

## **MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 3 MAY 2018**

### **Present:**

Councillor Galley (in the Chair)

Councillors

Cox	Hobson	Hunter	Roberts
Elmes	Humphreys	Matthews	L Taylor

### **In Attendance:**

Tracy Greenhalgh, Chief Internal Auditor

Neil Jack, Chief Executive

Yvonne Russell, Independent Member

Steve Thompson, Director of Resources

Mr Mark Towers, Director of Governance and Partnerships

Ms Saima Valli, KPMG (Item 5)

### **1 DECLARATIONS OF INTEREST**

There were no declarations of interest on this occasion.

### **2 MINUTES OF THE LAST MEETING HELD ON 15 MARCH 2018**

The Committee agreed that the minutes of the meeting held on 15 March 2018 be signed by the Chairman as a true and correct record.

### **3 STRATEGIC RISK REGISTER - GOVERNANCE**

Mr Mark Towers, Director of Governance and Partnerships and Mr Steve Thompson, Director of Resources outlined the contents of the Strategic Risk Register and the controls being implemented to manage the risks related to governance.

It was reported that a communications and training plan designed to ensure compliance with the forthcoming General Data Protection Regulations (GDPR) would be unveiled in May 2018. Concerns about the Council's ability to comply with the regulations by the deadline on 28 May 2018 were noted and in response Mr Neil Jack, Chief Executive advised that everything possible was being done to adhere to the guidelines. Members noted that it was the responsibility of all staff and Elected Members to play their part in data protection. Following a question about the types of training available for staff, it was reported that mandatory face to face training would be delivered alongside an interactive online I-pool training module. Members questioned what training would be available to agency or temporary staff and Mr Steve Thompson, Director of Resources advised that the training developed would ensure all staff would be fully compliant. In addition, concerns about potential data theft from personal devices were alleviated when it was reported that a

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process of remote data removal by the Council's IT department was available even on devices that had been switched off.

In relation to the section of the risk register regarding continued development of robust processes for starters and leavers from the organisation, it was noted that they were currently in place for contracted staff and plans to improve the arrangements for agency staff were in development. Mr Thompson added that a fraud prevention charter was also about to be implemented which would help to further minimise those risks.

With regard to the risk of non-compliance with statutory requirements and internal processes, the Committee noted that measures such as the use of statutory officers, mandatory officers, regular auditing, the development of an action plan and a compliance calendar would all help to offset the risk. The key challenge was noted as ensuring the message was effectively disseminated to all staff consistently.

Following a discussion about the implementation of the Risk Management Framework, Mr Thompson reported that a positive culture of risk management ran through the organisation at all levels of managerial responsibility. This was evidenced by the framework itself, through quarterly reporting and through the role of risk champions. Following a question about how the effectiveness of the Strategic Risk Register and framework would be measured quantitatively, Mrs Tracy Greenhalgh, Head of Audit and Risk advised that through quarterly reporting and reviews conducted every six months, this type of quantitative analysis would be undertaken.

The Committee noted the update.

### **4 ANNUAL GOVERNANCE STATEMENT 2017/2018**

The Committee considered the draft Annual Governance Statement for 2017/2018. Mr Towers, Director of Governance and Partnerships reminded members of the CIPFA Delivering Good Governance publication (2016), which defined the various principles of good governance in the public sector and how they related to each other. He added that a Council led officer workshop had been conducted to gauge how closely the authority was adhering to the principles. As a result, an action plan had been devised and had been appended to the Annual Governance Statement 2017/2018. The action plan included a discretionary element designed to add value and ensure governance arrangements continued to be robust and effective. Following a question from Members about what, if any, changes had happened following the workshop, Mr Towers advised that the action plan had now incorporated all the suggested changes.

A suggestion to more clearly reference the vision or ethos of the Council was noted to demonstrate how values underpin what the Council would do and how it would achieve this.

The Committee agreed to approve the draft Annual Governance Statement 2017/2018 subject to the inclusion of a section on the values and ethos of the Council.

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### **5 EXTERNAL AUDIT PLAN 2017/2018**

Ms Saima Valli, Assistant Manager, Public Sector Assurance Department, KPMG presented the report and outlined the key elements of the External Audit Plan and areas of significant risk including pension liabilities and faster close of financial statements. In relation to the latter risk, the Committee noted that in future draft accounts would need to be submitted by 31 May each year with final accounts signed by 31 July. The timetable would have an impact on Local Authority accounting in the future, essentially making reporting more like that of private businesses in terms of when accounting information must be submitted and allowing the public earlier access to such information. Mr Thompson advised that these changes to the reporting cycle had created additional pressures in terms of budget monitoring and external audit capacity.

Following a question about the amount of resources KPMG would be able to offer the Council in the future, Ms Valli suggested that the size and experience of the organisation she represented meant that Members and officers need not be concerned. She added that in her opinion, the working relationship between KPMG and the Council remained strong and productive.

In response to concerns voiced by the Chairman about re-valuing of assets, it was agreed that heritage assets should be included and that a formal re-evaluation incorporating those assets would be desirable.

#### **The Committee agreed:**

1. To note the External Audit Plan 2017/2018
2. To recommend that a formal re-evaluation of the Council's assets be undertaken to include the addition of heritage assets.

### **6 ANNUAL AUDIT OPINION 2017/2018**

The Annual Audit Opinion 2017/2018 was presented by Mrs Tracy Greenhalgh, Head of Audit and Risk. Mrs Greenhalgh reminded the Committee that the annual opinion was designed to comment on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. Members noted that the annual opinion could only offer reasonable assurance that there were no major weaknesses in the processes reviewed and opinions had been based on the reports, statements and resources available to the team.

Mrs Greenhalgh proceeded to outline the key audit priorities and range of activity from 2017/2018 including reference to the categories deemed to be inadequate which included the adolescent hub, children's services payments and events risk management. In response to a question from Members as to whether those categories deemed inadequate had been dealt with, Mrs Greenhalgh advised that the Quarterly Reports would include any relevant updates. Following additional questions about how audit work was allocated and levels of contingency, MRS Greenhalgh advised that work allocation was dictated by levels of risk and currently 15% of time allocation was held in reserve for contingency purposes.

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When questioned about the overall effectiveness of internal auditing arrangements and the levels of priority, Mrs Greenhalgh suggested that all priority one areas were incorporated into the annual plans and acknowledged that some of the priority two areas and all priority three areas were currently dealt with by individual managers with responsibility over the relevant department(s). A suggestion to incorporate a foreword or conclusion into the Annual Audit Opinion 2017/2018 including the views of the Head of Audit and Risk was noted.

**The Committee agreed:**

To recommend that the feasibility of receiving future updates on all priority two and three areas by responsible managers be investigated by the Head of Audit and Risk.

## **7 INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME 2018/2019**

During consideration of the Internal Audit Quality Assurance and Improvement Programme 2018/2019, the Committee considered the overarching rationale of the document to measure service delivery and quality against agreed performance parameters and to inform future planning. In terms of the process, Mrs Greenhalgh, Head of Audit and Risk reported that in addition to ensuring compliance and monitoring internal audit activity, the programme helped to add value to existing arrangements and was enhanced by the commissioning of an external assessment at least once every five years.

With regards to the process of formulating the finalised programme, the Committee was advised that findings were discussed and an outline summary produced for the draft document and that often the successes of the previous year's programme would form the basis of the programme for the following year.

In relation to the skills of staff within the Audit and Risk area, Mrs Greenhalgh acknowledged that the time required for staff to complete relevant professional qualifications had a significant impact on the relatively small team whilst those enrolled on courses worked to achieve their qualifications. In response to concerns about how the team might overcome the possible effects of members of staff obtaining qualifications and then deciding to leave the organisation, Mr Steve Thompson, Director of Resources advised that the organisational culture of the Council and the working environment were such that contractual agreements related to the completion of professional qualifications were rarely invoked other than for moves to the private sector.

Mrs Greenhalgh informed the Committee of the newly improved customer satisfaction survey that had been modified in order to offer a more user friendly experience.

**The Committee agreed:**

To approve the Quality Assurance and Improvement Programme for the internal audit service for 2018/2019.

## **8 AUDIT COMMITTEE SELF-EVALUATION**

The Committee considered the report and the implications for Members future

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development. In particular measures designed to improve the uptake of training and subsequent completion rates were regarded as being especially important for 2018/2019. As such, a suggestion to make use of Democratic Governance and political party whips to ensure greater compliance from Members was met with a positive response overall.

During the discussion, a desire to increase awareness of the role of audit more widely across the Council was noted and a suggestion to involve managers below the most senior levels was also put forward. Furthermore, managers could be invited to training sessions with a view to them sharing learning from those sessions with staff in their own departments. A further suggestion was also noted to introduce pre-meetings that Members should aim to attend prior to the Audit Committee meetings themselves in order to enhance understanding of agenda content and to discuss possible lines of questioning and challenge to pursue within the meeting itself.

Also noted was an acknowledgment that closer links between the Audit and Scrutiny Committees might enhance the effectiveness of both with the former providing a potential mandate for the latter to undertake a more detailed scrutiny of particular issues and areas of work.

### **The Committee agreed:**

To approve the Audit Committee training programme for 2018/2019.

### **9 DATE OF NEXT MEETING**

The date and time of the next meeting of the Committee was noted as 21 June 2018 at 6pm in Committee Room A, Town Hall, Blackpool.

### **Chairman**

(The meeting ended at 7.34 pm)

Any queries regarding these minutes, please contact:  
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