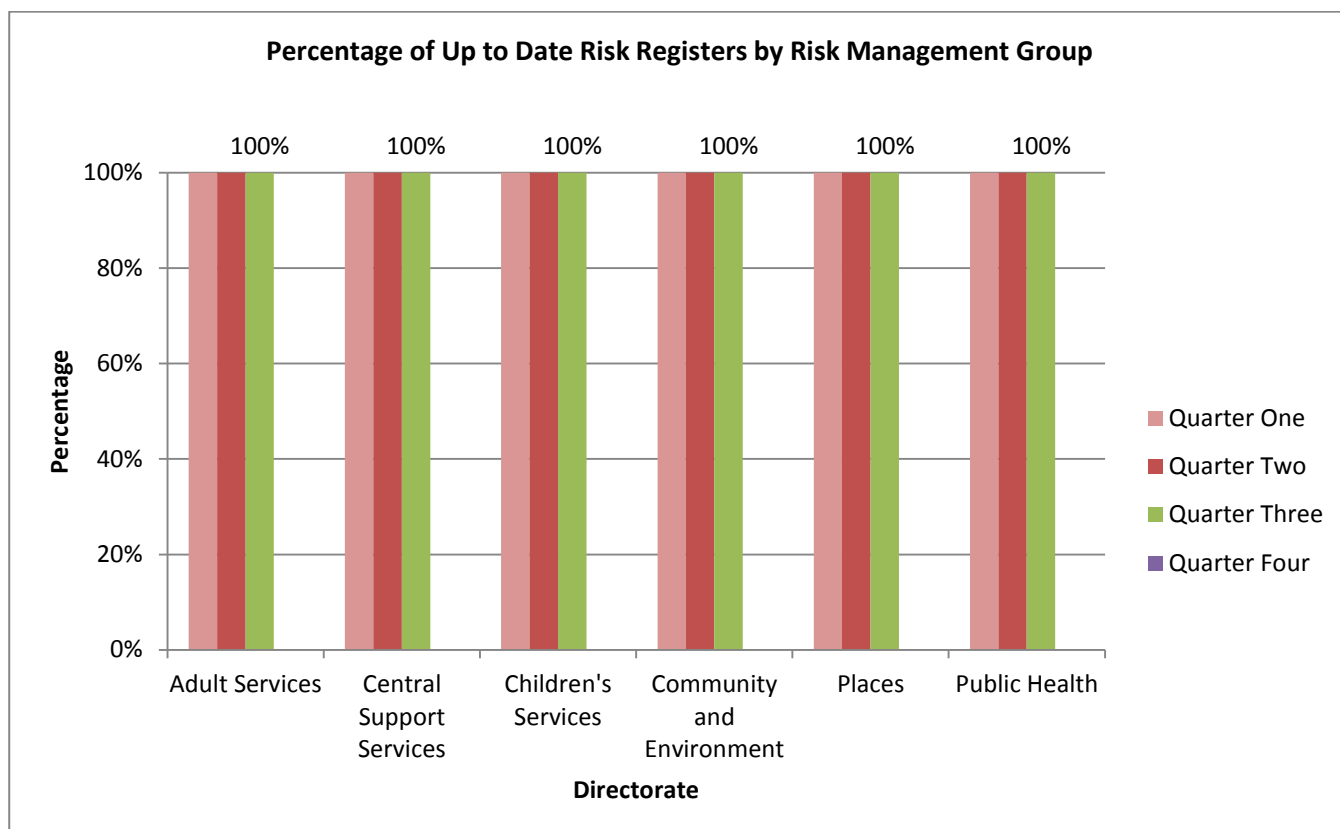


The services that have yet to update their plans include:

Directorate	Plan does not meet Quality Requirements
Adult Services	<ul style="list-style-type: none"> • Homecare
Community and Environmental	<ul style="list-style-type: none"> • Highways
Governance and Partnerships	<ul style="list-style-type: none"> • Legal Services

In support of the 100% of risk registers revised and up to date by the end of the quarter the following graph shows a breakdown by risk management group:

Blackpool Council: Risk Services



Health and Safety

Performance Indicator (Description of measure)	2016/17 Target	2016/17 Actual
RIDDOR Reportable Accidents for Employees	0	2
Training Delivered to quarterly plan	100%	100%

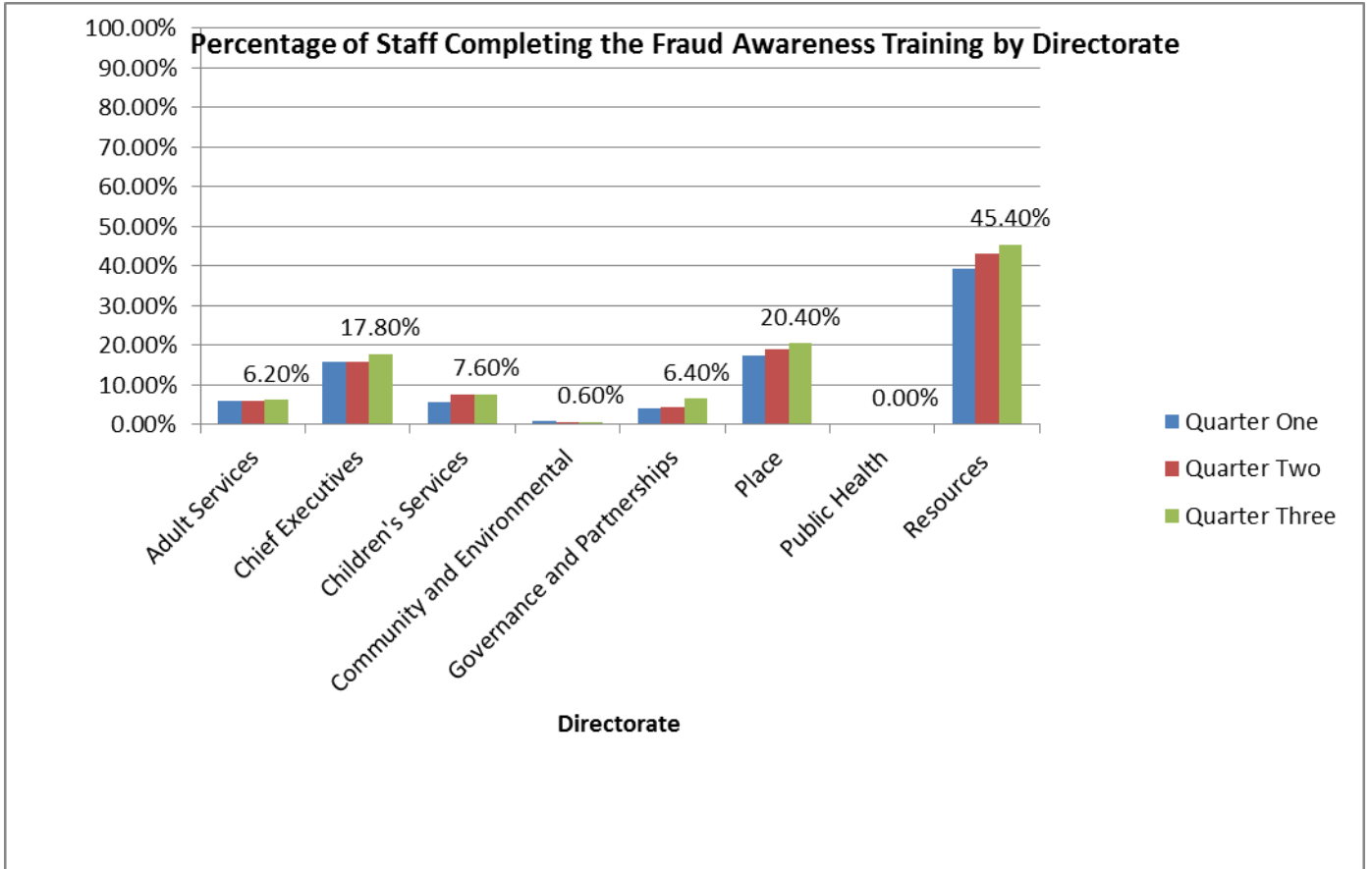
Corporate Fraud Team performance indicators

Performance Indicator (Description of measure)	2016/17 Target	2016/17 Actual
% of overall Council employees completed i-pool fraud awareness course.	50%	9.30%

The completion of the fraud awareness course is not yet mandatory and it is being promoted through staff newsletters, the Hub and the Senior Leadership Team.

The graph below shows completion rate by directorate:

Blackpool Council: Risk Services



Blackpool Council: Risk Services

Corporate Fraud Team Statistics

CORPORATE FRAUD STATISTICS - 2016/2017 (QUARTER 3 CUMULATIVE TOTALS)	Number of Cases Brought Forward	Total Number of Referrals Received	Case Closures		Total Value of Fraud Proven / Error Identified	Action Taken on Closed Cases					Number of Cases Currently Under Investigation
			Fraud/Error Proven	No Fraud/Error Identified		No Further Action Recommendation	Disciplinary	Administrative Penalty	Prosecution		
Type of Fraud											
Council Tax - Single Person Discount	2	38	9	14	£1,705.08	23	0	0	0	0	17
Council Tax Reduction (CTR)	2	35	4	18	£6,113.59	22	0	0	0	0	15
Business Rates	0	0	0	0	-	0	0	0	0	0	0
Procurement	1	4	0	4	-	4	0	0	0	0	1
Fraudulent Insurance Claims	22	38	0	41	-	41	0	0	0	0	19
Social Care	1	0	0	0	-	0	0	0	0	0	1
Economic & Third Sector Support	0	0	0	0	-	0	0	0	0	0	0
Debt	0	0	0	0	-	0	0	0	0	0	0
Pension	0	0	0	0	-	0	0	0	0	0	0
Investment	0	0	0	0	-	0	0	0	0	0	0
Payroll & Employee Contract Fulfilment	0	1	0	0	-	0	0	0	0	0	1
Expenses	0	0	0	0	-	0	0	0	0	0	0
Abuse of Position - Financial Gain	2	2	0	2	-	2	0	0	0	0	2
Abuse of Position - Manipulation of Financial or Non-Financial Data	1	3	0	3	-	2	1	0	0	0	1
Fraudulent Cashing of Housing Benefit Cheque	0	0	0	0	-	0	0	0	0	0	0
Disabled parking concessions	0	2	0	0	-	0	0	0	0	0	2
National Fraud Initiative 2016/2017	0	0	0	0	-	0	0	0	0	0	0
Totals:	31	123	13	82	£7,818.67	94	1	0	0	0	59

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

Internal Audit reports issued in period

Directorate	Review Title	Assurance Statement
Adult Services	Establishment Visits	<p><u>Scope</u></p> <p>The scope of our audit work was to review the Phoenix Centre and Keats Centre, and undertake compliance testing which covered the following areas:</p> <ul style="list-style-type: none"> • Care plans, • Staff rotas, • Training logs, • DBS checks, • Policies and Procedures, • Medication, • Occupational Health and Safety and Risk Assessments, • Purchasing Cards, • Infection Control, • Quality Assurance, • Security, <p>In addition, for the Phoenix Centre, we also included in the scope:</p> <ul style="list-style-type: none"> • Client Monies, • Assets, • External Activities, • Cash Handling, • Respite Payments <p><u>Overall Opinion and Assurance Statement</u></p> <p>We consider that the controls in place are adequate, with most risks identified and assessed and only minor control improvement required.</p> <p>Our testing revealed minor lapses in compliance with the controls.</p>

Blackpool Council: Risk Services

Directorate	Review Title	Assurance Statement
Adult Services	Safeguarding Compliance	<p><u>Scope</u></p> <p>The scope of our audit was to undertake:</p> <ul style="list-style-type: none"> • Compliance testing on the safeguarding process and whether the required stages are being followed, including that there is adequate evidence to confirm the reasons why a case has been stopped and that actions are being followed through, and • A review of the proposed changes and assess whether these will address issues that have been identified. <p><u>Overall Opinion and Assurance Statement</u></p> <p>We consider that the control framework in place is adequate, with some risks identified and assessed and several changes necessary. For each of the completed cases reviewed, there was sufficient information recorded on the system to enable an understanding of the nature of the allegation, the work that has been undertaken, the level of involvement of the adult at risk, and how the outcome was determined.</p> <p>However, our testing revealed a number of lapses in evidencing compliance with the controls and therefore compliance is assessed as inadequate. We identified some weaknesses relating to the completeness of records, the audit trail relating to episode form updates, adherence to timescales set out in the guidelines, confirmation that identified actions had been undertaken and the recording of meeting notes. The case status and outcomes were not accurately recorded in some cases.</p> <p>The proposed changes to the system should address many, but not all, of the issues that have been identified. Monitoring of exception reports by service management and further promotion of good practice should help to address the remaining issues identified.</p>

Blackpool Council: Risk Services

Directorate	Review Title	Assurance Statement
Adult Services	Direct Payments	<p><u>Scope</u></p> <p>The scope of this audit was to review:</p> <ul style="list-style-type: none"> • The controls in place and whether these are robust and being adhered to, including the audit regime currently undertaken by the service; • The draft guidance in place for direct payments and exceptional circumstances and whether this is fit for purpose; • The process for recouping monies inappropriately spent by clients; and • Review the processes currently in place for identifying potential fraud. <p><u>Overall Opinion and Assurance Statement</u></p> <p>We consider that the controls in place are currently adequate, with some risks identified and assessed but some further control improvements required. The implementation of the recommendations made in the report should help to address this going forward.</p> <p>Our testing revealed minor lapses in compliance with the controls.</p>
Children’s Services	External Placements	<p><u>Scope</u></p> <p>The scope of our audit was to review the arrangements for Children’s Social Care external placements in order to ensure that value for money is obtained for the Council.</p> <p><u>Overall Opinion and Assurance Statement</u></p> <p>There is a significant overspend on the commissioning of external placements budget, however we recognise that this has arisen with the recent increase in demand and complexity of requirements for independent children’s homes and independent fostering agency placements beyond the level that had previously applied and that had been budgeted for. We consider that the controls now in place in relation to the arranging of External Placements processes once children are in care and have been assessed as needing placement are adequate overall, with some risks identified and assessed. There have been recent changes to external placements processes and to care provision which have the potential to improve value for money, though it is too early as yet to identify the impact of those changes.</p>

Blackpool Council: Risk Services

Directorate	Review Title	Assurance Statement
Children's Services	Placement Order Legal Costs	<p><u>Scope</u></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> • The drivers of increases in the number of care proceedings; • The process by which decisions as to whether to instruct Counsel in placement order cases or to handle in-house are arrived at; and • Whether insurance arrangements in place are appropriate. <p><u>Overall Opinion and Assurance Statement</u></p> <p>The significant overspend on the Children's Services legal and court costs budget has arisen with the high level of demand and the complexity of requirements in relation to care proceedings and Placement Orders beyond the level that had been budgeted for.</p> <p>Whilst there are structured processes in place through the Legal Planning meetings process, we consider that the controls in place in relation to the Placement Orders Legal Costs processes are inadequate overall, given the significant level of overspend, the high level of care proceedings and the current lack of an up to date and effective prevention strategy which has had the effect of reducing the need for the high number of care proceedings whilst still protecting children.</p> <p>A number of actions are being taken, but it is too early as yet to evidence the impact of these actions on the number of care proceedings. We understand that areas of action include a peer challenge process, an early help summit, work supporting children on the edge of care, developing work on the Adolescent Hub and the 0 – 19 offer through children's centres.</p> <p>The Council has insurance arrangements in place in relation to Children's Services claims and a claims provision has been agreed using the Council's general fund. The arrangements for the provisions for Children's Services claims should be kept under review.</p>

Blackpool Council: Risk Services

Directorate	Review Title	Assurance Statement
Children's Services	Claremont 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>Overall Opinion and Assurance Statement</u></p> <p>We consider that the controls in place are good with most risks identified and assessed and only minor control improvement required.</p> <p>Our testing revealed minor lapses in compliance with the controls.</p>
Community and Environmental Services	Flood Management	<p><u>Scope</u></p> <p>The scope of our audit was to assess the Council's roles and responsibilities in relation to flood management, including links and joint working arrangements with external partners, planners, utility companies and developers</p> <p><u>Overall Opinion and Assurance Statement</u></p> <p>We consider that the current arrangements in place for flood management are adequate, with some risks identified and assessed and several changes.</p> <p>The risks are in relation to resilience and the Council's ability to deliver statutory responsibilities should key members of staff become unavailable. Capacity and resources to deliver strategies and projects across the Council is stretched, therefore it is important to focus on issues that present a significant risk to Blackpool. The Council can also improve its processes by further integrating flood management actions holistically across the Council and further defining its role through risk assessment within the array of wider flood management activity in the region.</p>

Blackpool Council: Risk Services

Directorate	Review Title	Assurance Statement
Community and Environmental Services	Household Waste Recycling Centre	<p><u>Scope</u></p> <p>The scope of the audit was to perform an establishment review of the Household Waste Recycling Centre and undertake compliance testing on key controls. The testing carried out during the audit covered the following areas:</p> <ul style="list-style-type: none"> • Management Information • Purchasing • Income and Banking • Security • Health and Safety <p><u>Overall Opinion and Assurance Statement</u></p> <p>Our compliance testing has identified a number of low and medium priority risks which need to be addressed to ensure future compliance with key controls at the HWRC. As no high risk areas have been identified we have concluded that overall the controls in place are adequate. The recommendations made should reduce the risk of inaccurate transactions or low level fraud within the service.</p>
Corporate	Staff Time Recording	<p><u>Scope</u></p> <p>The scope of this audit was to review:</p> <ul style="list-style-type: none"> • The various staff time recording systems in place across the Council and whether they are fit for purpose; • Whether appropriate checks are undertaken by management to ensure that time recording is accurate. <p><u>Overall Opinion and Assurance Statement</u></p> <p>Our findings indicate that services are using a variety of time recording systems that meet with the needs of that particular service. The level of checking also varies significantly between different services and in some areas is inadequate to mitigate against the risk of the theft of time. Dealing with the misuse of time recording systems is covered within the Council's Disciplinary Procedure.</p>

Blackpool Council: Risk Services

Directorate	Review Title	Assurance Statement
Resources	Budgetary and Financial Management	<p><u>Scope</u></p> <p>The scope of the audit included a review of:</p> <ul style="list-style-type: none"> • Budgetary and financial management arrangements, including the use of the collaborative planning tool, to assess whether these are working effectively, • Significant variances to approved budgets since the end of the financial year 2015/2016, • The risk based approach undertaken by Accountancy Services to determine their service offer, • A selection of invest to save business cases to assess whether the desired savings have been achieved or whether these have led to additional demand and costs to the Council, • Action taken to address the recommendations included in the 2015/2016 internal audit review of Deliverability of Savings Targets. <p><u>Overall Opinion and Assurance Statement</u></p> <p>We consider that the controls in place for budgetary and financial management are adequate, with some risks identified and assessed and several changes necessary.</p>

Progress with Priority 1 audit recommendations

Good progress is currently being made on implementing priority one recommendations. A full review will be undertaken in March when a number of priority one recommendations will become due for follow-up.

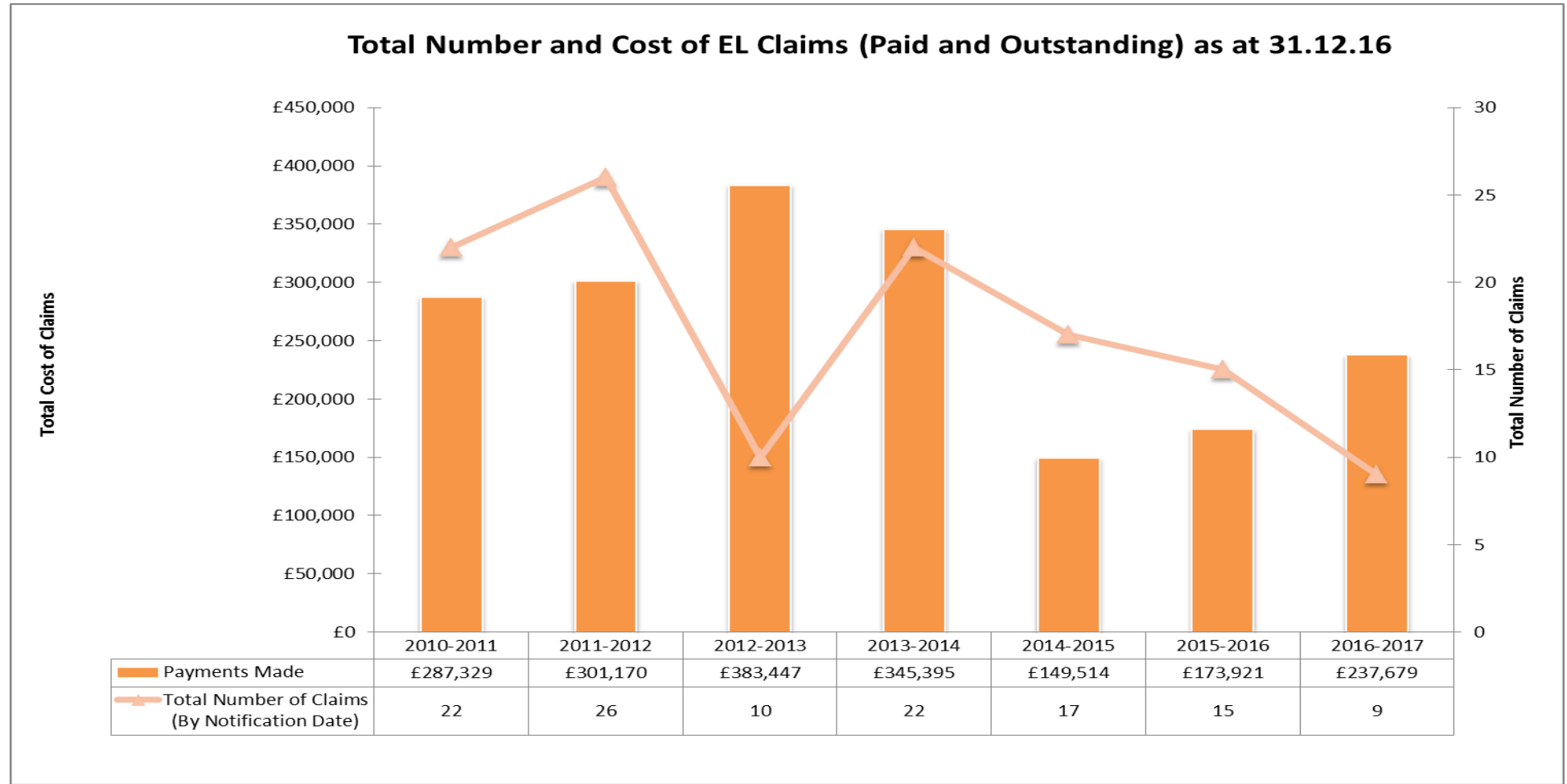
The Regulation of Investigatory Powers Act 2000

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 2016 the Council authorised no RIPAs.

Insurance claims data

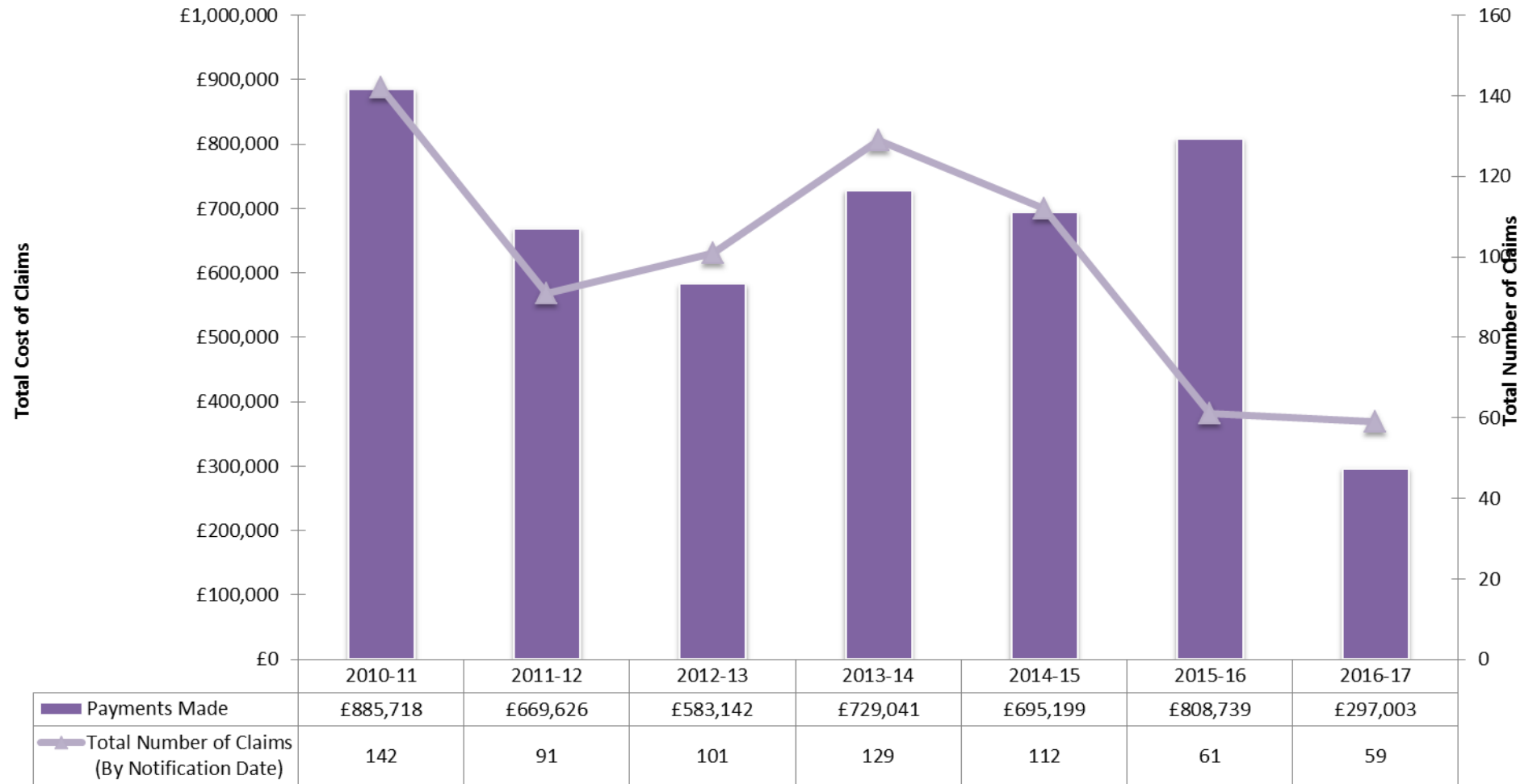
We are currently reviewing the way in which we report insurance data. A review of the current process has identified some differences between the claims handling system and the Council's financial management system. Reconciliation is still underway and this may require the re-coding of some expenditure to different insurance policies. The graphs at **Appendix B** show the cost of claims paid to date each financial year by the Council but these figures may change once the reconciliation has been completed.

4. Appendix B – Insurance Claim Payments by Financial Year

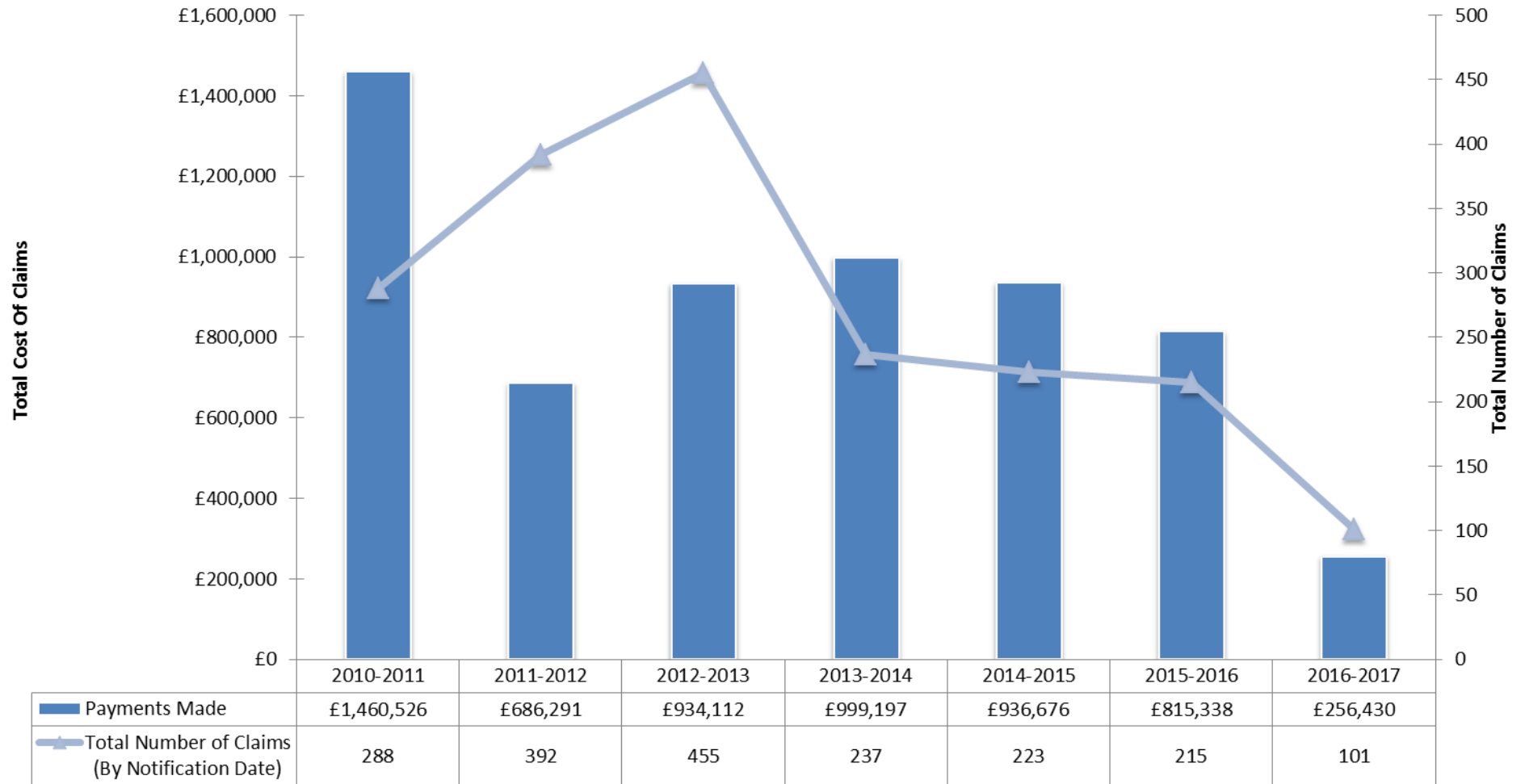


Blackpool Council: Risk Services

Total Number and Cost of PL Claims (Paid and Outstanding) as at 31.12.16



Total Number and Cost of PLH Claims (Paid and Outstanding) as at 31.12.16



Report to:	AUDIT COMMITTEE
Relevant Officer:	Tony Doyle, Head of ICT Services
Date of Meeting	2 March 2017

SAFEGUARDING AGAINST CYBER RISKS

1.0 Purpose of the report:

1.1 To provide an update in relation to the actions being taken to reduce cyber risks.

2.0 Recommendation(s):

2.1 To consider the contents of the report and make any recommendations as appropriate.

3.0 Reasons for recommendation(s):

3.1 At its 20 October 2016 meeting, the Audit Committee requested further information about the actions which the Council is taking to reduce the risk of a cyber-attack.

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"

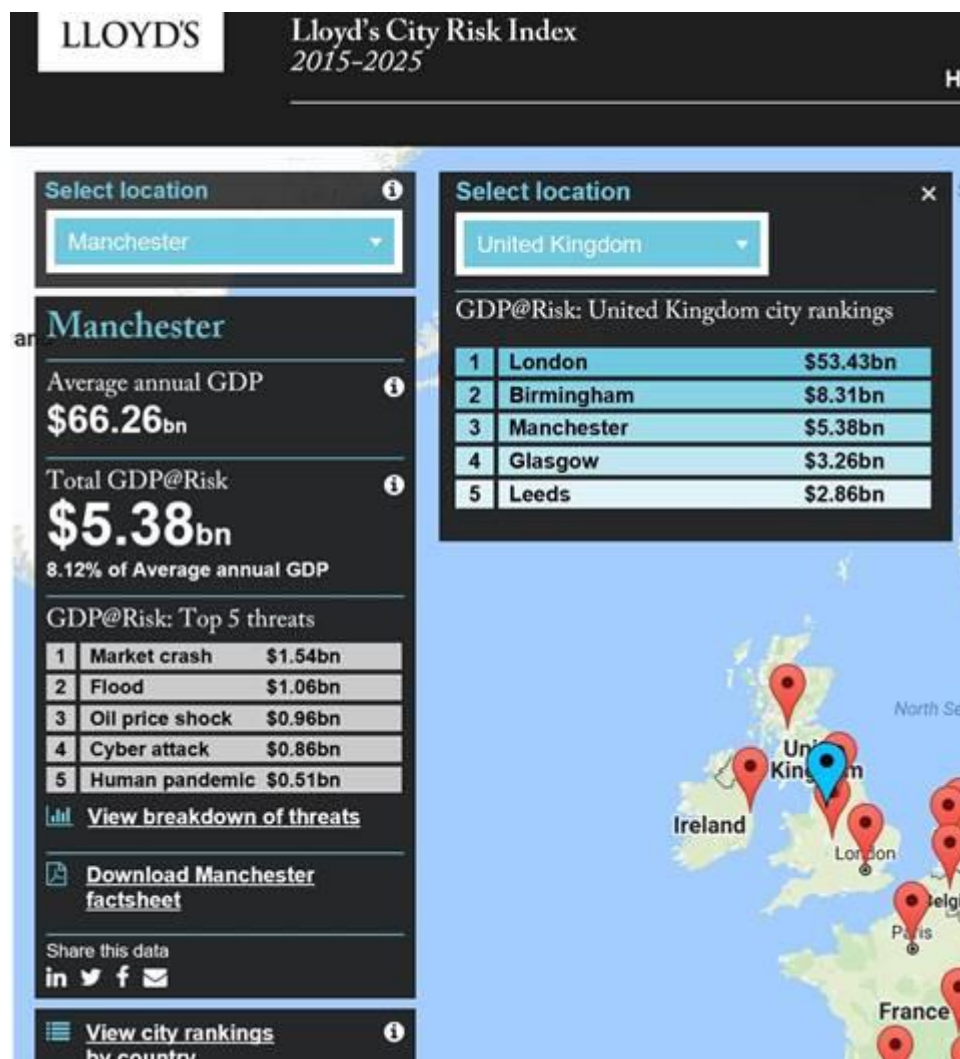
5.0 Background Information

5.1 What is the cyber risk to the Council?

5.1.1 The Council has never been more connected than it is right now. Its dependencies on digital infrastructures are greater than ever before. Digital services are now

crucial to the Council and our residents in most things it does. In many respects, digital has become the way of life. The Council would not function and be able to deliver its services without digital. Its ability to adapt and meet its future challenges largely depends on effective use of digital technologies. The Council therefore must protect our digital systems like never before. Cyber-attack is now a critical threat to national security it is a very real threat to Blackpool including the Council, its residents and its businesses. It is inevitable that this risk will continue to grow even further in the future as digital systems continue to grow.

5.1.2 Below is an extract from the Lloyds of London's City Risk Index. Cyber-attack is now one of the top five threats to the Gross Domestic Product (GDP) of all the UK's major cities. It is fourth largest threat to the GDP of the Council's nearest major city Manchester.



5.1.3 In another report Lloyds describe Cyber as the most complex and critical business risk businesses face today: It is a matter of 'when' not 'if' a business becomes a victim of a cyber-incident.

5.2 How do we protect the Council?

5.2.2 It is for this very reason in recent years we have added cyber risk insurance to the Council's insurance policy. However having cyber risk insurance by no means creates complacency and we have in recent years matched our investment in digital systems with investment in cyber security systems and expertise to avert and minimise risks.

5.2.3 The following bullet list provides a high level description of many of the measures being taken to reduce the risks to the Council's infrastructure and systems. It does not cover every single measure and activity being taken, since risk reduction in this area is implicit in the everyday business activities of the Council and we are constantly changing and adapting to the latest known threats.

5.2.4

- Purchasing leading network and security systems from world class vendors such as Fortinet (www.fortinet.com), Cisco (www.cisco.com) Intel Security (www.McAfee.com)

5.2.5

- A partnership with Lancaster University based TNP (The Networking People) (www.tnp.net.uk/services/security) who support the Council in configuring and managing network and security systems. TNP have the coveted International Standard for Information Security Management ISO27001, the UK Government Cyber Essentials Accreditation, Platinum partnership with Fortinet, Premier partnership with Cisco meaning they are highly trusted by these world class companies to integrate their security systems into network infrastructures. In particular all staff at TNP have comprehensive Network Security Expert qualifications with Fortinet. The leading member of the TNP team holds the Fortinet Network Security Expert Qualification at Level 8 (the highest level) and we understand he is currently the only person in Europe to have obtained this level of qualification with Fortinet.

5.2.6

- Regular Ethical Hacking/Penetration Tests by highly qualified external experts NTA Monitor (www.NTA-monitor.com), who are accredited under the CHECK system by the Communications-Electronics Security Group (CESG) part of Government Communications Headquarters (GCHQ) to detect and report on vulnerabilities.

5.2.7

- Compliance with the Cabinet Office's Public Services Network Code of Connection a security assessment and standard which includes an externally assessed Annual IT Health Check to confirm the Local Authority can be trusted to share and handle information securely with other public bodies.

5.2.8

- Compliance with the Payment Card Industry Data Security Standard to ensure the Council is trusted to process its large number of credit and debit card transactions.

5.2.9

- Compliance with the NHS N3 Information Governance Toolkit to ensure the Local Authority can be trusted to share and handle information securely with other NHS bodies.

- 5.2.10 ● All the Council's ICT Staff to meet a minimum of the Government Baseline Personnel Security Standard (BPSS).
- 5.2.11 ● Regularly patching of software and firmware for known vulnerabilities.
- 5.2.12 ● Keeping comprehensive Data Backups.
- 5.2.13 ● A contract for secure disposal of IT equipment with an ISO27001 accredited recycler.
- 5.2.14 ● Regular attendance and intelligence sharing at the North West Warning, Advice and Reporting Point (WARP). <http://i-network.org.uk/services/warp/>
- 5.2.15 ● Acting on information from numerous Intelligence bulletins such as from the National Cyber Security Centre -Cyber-security Information Sharing Partnership.
- 5.2.16 ● Requiring all employees to complete the Ipool ICT Security and Data Protection Training.
- 5.2.17 ● Regular awareness raising for employees about known threats via emails, the Hub, electronic, screens and attendance at meetings.
- 5.2.18 ● Attendance at key cyber security events in Manchester and London.

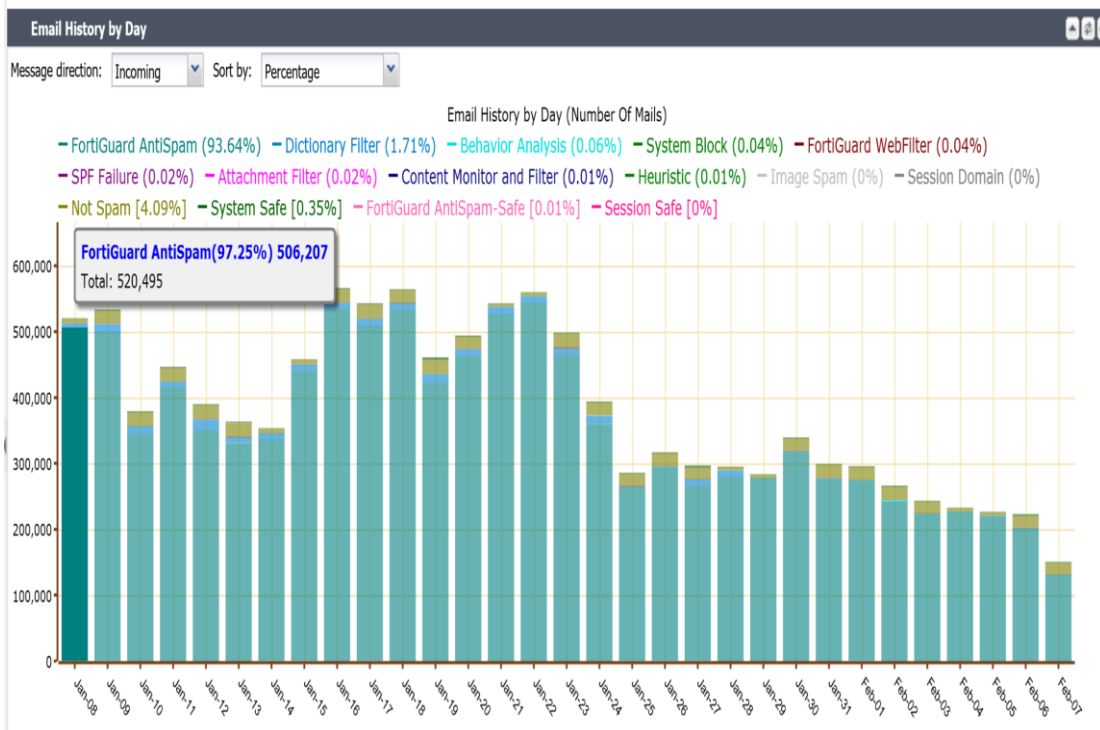
5.3 **The top three known cyber threats to the Council and our user community**

- 5.3.1 **Email** - It is a well-known fact amongst ICT Security experts that email is our greatest threat and vulnerability. It is the entrance through which most cyber-attacks gain a foothold. The Council receives approximately 1/2 million emails on a typical day. 485,000 of these emails are filtered out with approximately only 15,000 being legitimate emails.
- 5.3.2 In recent years this growth in unwanted email has gone exponential and a larger and larger percentage of these unwanted emails are phishing attacks, nefarious in nature and socially engineered to manipulate the receiver into clicking on a link, to either steal some sensitive information such as a password, or to download a payload to infect a network with ransomware.
- 5.3.3 These emails may at first appear to contain legitimate attachments or website links but the consequences of being fooled can be catastrophic for the individual and the organisation.
- 5.3.4 Most of the time our security systems can detect these emails and filter them out but along with the growth in phishing emails there has been a growth in zero day attacks and levels of sophistication. Zero day attacks are emails that the security vendors have not yet detected and consequently they can sometimes bypass the

security filters. Whilst we have other methods for detecting these it is inevitable a small number will circumnavigate the filters.

5.3.5 The best form of defence in this situation is for all users of email to be naturally suspicious and cautious when opening emails even from known sources whose email accounts may have been compromised.

5.3.6 The following graph shows the number of emails being blocked each day in January and the early part of February. You will see from this it is not unusual for 97% of emails to be blocked by the filter.



5.3.7 **Ransomware** - As mentioned above some of the zero day threat emails are designed to encourage email users to download a ransomware payload. Ransomware is designed to encrypt the files on the device and the network it sits on. In order to regain access to the files the ransomware demands the victim to pay a ransom. The longer the victim leaves it to pay the ransom the higher the ransom goes. The only way to recover from a ransomware attack without paying a ransom is to ensure you have a secure backup of the data before it is encrypted.

5.3.8 Last year Lincolnshire County Council had to shut down all of its computer systems for four days to recover from a ransomware attack.

5.3.9 More recently, Tiverton Town Council in Devon has fallen victim to a ransomware attack with many sensitive files encrypted and a ransom demand for £3,000. It is reported an email user "slipped up" whilst in an early morning rush opened an email disguised as a parcel delivery reminder.

- 5.3.10 **Password Security** - Just before Christmas it was reported that the Internet giant Yahoo was hacked with over one billion customer account details including passwords being stolen. Hackers know people struggle to remember passwords so tend to use the same password or combinations of the same password for more than one account. It is widely known the Yahoo hacked passwords are for sale on the Dark web (the Internet black market). This potentially makes many people's accounts vulnerable.
- 5.3.11 In the Council, we regularly require users to reset complex passwords every 90 days and for external access from the Internet we require some form of two factor authentication. This mitigates the risk to some degree. However, it is always possible we have users who may have broken the ICT Security Policy and stored some Council data outside of the Council's security systems such as in a Dropbox account or Google Drive. Potentially such data could become vulnerable if a user's password was compromised in the Yahoo attack and same password is being used for other accounts.
- 5.4 **ICT Staff Turnover and Cyber Skills**
- 5.4.1 On 20 October 2016, the Audit Committee asked about the turnover of ICT Staff and whether the suitable people were in place. During the last 12 months, there has been a turnover of six employees who succeeded in gaining higher salaries with other employers in the North West.
- 5.4.2 The IT and Digital industries continue to grow at unprecedented rates and it is not unusual for good quality employees to move on quickly and gain promotion. In the current austere environment, it is a challenge for the public sector to retain skilled and talented IT staff due to the current pay restraints. In particular, employees with cyber skills are in very high demand.
- 5.4.3 The main way we have mitigated against this risk is through the partnership we have with TNP. TNP are based at the Lancaster University InfoLab and often recruit from within the University. Lancaster University is one of the few Universities in the UK that have the Government sponsored Academic Centre Of Excellence in Cyber Security Research Status. TNP who specialise in networking and security are in many ways better placed than the Council to attract talented cyber security and network specialists.
- 5.4.4 Alongside TNP the Council does have a number of in-house experienced members of IT team who understand the requirements to build and maintain compliant and secure IT systems. A combination of the in-house team, the partnership with TNP and security testing with NTA monitor(who provided ethical hacking services), means we are as well positioned as other Councils to meet the cyber security challenge. However, the challenge of cyber security is stretching the resources of even the world's largest organisations with no organisation in this day and age able to claim it is immune to the cyber threat and totally secure.

- 5.5 Does the information submitted include any exempt information? No
- 5.6 **List of Appendices:**
None.
- 6.0 **Legal considerations:**
- 6.1 A cyber-attack could result in a Data Protection breach which could result in a significant fine for the Council. From May 2018 the new General Data Protection Regulation (GDPR) comes in the force with fines up to 2% of turnover or 10,000 Euros.
- 7.0 **Human Resources considerations:**
- 7.1 The completion of the ICT Security and Data Protection ipool courses are mandatory for all Council employees.
- 8.0 **Equalities considerations:**
- 8.1 None.
- 9.0 **Financial considerations:**
- 9.1 The implementation of effective controls to reduce the risk of a cyber-attack need to be managed within the constraints of the available budget.
- 10.0 **Risk management considerations:**
- 10.1 Dealing with cyber risks is a key priority of the Council and is identified as one of the strategic risks which need to be managed.
- 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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Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh, Chief Internal Auditor
Date of Meeting:	2 March 2017

INTERNAL AUDIT PLAN 2017/2018

1.0 Purpose of the report:

1.1 To consider approval from the Audit Committee for the Internal Audit Plan 2017/18.

2.0 Recommendation(s):

2.1 The Audit Committee is asked to:

1. Approve the Internal Audit Plan for 2017/18 including the plan for counter-fraud and corruption work.
2. Approve the Anti-Fraud and Corruption Statement which is 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. Segregation of duties in key processes will remain an important focus given the current economic climate and issues identified from past work.
- 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.

Does the information submitted include any exempt information?

No

List of Appendices:

Appendix 6(a): Internal Audit Plan 2017/18

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 2017/18 Internal Audit Plan will focus on financial risk 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, for example attendance at Board meetings.

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 None.

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Blackpool Council: Risk Services

**Internal Audit
Annual Plan
2017-2018**

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Blackpool Council: Risk Services

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Internal Audit Annual Plan 2017-18

1. Introduction

- 1.1 The purpose of this report is to obtain approval for the internal audit and corporate fraud plan of work for 2017/18. 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. The audit plan is based on the service structure, which includes six full time equivalent operational audit staff, one Audit Manager and the Chief Internal Auditor who splits their time across the four services which they manage.
- 1.3 The service will report summary findings of work undertaken on a quarterly basis to the Audit Committee and Corporate Leadership 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.

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 high risk 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;
 - Fraud investigation, where appropriate in conjunction with the Corporate Fraud Team.
- 2.2 Internal audit continues to work closely with the Council's external auditors, KPMG. 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.

Internal Audit Annual Plan 2017-18

- 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 in February 2017.
- 3.3 The demand for audit work in 2017/2018 has exceeded the available resource and therefore a decision has been taken to focus on the areas with the highest perceived risk. Other sources of assurance have been used to help inform this process such as external inspections and reviews, consultancy reports, external audit work and other internal reviews carried out by other Council services.
- 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. The plan has also been aligned to the Council's Strategic Risk Register.
- 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 2017/2018 can be found in **Appendix A**.

4. Compliance testing

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

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.

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 2017/18 and provision has been made in the plan for up to seven schools to be visited.

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Establishment Visits

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

Grant Certification

- 4.7 The audit programme will include 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. 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.

5. Counter-fraud and corruption work

- 5.1 The counter fraud programme is based on best practice guidance from CIPFA to ensure that it takes account of emerging threats and focuses on priority fraud risks. The proactive anti-fraud programme for 2017/18 can be seen at **Appendix B**.
- 5.2 The Anti-Fraud and Corruption Statement sets out the Council's zero tolerance approach when dealing with fraud, corruption and bribery and can be found at **Appendix C**.
- 5.3 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.

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.
- 6.2 Time has also been allocated to support key Council projects where it is deemed more appropriate for internal audit to be represented on working groups to provide advice throughout the project.

7. Strategic Audit Work

- 7.1 The Chief Internal Auditor is involved in a number of workstreams including the Annual Governance Statement, corporate governance, risk management and corporate investigations, which are included in the plan.

8. External work

- 8.1 The internal audit team also undertakes work for a range of external clients including Blackpool Coastal Housing, Blackpool Transport Services, Blackpool Housing Company,

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Blackpool Operating Company and is currently looking at implementing arrangements with Blackpool Entertainment Company.

- 8.2 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.
- 8.3 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 undertakes the required work jointly with Fylde Borough Council's audit team to reduce the audit burden on the service.

9. Monitoring performance

- 9.1 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 2016/17 year will be available in April / May 2017.
- 9.2 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;
 - Compliance of audit reviews with department quality standards.

10. Recommendation

- 10.1 Audit Committee are asked to:
- Approve the internal audit plan for 2017/18, including the plan for counter-fraud and corruption work.
 - Approve the anti-fraud and corruption statement.

Tracy Greenhalgh CMIIA, MSc
Chief Internal Auditor
2nd February 2017

Appendix A - Planned Risk Based and Compliance Reviews

Directorate	Service / Topic	Provisional Timings	Allocated Days	Strategic Risk	Council Priority
Operational Audit Work					
Risk Based Reviews					
Adult Services	Safeguarding Enquiries	Quarter 3	20	Failure to keep people safe	Communities
Adult Services	Transition of 14 year olds to Adult Services	Quarter 2	20	Failure to keep people safe	Communities
Chief Executives	Delivery Unit – Impact of Children’s Services Interventions	Quarter 3	20	Sustainability of the Council	Communities
Children’s Services	Head Start Project	Quarter 4	20	Lack of Resilience	Communities
Children’s Services	Looked After Children Decision Making Process	Quarter 1	20	Sustainability of the Council	Communities
Children’s Services	Understanding Thresholds for Safeguarding and Social Care	Quarter 1	20	Failure to keep people safe	Communities
Children’s Services	Pupil Welfare Service	Quarter 4	20	Failure to keep people safe	Communities
Children’s Services	School Improvement Board and Processes	Quarter 2	20	Unsustainable local economy / increased deprivation	Communities
Community and Environmental	Public Protection	Quarter 4	20	Reputational damage	Economy
Community and Environmental	Highways	Quarter 3	20	Unsustainable local economy / increased deprivation	Economy
Corporate	Business Planning Framework and Performance Management Reporting	Quarter 2	20	Lack of Resilience	Communities and Economy
Corporate	Information Governance – Data Protection Act	Quarter 1	20	Ineffective governance	Organisational resilience

Corporate	Events Risk Management	Quarter 4	20	Reputational damage	Economy
Governance and Partnerships	Legal Services – Claim Handling	Quarter 2	20	Sustainability of the Council	Organisational Resilience
Governance and Partnerships	Oversight and Governance of Shared Service Arrangements	Quarter 3	20	Lack of resilience	Organisational Resilience
Place	Growth and Prosperity	Quarter 3	20	Unsustainable local economy / increased deprivation	Economy
Place	Programme Management of Capital Investments	Quarter 2	20	Unsustainable local economy / increased deprivation	Economy
Public Health	Grant Reductions	Quarter 3	20	Sustainability of the Council	Communities
Resources	Housing Benefit Risk Based Verification	Quarter 4	20	Ineffective governance	Organisational Resilience
Resources	Council Tax Collection	Quarter 2	20	Sustainability of the Council	Organisational Resilience
Resources	Property Services Inspection and Testing Contracts	Quarter 1	20	Service Failure	Organisational Resilience
Resources	Migration to Mosaic	Quarter 2	20	Service failure	Organisational Resilience
Contract / Procurement Audits					
Adult Services	Sustainability of External Provider Market (Viable Cost of Care)	Quarter 1	15	Service failure	Communities
Community and Environment	Calico Contract Management	Quarter 1	10	Ineffective governance	Organisational resilience
Corporate	Organised Crime in Procurement	Quarter 1	15	Ineffective governance	Economy
Compliance Testing					
Adult Services	Assessment and Rehabilitation Centre Establishment Visit	Quarter 2	5	Failure to keep people safe	Communities
Children's Services	Troubled Families	Quarter 2	10	Ineffective governance	Organisational resilience

Children's Services	Highfurlong School	TBC	2	Ineffective governance	Organisational resilience
Children's Services	Our Lady of the Assumption RC Primary School	TBC	2	Ineffective governance	Organisational resilience
Children's Services	St Kentigerns RC Primary School	TBC	2	Ineffective governance	Organisational resilience
Children's Services	St Nicholas C of E Primary School	TBC	2	Ineffective governance	Organisational resilience
Children's Services	St Johns C of E Primary School	TBC	2	Ineffective governance	Organisational resilience
Children's Services	Woodlands School	TBC	2	Ineffective governance	Organisational resilience
Children's Services	Educational Diversity	TBC	2	Ineffective governance	Organisational resilience
Community and Environmental	Rideability	Quarter 1	10	Ineffective governance	Organisational resilience
Corporate	Financial Control Assurance Testing	Quarterly	150	Ineffective governance	Organisational resilience
Corporate	Corporate Compliance (SLT)	Quarter 2	15	Ineffective governance	Organisational resilience
Corporate	Grant Certification	As required	20	Ineffective governance	Organisational resilience
Governance and Partnerships	Executive Decisions – Public Health	Quarter 4	15	Ineffective governance	Organisational resilience
Place	Positive Steps into Work	Quarter 4	10	Ineffective governance	Organisational resilience
Resources	Carbon Reduction Commitment Scheme	Quarter 2	5	Ineffective governance	Organisational resilience
Strategic Audit Work					
Corporate	Corporate Governance	As required	20	Ineffective governance	Organisational resilience
Corporate	Risk Management	As required	10	Ineffective governance	Organisational

					resilience
Corporate	Corporate Investigations	As required	30	Ineffective governance	Organisational resilience
Corporate	Project Support – Lancashire Waste Partnership	As required	10	Service Failure	Organisational Resilience
Corporate	Project Support – Conference Centre	As required	20	Unsustainable local economy / increased deprivation	Economy
Corporate	Project Support – Museum Project	As required	20	Unsustainable local economy / increased deprivation	Economy
Corporate	Advice and Consultancy Support	As required	55	-	-
Corporate	Audit Management	As required	180	-	-
External Work					
External Work	Schools / Academies	TBC	5	-	-
External Work	Blackpool, Fylde and Wyre Credit Union	Quarterly	4	-	-
External Work	Other Public Sector Bodies	TBC	10	-	-
External Work	Operating Companies	TBC	20	-	-
External Work	Wholly Owned Companies	TBC	77	-	-
Total			1195 Chargeable Audit Days		

Appendix B – Proactive anti-fraud workplan 2017/18

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 appropriate employees 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
 - Purchase Cards
 - Petty Cash
 - Procurement (using CIPFA guidance)
 - Council Tax (including data matching with temporary benefits)
 - Blue badge fraud
 - Direct Payments.

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, cause inappropriate loss, or 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 and 1978
- The Fraud Act 2006
- Serious Crime Act 2007
- Proceeds of Crime Act 2002 (POCA)
- The Data Protection Act 1998
- The Public Interest Disclosure Act 1998
- The Human Rights Act 1998

- The Regulation of Investigatory Powers Act 2000
- Criminal Procedures and Investigations Act 1996
- 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 has 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 to 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 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.

Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh, Chief Internal Auditor
Date of Meeting	2 March 2017

INTERNAL AUDIT CHARTER

1.0 Purpose of the report:

1.1 To consider approval of the updated Internal Audit Charter.

2.0 Recommendation(s):

2.1 The Audit Committee is asked to approve the Internal Audit Charter.

3.0 Reasons for recommendation(s):

3.1 To ensure that the Internal Audit continues to adhere to the Public Sector Internal Audit Standards.

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 The Chief Internal Auditor must provide an annual opinion on the overall adequacy and effectiveness of the Council's governance and risk management arrangements and system of internal control. The Internal Audit Charter defines internal audit's

mission, purpose, authority and responsibility. It establishes internal audit's position within the Council and defines the scope of internal audit activities and reporting lines. The Charter was previously included as an appendix in the Internal Audit Plan however, following recommendations from a recent external assessment of internal audit, will now be a standalone document.

5.2 Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) set the internal audit standards in respect of local government across the UK and adopted a common set of Public Sector Internal Audit Standards (PSIAS) from the 1 April 2013. The standards were updated in March 2016 and the Internal Audit Charter has been updated accordingly. Further changes to the Charter include the actions identified in the services Quality Assurance Improvement Programme and the recommendations made in the recent external assessment of the internal audit service.

5.3 The revised Charter follows the model charter document provided by the Chartered Institute of Internal Auditors and includes extra detail in line with the Public Sector Internal Audit Standards as follows:

- Definition of the Mission of Internal Audit
- Core Principles for the Professional Practice of Internal Auditing

Does the information submitted include any exempt information?

No

List of Appendices:

Appendix 7(a): Internal Audit Charter

6.0 Legal considerations:

6.1 All local authorities are subject to the Accounts and Audit (England) Regulations (2015) which requires them to make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) as well as the CIPFA Local Government Application Note.

7.0 Human Resources considerations:

7.1 The Internal Audit Charter will be delivered using existing resources within the internal audit service.

8.0 Equalities considerations:

8.1 The work required to deliver the internal audit plan is identified through a regular risk assessment process. This is carried out using an established methodology that is designed to show that all potential audit areas are considered fairly.

9.0 Financial considerations:

9.1 Effective internal controls and an effective internal audit service can have a positive impact on the Council's financial position through identification of areas where controls can be strengthened, losses can be prevented and value for money improved.

10.0 Risk management considerations:

10.1 The work of internal audit forms a key element of the Council's overall system of internal control. An effective internal audit service also helps to promote and implement best practice and process improvements in the management of risks.

11.0 Ethical considerations:

11.1 Internal audit work will be carried out with integrity and impartiality.

12.0 Internal/ External Consultation undertaken:

12.1 All members of the internal audit team have had the opportunity to comment on the Charter prior to it being taken to the Corporate Leadership and Audit Committee for approval.

13.0 Background papers:

13.1 Public Sector Internal Audit Standards.

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Internal Audit Charter 2017-18

Blackpool Council



Internal Audit Charter 2017/18

Purpose, Mission Statement and Definition

The purpose of this Internal Audit Charter is to define internal audit's purpose, authority and responsibility. It establishes the internal audit activity's position within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of internal audit activities.

This charter also covers the arrangements for the appointment of the Chief Internal Auditor and internal audit staff, and identifies the nature of professionalism, skills and experience required.

The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. 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.

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.

The Public Sector Internal Audit Standards require that the internal audit charter defines the terms Board, Chief Audit Executive and Senior Management in relation to the work of internal audit. For the purposes of internal audit work the roles are defined as follows:

- **Board** - The internal audit activity is established and defined by the Board, (hereafter referred to as the Audit Committee). The internal audit activity's responsibilities are defined by the Audit Committee as part of their oversight role.
- **Chief Audit Executive** - The role of the Chief Audit Executive is undertaken by the Chief Internal Auditor.
- **Senior Management** – Senior Management if defined as the Corporate Leadership Team.

Standards and Core Principles

Internal audit is a statutory service in the context of the Accounts and Audit (England) Regulations 2015, which require authorities to ensure that they have a sound system of internal control which:

- Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- Ensures that the financial and operational management of the authority is effective; and
- Includes effective arrangements for the management of risk.

Internal Audit Charter 2017/18

The Accounts and Audit Regulations 2015 also state 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 auditing standards or guidance”.

The internal audit function is required to comply with Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA); International Professional Practices Framework (IPPF) and CIPFA in respect of local government. A common set of Public Sector Internal Audit Standards (PSIAS) were adopted from 1 April 2013.

Compliance with the standards is subject to a quality assurance and improvement programme in line with the standards. This includes a regular self-assessment and an external assessment which must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. Results of quality reviews shall be reported to the Audit Committee by the Chief Internal Auditor.

The Core Principles within the PSIAS articulate internal audit effectiveness. For an internal audit function to be considered effective, all principles should be present and operating effectively. Failure to achieve any of the Principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit’s mission. The internal audit activity must achieve the following Core Principles:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives, and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

Ethics and Professionalism

Internal audit operates in accordance with the PSIAS and all internal audit staff in the public sector governs themselves by adherence to the PSIAS Code of Ethics. All audit staff are also required to adhere to the Codes of Ethics of their professional bodies, where appropriate. Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life’s ‘Seven Principles of Public Life’. Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement’s objectives;
- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management and control processes; and
- Probability of significant errors, fraud, or non-compliance.

Internal Audit Charter 2017/18

Authority

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, has authorised full, free, and unrestricted access to any and all of the organisation'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 Audit Committee. Designated auditors are entitled, without necessarily giving prior notice, to require and receive:

- Access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- Access at all reasonable times to any land, premises, officers and members of the Council;
- The production of any cash, stores or other property of the Council under an officer's and member's control; and
- Explanations concerning any matter under investigation.

Where the Council works in partnership with other organisations, the role of internal audit will be defined on an individual basis. Where internal audit undertakes work on behalf of any other organisations, this will be determined in conjunction with the organisation's Board and in consultation with the Director of Resources to ensure that appropriate audit resources are available to provide assurance over the Council's activities.

Organisation

Internal audit activity supports the Director of Resources to discharge their responsibilities for maintaining proper administration of financial affairs and an adequate and effective system of internal control as required under section 151 of the Local Government Act 1972 and by the Accounts and Audit (England) Regulations 2015.

The Chief Internal Auditor reports to meetings of the Audit Committee. The Audit Committee approve the annual internal audit plan and review the adequacy of internal audit activity, the scope and nature of its work and receives and reviews the assurance statements from internal audit work undertaken.

Internal audit resides within the Resources Directorate. The Chief Internal Auditor will report on operational issues to the Director of Resources (Section 151 Officer) 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.

Internal audit and external audit meet as and when required to reduce duplication and make optimum use of the available audit resources.

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 Audit Charter 2017/18

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 an 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; and
- Safeguarding of assets.

Internal audit is responsible for evaluating all processes (Audit Universe) of the entity including governance and risk management processes. The Chief Internal Auditor must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is the 'assurance role' for internal audit.

Internal audit may also perform consulting and advisory services related to governance, risk management and control as appropriate for the Council; this is advisory in nature and generally performed at the specific request of the organisation. The aim of the consultancy service is to help line management improve the Council's risk management, governance and internal control.

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.

Managing the risk of fraud is the responsibility of line management. The Section 151 Officer has specific responsibilities in relation to the detection and investigation of fraud and may request internal audit to assist with the investigation of suspected fraud or corruption. The Corporate Fraud Team also reports to the Chief Internal

Internal Audit Charter 2017/18

Auditor and therefore appropriate links are in place to ensure a prompt response to serious fraud issues. The Chief Internal Auditor should be notified of all suspected or detected fraud, corruption or impropriety, to inform their opinion on the control environment and their audit plan.

The Audit Committee is responsible for oversight of the governance, risk management and internal control environment at the Council.

The Section 151 Officer, Head of Paid Service and Monitoring Officer are responsible for ensuring that the Council complies with the Councils governance framework, of which internal audit form an integral role.

Internal Audit Plan

The Chief Internal Auditor should develop and maintain a strategy for economically and efficiently providing the Section 151 Officer, with objective evaluation of, and opinions on, the effectiveness of the Council's risk management, governance and internal control arrangements.

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 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.

Scope of Internal Audit Work – Opinion Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

Governance

Internal audit must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation;
- Ensuring effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organisation; and
- Co-ordinating the activities of and communicating information among the Audit Committee, external and internal auditors and management.

Internal Audit Charter 2017/18

Risk Management

Internal audit must evaluate the effectiveness and contribute to the improvement of risk management processes by assessing how:

- Organisational objectives support and align with the organisation's mission;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the organisation's risk appetite; and
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the Audit Committee to carry out their responsibilities.

Internal Control

Internal audit must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Economical, effective and efficient use of resources;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity corruption or bribery; and
- Compliance with laws, regulations, policies, procedures and contracts.

Non - Opinion Work

Internal audit may provide, at the request of management, a consultancy service which evaluates the policies, procedures and operations put in place by management. A specific contingency will be made in the internal audit plan to allow for management requests and consultancy work.

The Chief Internal Auditor must consider the effect on the opinion work before accepting consultancy work or management requests over and above the contingency allowed for in the internal audit plan. Approval must be sought from the Audit Committee for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement. The Chief Internal Auditor must consider how the consultancy work contributes towards the overall opinion.

Delivery of Internal Audit Work

Engagement Planning

For each engagement, a Client Notification will be prepared, and agreed with relevant managers. The Client Notification will establish the objectives, scope and timing for the audit assignment, and reporting requirements.

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Internal Auditors are not tasked with reviewing any systems for which they have previously held operational responsibility for. This is applied for a three year period to ensure that objectivity is not compromised.

As the Chief Internal Auditor has operational responsibilities for the management of other areas in Risk Services any audit assurance work related to these areas is managed by the Audit Manager with no involvement from the Chief Internal Auditor. On these occasions the scope of the work and agreement of the report are undertaken in conjunction with the Chief Internal Auditor's line manager (Section 151 Officer), to help avoid the risk of conflicts of interest.

Performing the Engagement

Auditors are required to identify, analyse, evaluate and document sufficient information to achieve the review's objectives. This evidence supports their conclusions, professional judgments and recommendations and therefore must be factual and accurate. This data is held in compliance with the Council's Document Retention Policy. Engagements are supervised to ensure objectives are achieved and quality is assured.

Where key systems are being operated on behalf of the Council or where key partnerships are in place the Chief Internal Auditor must ensure arrangements are in place to form an opinion on their effectiveness.

Where the Council operates systems on behalf of other bodies, the Chief Internal Auditor must be consulted on the audit arrangements proposed or in place.

It is management's responsibility to ensure the provision for relevant audit rights of access in any contract or Service Level Agreement the Council enters into, either as provider or commissioner of the service.

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 in accordance with internal protocols. Internal audit results will also be communicated to the Audit Committee.

The internal audit report includes management's response and corrective action taken or to be taken in regard to the specific findings and prioritised recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area 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 Chief Internal Auditor will agree reporting arrangements with the Section 151 Officer which will include procedures for the:

- Distribution and timing of draft audit reports;
- Council's responsibilities in respect of responding to draft audit reports;
- Distribution of finalised audit reports;
- Follow up by internal audit of agreed recommendations; and

Internal Audit Charter 2017/18

- Escalation of recommendations where management responses are judged inadequate in relation to the identified risks.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and high risk recommendations. All significant findings will remain in an open issues file until cleared. It is the responsibility of the manager to ensure agreed recommendations are implemented and for them to provide relevant evidence to internal audit. The findings and results of follow up reviews are communicated to the Audit Committee and used to inform future audit planning.

The Chief Internal Auditor will present a formal report annually to the Corporate Leadership Team and Audit Committee giving an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management, and internal control (including any reliance placed on work by other assurance providers). This report will conform to the PSIAS for the Head of Internal Audit Opinion statement, and will provide a summary of the work to support the opinion. It will be timed to support the production of the Council's Annual Governance Statement. Reports of progress against the planned work will be presented to the Audit Committee on a quarterly basis during the year.

A statement will also be made on the conformance with the PSIAS, the results of the quality assurance and improvement program and any external assessor's improvement recommendations, disclosure of any impairments or limitations. If an unfavourable opinion is given, the reasons for this must be specified.

Communicating the Acceptance of Risk

If the Chief Internal Auditor concludes that management has accepted a level of risk that may be unacceptable to the organisation, this will be discussed with the relevant senior manager. If the Chief Internal Auditor determines that the matter has not been resolved, then the matter will be communicated to the S151 officer, Chief Executive and the Audit Committee.

Responsibilities of the Council

The Council is responsible for ensuring that Internal Audit is provided with all necessary assistance and support to ensure that it meets the required standards.

The Section 151 Officer will make appropriate arrangements for the provision of an internal audit service. This will include the formal adoption of this Charter by the Corporate Leadership Team and Audit Committee and the adoption of corresponding elements in the Financial Regulations.

The Council will ensure it has taken all necessary steps to provide internal audit with information on its objectives, risks, and controls to allow the proper execution of the audit plan and adherence to internal audit standards. This will include notifying internal audit of any significant changes in key control systems which may affect the internal audit plan.

The Council, through the Corporate Leadership Team and other relevant managers will respond promptly to audit plans, reports and recommendations.

Internal Audit Charter 2017/18

Responsibility for monitoring and ensuring the implementation of agreed recommendations rests with the Council.

Skills and Competencies

Chief Internal Auditor

The Chief Internal Auditor will be appointed by the Council and will have sufficient skill, experience and competencies to work with the leadership team and the Audit Committee and influence the risk management, governance and internal control of the Council. The Chief Internal Auditor is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS. In addition to internal audit skills, the Chief Internal Auditor will specify any other professional skills that may be needed by the internal audit team. The Chief Internal Auditor will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and the Code of Ethics.

Internal Audit Staff

Internal audit must be appropriately staffed in terms of grades, qualification levels and experience. Internal auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme. The Chief Internal Auditor is responsible for appointing the staff of internal audit and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Chief Internal Auditor is responsible for allocating appropriately qualified auditors to specific assignments, from within the internal audit team and when using auditors from partner internal audit teams or other external sources.

Each job role within the internal audit structure will detail skills and competencies within the approved job description and person specification. In line with Council policy and the PSIAS, each member of the team will be assessed against these predetermined competencies and annual objectives. Any development and training plans will be regularly reviewed, monitored and agreed with officers. This assessment will also take into account competency changes as needed i.e. to reflect changing technology and legislation. Auditors are also required to maintain a record of their continual professional development in line with their professional body.

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.

Internal Audit Charter 2017/18

Quality Assurance and Improvement Programme

The internal audit service 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.

Internal Audit Resources

If the Chief Internal Auditor or the Committee consider that the level of audit resources or the terms of reference in any way limit the scope of internal audit, or prejudice the ability of internal audit to deliver a service consistent with the Mission, the Definition of Internal Auditing and the Standards, they should advise the Chief Executive and the Section 151 Officer accordingly.

Review

This Charter will be the subject of annual review by the Chief Internal Auditor and will be formally presented to the Corporate Leadership Team and Audit Committee for approval.

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Report to:	AUDIT COMMITTEE
Relevant Officer:	Iain Leviston, Manager, KPMG
Date of Meeting:	2 March 2017

EXTERNAL AUDIT PLAN 2016/2017

1.0 Purpose of the report:

1.1 To consider KPMG's Audit Plan 2016/2017.

2.0 Recommendation(s):

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

3.0 Reasons for recommendation(s):

3.1 To ensure overview of the Council's External Audit Plan.

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 Council's external auditors are 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).

5.2 The audit planning process and risk assessment is an ongoing process and the assessment and fees in the plan will be kept under review and updated where required.

5.3 Does the information submitted include any exempt information? No

5.4 **List of Appendices:**
Appendix 8a: External Audit Plan

6.0 Legal considerations:

6.1 None

7.0 Human Resources considerations:

7.1 See attached report.

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



External Audit Plan 2016/17

Blackpool Council

—

February 2017

The Local Government Landscape



Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has been based on last year's expenditure and set at **£4.5 million**.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£225,000**.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as the:

- significant changes in the pension liability due to LGPS Triennial Valuation; and
- valuation of property, plant and equipment.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as the disclosure around retrospective restatement of Comprehensive Income and Expenditure (CIES), Movement in Reserves Statement (MIRS) and Expenditure and Funding Analysis (EFA) note from 1 April 2016.

See pages 4 to 7 for more details.

Value for Money Arrangements work



Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial resilience.
- Children's Services

See pages 8 to 12 for more details.

Logistics



Our team is:

- Tim Cutler – Partner
- Iain Leviston – Manager
- Reena Ghelani – Assistant manager

More details are on **page 15**.

Our work will be completed in four phases from January to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 14**.

Our fee for the audit is £110,153, which is unchanged from 2015/16. **See page 13.**

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in [month] 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

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

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 8 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17 [and the findings of our VFM risk assessment].





Financial Statements Audit Planning

Our planning work takes place during December 2016 to February 2017. This involves the following key aspects:

- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls:** Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition:** We do not generally consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way that taxation and grant income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures. We do consider this to be a significant risk on the commercial income streams due to the increased complexity that these represent, and so where material additional specific work will be performed in these areas.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



- Significant risk
- Other area of audit focus
- Example other areas considered by our approach



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk: Significant changes in the pension liability due to LGPS Triennial Valuation

During the year, the Lancashire County Pension Fund (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.

The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Lancashire County Council, who administer the Pension Fund.

Approach: As part of our audit, we will agree any data provided by the Authority to the actuary, back to the relevant systems and reports from which it was derived, in addition to checking the accuracy of this data. The process

We will also liaise with Grant Thornton, who are the auditors of the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf to check the completeness and accuracy such data, and review the work of the actuary in calculating both the overall position of the Pension Fund and the Authority's share of these assets and liabilities.

Risk: Valuation of property plant and equipment

The Authority has a significant value of property, plant and equipment held on its balance sheet. In the 2015/16 financial statements, these were valued at £764 million. In addition, there are £8 million of heritage assets and £15 million of investment assets.

The Authority uses an internal valuer to ensure that the valuation of these assets is up to date and not materially misstated.

There is a risk that an internal valuer may come under increased pressure to value assets at a level to support the Authority's objectives (for example to reduce values and as such the annual depreciation charge, or to increase values to provide greater security for commercial borrowing). There is also a risk that items might not be valued on a sufficiently regular basis due to the quantity of valuation work required and limitation on the capacity of the valuation team.

Approach: As part of our audit we will use KPMG's valuation specialists to assess the approach to valuing the Authority's assets to ensure reasonable and risk assessed assumptions used by the in-house valuers to ensure that these are appropriate for the Authority.



Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Other area of focus: Disclosures associated with retrospective restatement of CIES, EFA and MiRS

During past years, CIPFA has been working with stakeholders to develop better accountability through the financial statements as part of its 'telling the whole story' project. The key objective of this project was to make Local Government accounts more understandable and transparent to the reader in terms of how the Authority is funded and how it uses the funding to serve the local population. The outcome of this project resulted in two main changes in respect of the 2016/17 Local Government Accounting Code (Code) as follows:

- Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES).
- Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MIRS) and replaces the current segmental reporting note.

As a result of these changes , retrospective restatement of CIES (cost of services), EFA and MiRS is required from 1 April 2016 in the Statement of Accounts.

New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable Accounting Standards .

Though less likely to give rise to a material error in the financial statements , this is an important material disclosure change in this year's accounts , worthy of audit understanding.

Approach: As part of our audit, we will;

- assess how the Authority has actioned the revised disclosure requirements for the CIES, MiRS and the new EFA statement as required by the Code; and
- check the restated numbers and associated disclosures for accuracy, correct presentation and compliance with applicable Accounting Standards and Code guidance



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

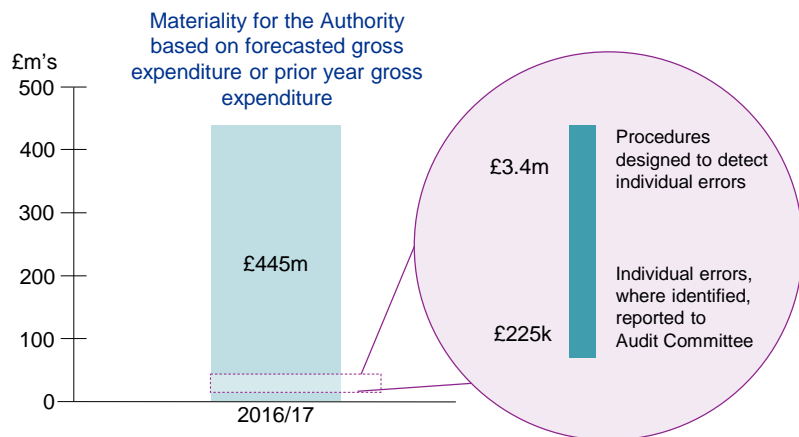
Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £4.5 million for the Authority's standalone accounts, and at £4.8 million for the group accounts, which in both cases equates to approximately 1 percent of 2015/16 gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.



Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £225,000.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Group audit

In addition to the Authority we deem the following subsidiaries to be significant in the context of the group audit:

- Blackpool Transport Services Limited.
- Blackpool Entertainment Company Limited.
- Blackpool Operating Company Limited.

To support our audit work on the Authority's group accounts, we seek to place reliance on the work of firms who are the auditors to these subsidiaries. We will liaise with them in order to confirm that their programme of work is adequate for our purposes and they satisfy professional requirements.

We will report the following matters in our Report to those charged with Governance any:

- deficiencies in the system of internal controls or instances of fraud which the subsidiary auditors identify;
- limitations on the group audit, for example, where our access to information may have been restricted; and
- instances where our evaluation of the work the subsidiary auditors gives rise to concern about the quality of that auditor's work.

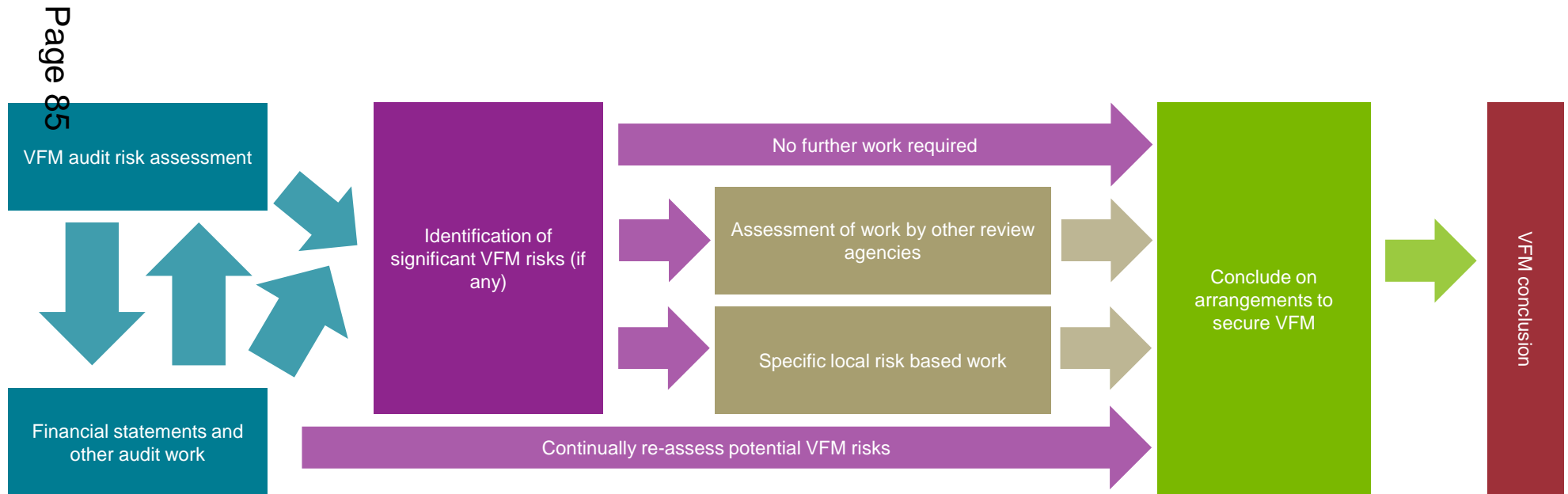


Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.





Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money arrangements work (cont.)



VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> — The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; — Information from the Public Sector Auditor Appointments Limited VFM profile tool; — Evidence gained from previous audit work, including the response to that work; and — The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work Page 87	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant 'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> — Considering the results of work by the Authority, inspectorates and other review agencies; and — Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Value for money arrangements work (cont.)



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> — Meeting with senior managers across the Authority; — Review of minutes and internal reports; — Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 88</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>



Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Risk: Financial resilience

The Authority continues to have to make significant savings to reflect the continuing reduction in the central government grant and cost pressures, especially those relating to children's services. Savings of £25.1 million have been included in the 2016/17 revenue budget for the Authority, which will be mostly met through staff redundancies and the elimination of vacant posts.

Further savings will be required in future years, and a six year medium term financial plan is being developed by the Director of Finance. The Authority has been asked in February 2017 to approve a budget containing £18.7 million of annual savings to achieve a balanced position.

Savings of this magnitude are a significant challenge for the Authority, especially in the context of those already made since 2010. However, the Authority has always managed to achieve its savings targets, predominately through the recurring rather than one-off savings, which has reduced the burden of making further savings over this period.

Approach: We will review the Authority's updated Medium Term Financial Plan. Assumptions on income generations and financial savings will be assessed for reasonableness, as will other underlying assumptions on inflation and the impact of factors external to the Authority, i.e. business rate appeals and the Living Wage.

Risk: Children's Services

Children's Services represents the biggest budgetary pressure on the Authority in 2016/17, with a £4 million overspend by month eight compared to a budget which had been increased for the year.

By their nature individual child placements in care are expensive, and a small increase in the number of such placements can have a material impact on the Authority's budget.

The Authority has undertaken its own analysis, which shows that its cost per head are comparable with other local authorities in the region. However, in having one of the highest rates of looked after children in the country, the Authority is especially susceptible to financial challenge when needing to place additional children into care.

Approach: We will review the cost per head analysis undertaken to verify that the Authority's conclusions on its unit costs are appropriate.

The Authority's strategy to manage the financial costs placed on Children's Services, both through the demand for the service and the way that such demand is met, to reduce the burden on local Council Tax payers will also be assessed.

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Tim Cutler, supported by Iain Leviston and Reena Ghelani. Tim was introduced to the Authority during 2015/16, while Iain and Reena have been involved in the Authority's audit for a number of years. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2016/2017 presented to you in April 2016 first set out our fees for the 2016/2017 audit. This letter also sets out our assumptions.

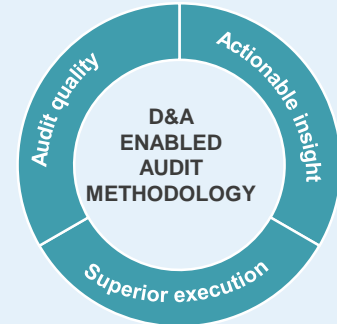
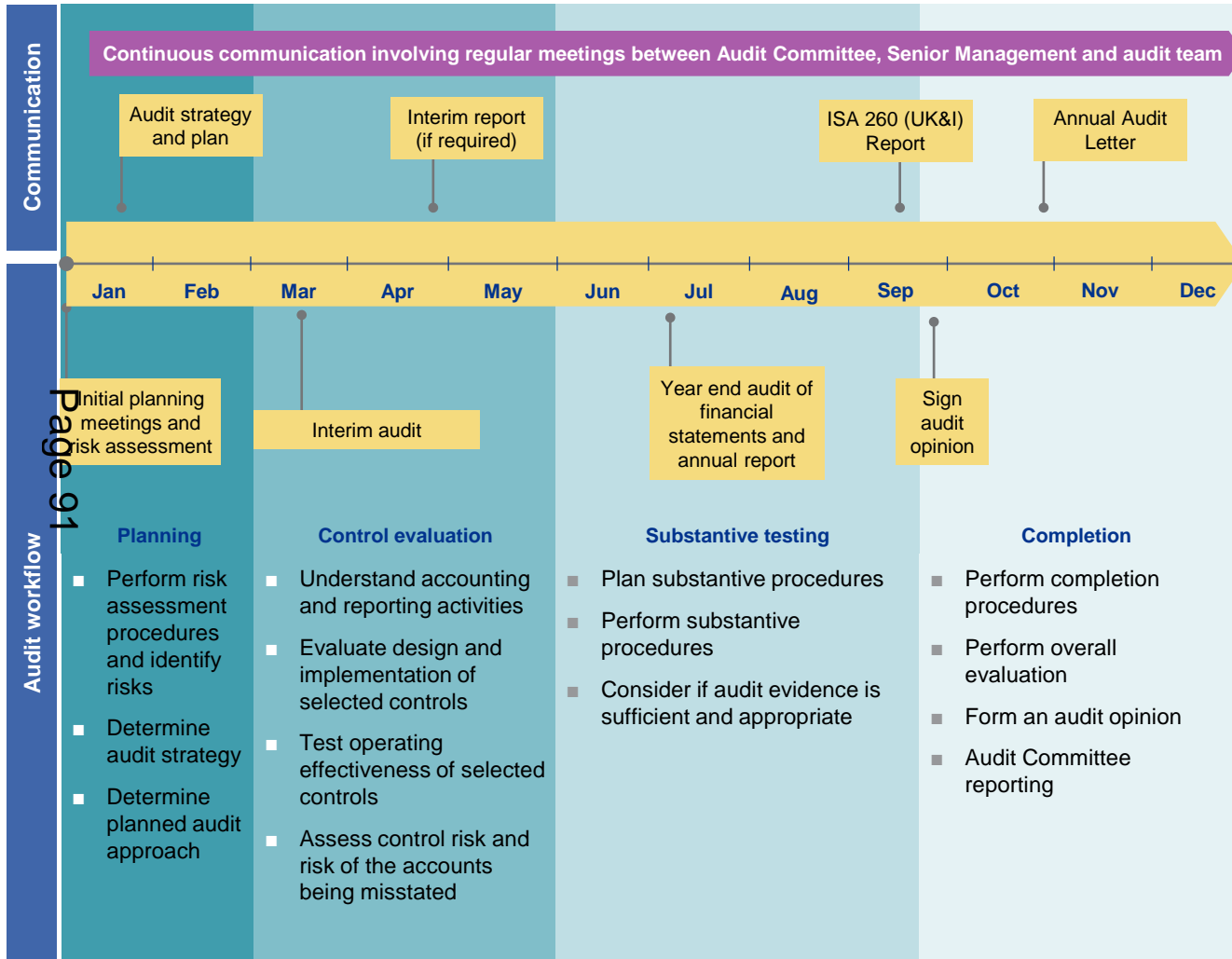
We have not considered it necessary to make any changes to the agreed fees at this stage.

Our audit fee may be varied later, subject to agreement with PSAA, for changes in the Code, specifically this year the changes in relation to the disclosure associated with retrospective restatement of Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis and the Movement in Reserves Statement. If such a variation is agreed with PSAA, we will report that to you in the due course

The planned audit fee for 2016/17 is £110,153. This is unchanged from 2015/16.

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

Appendix 1: Key elements of our financial statements audit approach



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

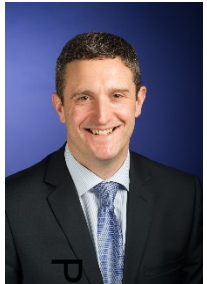
- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.

Appendix 2: Audit team



Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the Blackpool Council audit last year.



Name	Tim Cutler
Position	Partner
	'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Audit Committee and the Chief Executive.'

Tim Cutler
Partner
Tel: 0161 246 4774
tim.cutler@kpmg.co.uk



Name	Iain Leviston
Position	Manager
	'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with Tim to ensure we add value. I will liaise with the Director of Resources and other Executive Directors.'

Iain Leviston
Manager
Tel: 0161 246 4403
iain.leviston@kpmg.co.uk



Name	Reena Ghelani
Position	Assistant Manager
	'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'

Reena Ghelani
Assistant Manager
Tel: 0161 246 4958
reena.ghelani@kpmg.co.uk



Appendix 3: Independence and objectivity requirements

Independence and objectivity

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 Standards require 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 National Audit Office'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.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- 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 February 2017 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.



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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 [...], 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.

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

CERTIFICATION OF GRANTS AND RETURNS 2015/2016

1.0 Purpose of the report:

1.1 To consider the External Auditor's report on the certification of grants and returns 2015/2016.

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 2015/2016 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 2015/16 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 9(a): Certification of claims and returns 2015/2016.

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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Annual Report on grants and returns 2015/16

Blackpool Council

February 2017



Contents

The contacts at KPMG in connection with this report are:

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Headlines

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Summary of certification work outcomes

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Fees

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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. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.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 Tim Cutler, 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 (andrew.sayers@kpmg.co.uk). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, 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.

Introduction and background

This report summarises the results of work we have carried out on the Council's 2015/16 grant claims and returns.

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 2015/16 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2015/16 Housing Benefit Subsidy claim. This had a value of £84.6 million.
- Under separate assurance engagements we certified four claims/returns as listed below:
 - DCLG Pooling of Housing Capital Receipts.
 - Teachers' Pension EOYCa return – £14.8 million.
 - SFA Subcontracting arrangements.

Certification and assurance results (Pages 4-5)

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and

- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was subject to a qualification letter.

- Additional testing had to be performed on the claim because of the incorrect classification of overpayments had occurred in previous years. Testing of 40 cases identified one where the overpayment had been incorrectly classified.
- As it would have been inappropriate to estimate an adjustment to the claim based on this single finding, it was agreed that the claim should remain unaltered, and the error identified reported in a qualification letter.
- This finding is consistent with that in 2014/15.

Our work on the other grant assurance engagements resulted in the following reports:

- The two certificates were issued with no amendments or qualifications being required.
- A number of recommendations were made on the SFA Subcontracting arrangements review, but no opinion was required.

No adjustments were necessary to the Council's grants and returns as a result of our certification work this year. This is consistent with prior years.

Fees (Page 6)

Our fee for certifying the Council's 2015/16 Housing Benefit Subsidy grant was £10,112, which is in line with the indicative fee set by PSAA.

Our fees for the other 'assurance' engagements were subject to agreement directly with the Council and were £10,845.

Summary of reporting outcomes

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

- Two were unqualified with no amendment.
- None required adjustments to the final figures.
- One required a qualification to our audit certificate.
- One did not require an opinion.

Detailed comments are provided overleaf.

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Detailed below is a summary of the reporting outcomes from our work on the Council’s 2015/16 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	Adjustment	Unqualified	No opinion issued
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1	●			
Other assurance engagements					
— DCLG Pooling of Housing Capital Receipts				●	
— Teachers’ Pension EOYCa return				●	
— SFA Subcontracting arrangements	2				●
		1	0	2	1

Summary of reporting outcomes (cont.)

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</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 2015/16, the errors identified in 2014/15 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 result that was consistent with 2014/15, and a significant improvement on prior years. 	<p>£nil</p>
2	<p>SFA Subcontracting arrangements</p> <ul style="list-style-type: none"> — The SFA required us to review the arrangements in place around the Council’s subcontracting arrangements with the Blackpool and the Fylde College and a number of small community based organisation using a standard, SFA-supplied, checklist. — The review identified four medium and 15 low grade recommendations based on partial or non-compliance of the funding rules for subcontracting set by the SFA. — While a large number of recommendations, we noted that four of the sub-contractors were small community based organisations who the Council engaged with to support those learners who could not attend other Council learning centres the Blackpool and the Fylde College. — The Council recognised when engaging with these bodies that a number of requirements would not be by these organisations when commencing the tendering process, and we noted that the Council was working with these bodies to support their development to ensure future compliance with the SFA Funding Requirements. 	<p>£nil</p>

Fees

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 2015/16 was £20,957.

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 2015/16 of £10,112. Our actual fee was the same as the indicative fee, and this compares to the 2014/15 fee for this claim of £18,210. The higher charge in 2014/15 was also consistent with the indicative fee level, and reflects the greater quantum of work required on a triennial basis.

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 2015/16 were in line with those in 2014/15, with inflationary increases only on those claims certified across the two years.

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2015/16 (£)	2014/15 (£)
Housing Benefit Subsidy claim	10,112	18,210
DCLG Pooling of Housing Capital Receipts	2,800	2,750
Teachers' Pensions EOYCa return	3,045	3,000
SFA Subcontracting arrangements	5,000	-
HCA Compliance audit	-	1,500
Total fee	20,957	25,460



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