

Blackpool Council

24 April 2018

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

Independent Co-opted Member: Yvonne Russell

The above members are requested to attend the:

AUDIT COMMITTEE

Thursday, 3 May 2018 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 either a

- (a) personal interest
- (b) prejudicial interest
- (c) disclosable pecuniary interest (DPI)

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 15 MARCH 2018 (Pages 1 - 6)

To agree the minutes of the last meeting of the Audit held on 15 March 2018 as a true and correct record.

3 STRATEGIC RISK REGISTER - GOVERNANCE (Pages 7 - 14)

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

4 ANNUAL GOVERNANCE STATEMENT 2017/2018 (Pages 15 - 36)

The purpose of the report is to provide Audit Committee with the opportunity to review and approve the Annual Governance Statement for 2017/2018 prior to it being included in the Statement of Accounts.

5 EXTERNAL AUDIT PLAN 2017/2018 (Pages 37 - 64)

To consider KPMG's Audit Plan 2017/2018.

6 ANNUAL AUDIT OPINION 2017/2018 (Pages 65 - 78)

The report sets out the individual and collective outcomes of the audit reviews undertaken in the year ended 31 March 2018. It also provides an audit opinion on the control environment based on this audit work.

7 INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME 2018/2019 (Pages 79 - 96)

To approve the Quality Assurance and Improvement Programme, to be implemented for the internal audit team, a requirement of the Public Sector Internal Audit.

8 AUDIT COMMITTEE SELF-EVALUATION (Pages 97 - 104)

To consider the feedback from the self-evaluation exercise undertaken by the Audit Committee and senior officers who engage with the Committee on a regular basis and to approve the training programme.

9 DATE OF NEXT MEETING

To note the date and time of the next meeting of the Committee as Thursday, 21 June 2018, commencing at 6.00pm.

Venue information:

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

Other information:

For queries regarding this agenda please contact Sharon Davis, Scrutiny Manager, Tel: 01253 477213, e-mail sharon.davis@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.

Public Document Pack Agenda Item 2

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 15 MARCH 2018

Present:

Councillor Galley (in the Chair)

Councillors

Elmes
Hunter

Matthews
Mitchell

Roberts
D Scott

L Taylor

In Attendance:

Mr Neil Jack, Chief Executive
Mr Steve Thompson, Director of Resources
Mr Iain Leviston, Manager, KPMG
Mrs Tracy Greenhalgh, Chief Internal Auditor
Mrs Sharon Davis, Blackpool Council

Apologies:

Apologies for absence were received on behalf of Mrs Yvonne Russell, Independent Co-optee.

1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

2 MINUTES OF THE LAST MEETING HELD ON 18 JANUARY 2018

The Committee agreed that the minutes of the last meeting held on 18 January 2018 be signed by the Chairman as a true and correct record.

3 CYBER SECURITY UPDATE

Mr Tony Doyle, Head of ICT Services provided an update on cyber threats and the actions taken to reduce cyber risk. He reported that the number and sophistication of cyber security risks had continued to increase over the previous 12 months and highlighted a number of key vulnerabilities and recent incidents.

It was reported that the largest threat was from sophisticated email attacks and that due to continued investment the number of SPAM emails received by the Council had significantly reduced, when globally the number had increased.

The Committee discussed the training provided to Elected Members and employees on Cyber Skills and noted that two sessions had been held with Members to date. It was noted that the training had not been identified as essential for Members, however the Committee considered that it should be due to the scale and consequences of breaches. The training

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 15 MARCH 2018

would be rolled out to all employees from April 2018 as part of a mandatory lpool module. In response to questions, Mr Doyle advised that it was a challenge to balance dealing with operational issues with developing training and ensuring policies were updated accordingly. He added that it would take up to six months for all employees to have completed the training module.

Members queried two operational processes which they believed to be insufficiently robust. Mr Doyle agreed that the processes could be improved and that action would be taken to strengthen security in these areas.

The Committee discussed data storage and the location and resilience of datacentres used by the Council.

Members noted the threat posed by cyber risk and queried if enough resource was being committed to mitigate the risk and were advised that a critical partnership with The Networking People (TNP) had recently been renewed which provided the Council with access to expertise. Cyber Security Risks were fast moving and some of the biggest companies in the world had been unable to prevent security breaches.

The Committee went on to discuss screening of new employees prior to their appointment to ICT Services. Mr Doyle advised that a base security check had been carried out on successful candidates prior to appointment for the previous six years. He added that he was open to suggestions for how to increase the level of checks and Members suggested considering use of reference checking companies.

The Committee agreed to recommend to the Member Training Panel that Cyber Skills training be essential for Elected Members due to the scale and consequences of breaches.

4 CERTIFICATION OF GRANTS AND RETURNS

Mr Iain Leviston, Manager, KPMG presented the External Auditor's report on the certification and returns for 2016/2017. He highlighted the work completed under the Public Sector Audit Appointment certification arrangements on the Housing Benefit Subsidy Claim and it was noted that the result had been a qualified outcome. He assured the Committee that it was not unusual to receive a qualified outcome and that the concerns identified in the previous years had been rectified. However, new concerns had been raised regarding two cases that had used an incorrect effective date.

Mr Leviston added that the outcomes of the work on Pooling of Housing Capital Receipts and Teacher's Pensions had returned unqualified outcomes.

In response to a question, Mr Leviston advised that the training put in place to remedy previous concerns identified had not been tested, however, the same errors had not been repeated. He added that he did not have details of system processes, but could provide additional information following the meeting.

The Committee agreed to note the report.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 15 MARCH 2018

5 INTERNAL AUDIT CHARTER

Mrs Greenhalgh, Head of Audit and Risk sought approval for the Internal Audit Charter 2018/2019. She advised that the Charter defined internal audit's mission, purpose, authority and responsibility and position within the Council.

The Committee agreed to approve the Internal Audit Charter 2018/2019.

6 INTERNAL AUDIT PLAN

The Committee was asked to consider approving the Internal Audit Plan 2018/2019. The Plan was presented by Mrs Tracy Greenhalgh, Head of Audit and Risk who explained the core areas for review.

In response to questions, Mrs Greenhalgh advised that the demand for audit work regularly exceeded the resource, however, robust risk assessments were undertaken to ensure the correct areas of work were carried out. The Committee noted the additional working being undertaken by Internal Audit with the wholly owned companies of the Council.

Mrs Greenhalgh added that she was confident the service could achieve delivery of the plan and she would report any concerns to the Committee as appropriate.

The Committee agreed to approve the Internal Audit Charter 2018/2019.

7 FRAUD PREVENTION CHARTER

The Committee considered the Fraud Prevention Charter and noted that it set out the Council's Anti-Fraud and Corruption Statement which outlined the Council's zero tolerance approach when dealing with fraud, corruption and bribery.

In response to a series of questions, Mrs Greenhalgh advised that consideration was being given to increasing the visibility of the officer register of interests, and gifts and hospitality received. She also reported that a joint procurement exercise had been undertaken with Lancashire County Council in order to ensure relevant computer audit expertise was available should it be required.

The Committee agreed to approve the Fraud Prevention Charter 2018/2019.

8 RISK SERVICES QUARTER THREE REPORT

Mrs Tracy Greenhalgh, Head of Audit and Risk provided a summary of the work completed by Risk Services in quarter three of the 2017/2018 financial year to the Committee. She highlighted that a large amount of work was ongoing to reduce the number of Children's Services Business Continuity Plans from over 15 to four or five. As a result the percentage of business continuity plans in place had reduced but was expected to recover in quarter four.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 15 MARCH 2018

The Committee noted that the target for identified employees completing fraud awareness training was 100%. The current completion rate was 63% and Mrs Greenhalgh advised that reminders would continue to be sent in order to achieve the target. She added that if the target had not been achieved by the end of March 2018 further marketing could be undertaken.

Members discussed the number of Reportable Accidents for Employees and noted that every report of an accident was fully investigated. In response to a question, Mrs Greenhalgh advised that all factors were considered including footwear and that operational staff were required to wear Personal Protective Equipment as appropriate.

It was noted that the Health and Safety Ipool training had only been undertaken by a small number of Audit Committee Members and issues with accessing the software were reported. Ipool modules were only accessible on personal computers. It was agreed that the information would be sent again to Members of the Committee. It was also noted that completion of training by employees in Adult Services and Children's Services had been low in relation to fraud awareness training and Mrs Greenhalgh agreed to raise the concerns with the Directors of both services.

The Committee considered the summary of internal audit reports carried out in the quarter in detail and noted the ongoing work around the Growth and Prosperity Team and the outcomes of the Public Health Audit which noted that more emphasis must be placed on recording the outcomes of funding.

Members raised concerns that there were more inadequate assessments within the report than in previous quarters. In response, Mrs Greenhalgh advised that timing was a factor. The Council had taken more risks, however, the risks were known and were being managed. The Rideability Service was specifically referred to and it was noted that the financial system had not been fully put in place at the time of the audit. The Committee would be updated on the progress towards meeting targets within Rideability and it was noted that Members may wish to speak to the Service Manager if suitable progress was not made.

Members also raised concerns regarding the priority two and three recommendations that were the responsibility of managers to implement. The Audit Committee focussed on monitoring the implementation of the priority one recommendations. Priority two and three recommendation implementation were often considered when future planned audit work was undertaken.

9 STRATEGIC RISK REGISTER 2018/2019

Mrs Tracy Greenhalgh, Head of Audit and Risk presented the updated Strategic Risk Register 2018/2019 to the Committee for approval. She advised that the register was reviewed annually to ensure it was relevant. In order to further strengthen reporting, in addition to the Risk Register a report would also be submitted to the Committee to reflect the additional work undertaken to mitigate risks. The level of detail that could be contained within the Risk Register was limited and the supplementary report would provide additional assurance to the Committee.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 15 MARCH 2018

In response to a question, Mrs Greenhalgh advised that it would not be possible to include reference to the previous year in the Risk Register, however, it could be included in the supplementary report to be provided.

The training programme for Audit Committee Members was also discussed and it was noted that training would be provided on interpreting the revised Strategic Risk Register.

The Committee agreed to approve the Strategic Risk Register 2018/2019.

10 DATE OF NEXT MEETING

The date and time of the next meeting of the Committee was noted as 3 May 2018, commencing at 6pm in Committee Room A, Blackpool Town Hall.

Chairman

(The meeting ended at 7.25 pm)

Any queries regarding these minutes, please contact:

Sharon Davis, Scrutiny Manager

Tel: 01253 477213

E-mail: sharon.davis@blackpool.gov.uk

This page is intentionally left blank

Report to:	AUDIT COMMITTEE
Relevant Officers:	Steve Thompson, Director of Resources Mark Towers, Director of Governance and Partnerships
Date of Meeting	3 May 2018

STRATEGIC RISK REGISTER – GOVERNANCE

1.0 Purpose of the report:

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

2.0 Recommendation(s):

- 2.1 To consider the controls being implemented to manage the strategic risk relating to governance.

3.0 Reasons for recommendation(s):

- 3.1 To enable Audit 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:

N/A

4.0 Council Priority:

- 4.1 The relevant Council priority is organisational resilience.

5.0 Background Information

- 5.1 At its meeting in March 2018, 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) Strategic Risk Register Progress Report – Ineffective Governance.

6.0 Legal considerations:

6.1 The effective management of governance arrangements helps ensure that the Council complies with the law.

7.0 Human Resources considerations:

7.1 The controls being implemented will be undertaken by current employees.

8.0 Equalities considerations:

8.1 N/A

9.0 Financial considerations:

9.1 The controls being implemented will be done so within current budget constraints.

10.0 Risk management considerations:

10.1 To enable Audit Committee to gain assurance that strategic risks are being effectively managed.

11.0 Internal/ External Consultation undertaken:

11.1 The progress report has been prepared in conjunction with risk managers and risk owners.

12.0 Background papers:

12.1 None.

Strategic Risk Register Progress Report

Strategic Risk: Ineffective Governance

Sub-Risk: Data theft, leakage and breaches (weighting 30%)		Gross Risk Score	Nett Risk Score
		25	15
<i>Risk Score in 2017/18</i>		20	12
Risk Owner: Director of Resources / Director of Governance and Partnerships			
Existing Controls in Place:			
<ul style="list-style-type: none"> • Appointment of professional advisors in relation to GDPR. • Corporate working group in place to deliver a project plan working towards GDPR compliance. 			
Progress on new controls:			
Control	Risk Manager	Current Position	Outcomes / Results
Ensure documents and equipment is disposed of appropriately as part of the programme of office moves. (Target Date: March 2019)	Head of Property Services	<ul style="list-style-type: none"> • Documents and equipment identified as part of office moves should not be treated any differently to other data and information. The intention is that all information which meet GDPR requirements going forward. 	<ul style="list-style-type: none"> • Strive towards total information / data security.
Implement the requirements of the General Data Protection Regulations (GDPR) including reviewing policy, procedures and schedules. (Target Date: May 2018)	Head of Legal Services	<ul style="list-style-type: none"> • A Corporate Work Group is in place which meets at least monthly to ensure that the Council is taking adequate steps to comply with GDPR. • External advisors have been appointed to provide expert advice to focus the Council on high risk areas. 	<ul style="list-style-type: none"> • The outcome will be improved data protection across the Council. • An internal audit of GDPR compliance is scheduled to take place in 2018/19 the results of which will be

		<ul style="list-style-type: none"> • A programme of training is being developed and will be rolled out to all staff. • Suppliers and contractors have been contacted to gain assurance that they can comply with the new GDPR requirements. 	reported as part of the Risk Services Quarterly Report.
Continued development of robust processes regarding starters / leavers and retrieval of kit. (Target Date: March 2019)	Head of ICT	<ul style="list-style-type: none"> • Robust arrangements are in place for substantive posts however arrangements for agency staff need to be strengthened. 	<ul style="list-style-type: none"> • Strive towards total information / data security.

Sub-Risk: Increased Risk of Fraud (weighting 20%)		Gross Risk Score	Nett Risk Score
		20	15
<i>Risk Score in 2017/18</i>		20	15
Risk Owner: Director of Resources			
Existing Controls in Place:			
<ul style="list-style-type: none"> • Anti-fraud and corruption policy in place. • Proactive anti-fraud plan in place. 			
Progress on new controls:			
Control	Risk Manager	Current Position	Outcomes / Results
Deliver the actions identified in the Fraud Prevention Charter 2018/19. (Target Date: March 2019)	Head of Audit and Risk	<ul style="list-style-type: none"> • The Fraud Prevention Charter has been approved by CLT and Audit Committee. • The actions identified in the work plan will be allocated to members of the Corporate Fraud Team as part of the IPA process. • Participation in the National Fraud Initiative (NFI) to identify potential fraud. 	<ul style="list-style-type: none"> • Progress against the actions identified in the fraud prevention charter will be reported to Audit Committee as part of the Risk Services Quarterly Report. • The outcome of the delivery of the actions will ensure

			that Council takes a more proactive approach to fraud prevention.
Ensure that all staff identified as mandatory have completed the fraud awareness training. (Target Date: March 2019)	Head of Audit and Risk	<ul style="list-style-type: none"> All staff for which the fraud awareness training is mandatory have been advised this is the case. Risk Services issue quarterly reminders to staff and their Chief Officers to promote the need to complete this training. 	<ul style="list-style-type: none"> The Risk Services Quarterly Report will identify the percentage completion rate by directorate. Once staff have completed the training it will help raise awareness of fraud risk which will enable concerns to be raised for further investigation.

Sub-Risk: Non-compliance with statutory requirements and internal procedures (weighting 30%)	Gross Risk Score	Nett Risk Score
	20	12
<i>Risk Score in 2017/18</i>	20	12
Risk Owner: Director of Governance and Partnerships		
Existing Controls in Place:		
<ul style="list-style-type: none"> Statutory legal and financial officers in place. Policy team research / proactive consultation response. Assurance mechanism such as internal audit, external audit, peer review and external assessments. Constitution and Financial Regulations in place. Good Governance Group in place which meets regularly. Improved HR systems for probation, appraisals, recruitment and safeguarding checks. Suite for mandatory training in place. Programme of audits relating to key governance issues such as executive decisions and corporate compliance. Delivery of the Annual Governance Statement Action Plan 2016/17. 		

Progress on new controls:			
Control	Risk Manager	Current Position	Outcomes / Results
Raise awareness of standards required and awareness of the consequence of failure through channels such as DMTs and SLT. (Target Date: March 2019)	Head of Democratic Governance		
Deliver the action plan arising from the Annual Governance Statement 2017/18. (Target Date: March 2019)	Good Governance Group	<ul style="list-style-type: none"> • An action plan has been developed which sets out what will be delivered throughout 2017/18. • The action plan is approved by CLT and Audit Committee. • Progress against the action plan will be monitored throughout the year by the Good Governance Group. 	<ul style="list-style-type: none"> • A mid-term review of progress against the actions will be reported to CLT and Audit Committee to demonstrate the progress made. • The full year status against the actions will be incorporated in the AGS for 2018/19. • The outcome of the delivery of the actions will enhance the overall governance framework at the Council.
Development of a compliance calendar for roll out across the Council. (Target Date: June 2018)	Good Governance Group	<ul style="list-style-type: none"> • The Compliance Calendar is now in place and has been launched via the Senior Leadership Team. 	<ul style="list-style-type: none"> • The Compliance Calendar will help ensure that managers are aware when key activities need to take place to comply with corporate arrangements. • An internal audit of corporate compliance is planned in 2018/19 the results of which will be

			reported as part of the Risk Services Quarterly Report which will help assess the effectiveness of the calendar.
--	--	--	--

Sub-Risk: Lack of effective risk management embedded across the Council (weighting 20%)		Gross Risk Score	Nett Risk Score
		20	12
<i>Risk Score in 2017/18</i>		20	12
Risk Owner: Director of Resources			
Existing Controls in Place:			
<ul style="list-style-type: none"> • Risk management framework and toolkit in place. • Service and strategic risk registers in place. • Departmental and thematic risk management groups in place. • Risk management considered as part of the decision making process. 			
Progress on new controls:			
Control	Risk Manager	Current Position	Outcomes / Results
Implement the Risk Management Framework 2018/21. (Target Date: March 2019)	Head of Audit and Risk	<ul style="list-style-type: none"> • The Risk Management Framework has been approved by CLT and Audit Committee and formally launched via the Corporate Risk Management Group, Risk Management SharePoint site and on the Hub. • Meetings have been held with all Risk Champions to discuss the format of future risk management meetings and a calendar of meetings agreed. • Adherence to the required meetings will be reported to CLT and Audit Committee as part of the Risk Services Quarterly Report. 	<ul style="list-style-type: none"> • Risk Services will have ensured that the framework has been adopted across the Council. • The success of the framework will be measured through regular risk management meetings being held. • The outcome will be improved risk management across the Council.

<p>Review the quality of service level risk registers and ensure that these are all at an appropriate standard.</p> <p>(Target Date: September 2019)</p>	<p>Head of Audit and Risk</p>	<ul style="list-style-type: none"> • The need for the quality of service risk registers to be reviewed has been agreed at the Corporate Risk Management Group. • A timetable for reviewing each service risk register is currently being developed. This will be facilitated by Risk Services in conjunction with risk register owners across the Council. • There are 47 service risk registers in place for the Council at present which need to be scheduled as part of the review process. 	<ul style="list-style-type: none"> • Risk Services will report the currency of risk registers every six months as part of the Risk Services Quarterly Report. • Once the timetable for review has been developed progress will also be reported as part of the Risk Service's Quarterly Report. • The outcome will be the improved quality of service level risk registers.
--	-------------------------------	---	--

Report to:	AUDIT COMMITTEE
Relevant Officer:	Mr Mark Towers, Director of Governance and Partnerships
Date of Meeting	3 May 2018

ANNUAL GOVERNANCE STATEMENT 2017/2018

1.0 Purpose of the report:

1.1 The purpose of the report is to provide Audit Committee with the opportunity to review and approve the Annual Governance Statement for 2017/2018 prior to it being included in the Statement of Accounts.

2.0 Recommendation(s)

2.1 The Audit Committee is asked to consider and approve the draft Annual Governance Statement for 2017/2018.

3.0 Reasons for recommendation(s):

3.1 The Accounts and Audit Regulations (2015) require the Council to conduct a review on the effectiveness of its system of internal control and publish an Annual Governance Statement reporting on the review with the Statement of Accounts.

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 Annual Governance Statement is relevant to all Council priorities.

5.0 Background Information

5.1 Blackpool Council is responsible for ensuring that its business is conducted in

accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The CIPFA Delivering Good Governance publication (2016) defines the various principles of good governance in the public sector and how they relate to each other and are defined as:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the Council's capacity, including its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

The governance framework at Blackpool Council comprises the systems and processes, culture and values which the Council has adopted in order to deliver on the above principles. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The governance framework incorporated into this report has been in place at Blackpool Council for the year ended 31st March 2018 and up to the date of the approval for the statement of accounts for that year.

Does the information submitted include any exempt information?

No

List of Appendices:

Appendix 4(a) – Annual Governance Statement 2017/2018

6.0 Legal considerations:

6.1 The Accounts and Audit Regulations (2015) require the Council to conduct a review,

at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

7.0 Human Resources considerations:

7.1 N/A

8.0 Equalities considerations:

8.1 N/A

9.0 Financial considerations:

9.1 Each of the actions identified in the Annual Governance Statement will be delivered within the constraints of the agreed budget for 2018/2019.

10.0 Risk management considerations:

10.1 Risk management and the control environment have been considered throughout the draft of the Annual Governance Statement 2017/2018.

11.0 Ethical considerations:

11.1 N/A

12.0 Internal/ External Consultation undertaken:

12.1 A Good Governance Group was established in October 2016 and has led on the review of effectiveness and the production of the Annual Governance Statement, including reviewing the 2015/2016 statement to ensure that governance issues identified have subsequently been addressed. The group is chaired by the Director of Governance and Partnerships and attended by the Head of Audit and Risk, Head of Democratic Governance, Transformation Manager, Deputy Head of Legal Services, Head of ICT, Chief Accountant, Equality and Diversity Manager and the Head of Organisation and Workforce Development.

A workshop was held on the 13 March 2018 with key officers involved in governance. This included the core Good Governance Group and also the Head of Revenues and Exchequer Services, Community Engagement and Partnership Manager and Head of Procurement and Projects.

A further workshop was held on the 13 March 2018 with representation from Scrutiny, Audit and Standards and facilitated by the Head of Audit and Risk, Head of Democratic Governance and Transformation Manager.

The Corporate Leadership Team was required to complete a control self-assessment questionnaire providing assurance that their directorates were compliant with a number of key controls.

External Audit was also asked to provide feedback on the draft statement.

13.0 Background papers:

13.1 N/A

Annual Governance Statement 2017/2018

Blackpool Council



Annual Governance Statement 2017/2018

Acknowledgement of Responsibility

Blackpool Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Accounts and Audit Regulations (2015) require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

The Principles of Good Governance

The CIPFA Delivering Good Governance publication (2016) defines the various principles of good governance in the public sector and how they relate to each other and are defined as:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the Council's capacity, including its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

The governance framework at Blackpool Council comprises the systems and processes, culture and values which the Council has adopted in order to deliver on the above principles. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The governance framework incorporated into this report has been in place at Blackpool Council for the year ended 31st March 2018 and up to the date of the approval for the statement of accounts for that year.

The Governance Framework

The key elements of the structures and processes that comprise Blackpool Council's governance arrangements are summarised below.

Annual Governance Statement 2017/2018

Code of Conduct and Behaviours

Codes of Conduct are in place that defines standards of behaviours for elected members and officers. Adherence to these is a key part of good governance. These are further supported by the Council's Whistleblowing Policy, Registers of Interests and Gifts and Hospitality Policies. Processes are in place to deal with non-compliance through the Council's Disciplinary Policy for Officers and the Monitoring Officer and/or Standards Committee for Elected Members.

The Council has developed a set of values which all elected members and officers should adhere to when carrying out their duties and these include being accountable, compassionate, delivering quality services, being trustworthy and fair. These help define the culture which the organisation wishes to emanate across all services which it delivers.

Following a Leadership Summit in the year and considerable consultation a Leadership Charter was developed for officers. The Leadership Charter aims to bring to life the vision for the Council's workforce as outlined in the Workforce Strategy 2016-2020 and it has been embedded with the Individual Appraisal Process (IPA).

The Council strives to deliver equal opportunities to all and equality impact assessments form a part of the decision making process. The Equalities and Diversity Manager has developed a directorate self-assessment tool to monitor compliance and implemented Equality and Diversity Awareness Training for managers across the Council. The self-assessment process has been piloted by the Resources Directorate and is now being rolled out across all other Council directorates.

Commitment to Openness, Communication and Consultation

The Council complies with the requirements of the Transparency Agenda and provides a range of information in the public domain through its website. The Council adopts a priority campaign planning approach using a variety of different marketing communications channels. Key messages are also communicated to residents in the Your Blackpool publication which is delivered to all Blackpool households on a quarterly basis. Following the findings of the December 2017 Communications peer review, the Council will work further with its elected members to enhance their use of social media and has started to move towards greater use of social media as part of a strategic approach to communications. This approach is subject to monitoring and evaluation to test its effectiveness. The public are able to attend and speak at Committee meetings and Full Council is broadcast on the Council's website.

The Council has in place a system to respond to Freedom of Information requests and compliance with the timelines is managed by the Information Governance Team.

Consultation with the public takes place by the lead service area, which can access the Council's on-house cost recovery research team Infusion Research for wider ranging or more complex consultation exercises.

Structures are in place to ensure consultation with other public and voluntary sector agencies through the Fairness Commission and also local businesses through the Blackpool Business Leadership Group.

Annual Governance Statement 2017/2018

Developing, Communicating and Translating the Vision

The Council Plan 2015-2020 sets out the vision for Blackpool to be *'The UK's number one family resort with a thriving economy that supports a happy and healthy community who are proud of this unique town'*. This is supported by the two priorities for the Council which are:

- The Economy: Maximising Growth and Opportunity across Blackpool.
- Communities: Creating Stronger Communities and Increasing Resilience.

The length of the Council Plan was reduced in 2016/17 and the style in which the plan is written reviewed, to ensure that the document is accessible and understandable to employees and residents and the plan contents were agreed following a consultation exercise.

A staff conference was held in 2016, hosted by the Chief Executive, which provided an update on the plan and the Council's priorities to employees. A further conference was held in 2017 which focussed upon how the Council works with its wholly owned Companies to help deliver on its priorities. Both conferences helped embed the vision and direction the Council and its partners are pursuing with the workforce.

Beneath each priority the plan details the key challenges faced by Blackpool and the key projects and schemes which will be implemented to address these issues. The Council Plan seeks to address the big issues and policy drivers facing local government. A review of the Council Plan was undertaken half-way through the delivery period and identified the potential to adopt a third priority around 'Organisational Resilience'. This will be consulted on in 2018 with the view to adopting a refreshed plan by the end of the year.

The Corporate Delivery Unit was introduced in 2016 the role of which is to provide challenge and ensure that key outcomes identified in the Council Plan are achieved. The two Priority Boards established in 2016 have reviewed activity on key plans to deliver the priorities. The Transformation Board has developed an approach to monitoring and checking planned savings, and has administered the Transformation Fund, awarding funding to projects which can deliver transformational change or medium term cost savings.

The Council priorities feed into directorate business plans and are a key tool for managers to use when developing business plans. The business plans then feed into Individual Performance Appraisals (IPA). A new business planning framework was developed for 2017.

Performance Management

A Policy Framework is in place which sets out the corporate strategies and plans which are in place and the Corporate Delivery Unit has a role in the production, monitoring and management of these key documents.

The Council has reviewed and refined its performance management system and strategic performance will be reported to Corporate Leadership Team and the relevant Scrutiny Committees with local performance indicators being managed through the Business Planning Process. This review has included an overhaul of the key performance indicators to be measured in 2017/18. A specific board has been established to focus on the particular challenges of improving performance in Children's Services.

In order to improve performance the Council participates in peer reviews and benchmarking exercises to learn from others and to ensure that services delivered are value for money. In 2017 peer reviews focussed on Communications and Children's Services. CIPFA was also commissioned to undertake a review of the Council's

Annual Governance Statement 2017/2018

financial resilience with a focus on the savings proposals for 2017/18 onwards. It is intended that the LGA will be asked to undertake a peer review of Corporate Governance / Health in the future.

The Individual Performance Appraisal process which is in place is part of the Council's wider approach to performance management. The IPA process is an important tool designed to provide an opportunity to establish and understand expectations and to evaluate performance in order to help employees develop to their full potential. The IPA process is not a replacement for day to day people management so in addition employees are supported by their line managers and should be mentored, coached and directed according to their individual needs. This may come through regular one to one meetings, formal supervision meetings, team meetings and informal feedback. The Leadership Charter will support the Council's priorities and values and has been included in the Managers IPA template replacing the existing Management Objectives. A Leadership survey has also been undertaken to benchmark our performance against the new Charter.

Roles and Responsibilities

Responsibilities and functions are in place for each Council Committee including Licensing, Planning, Standards, Scrutiny Committees and the Audit Committee. These are reviewed annually with any changes made at the Council's Annual Meeting to ensure that they continue to be fit for purpose. The Executive has agreed a set of criteria relating to the levels of decision making which provide clarity relating to levels of decision making which provide clarity and consistency for decision makers.

All Council Officers, including the Corporate Leadership Team, have a job description which sets out their roles and responsibilities. Annually, through the Individual Performance Appraisal process individual objectives are set for each officer which align with their job description and the Business Plan for the Service in which they work.

The Corporate Leadership Team has been extended once a month to involve key Heads of Service in the decision making process. Steps have been taken to address some of the concerns with 'hard to recruit to posts' such as the development of the Next Step Blackpool website to recruit Children's Social Workers and Teachers to the area. In addition, there is ongoing investment in digital technologies to help improve capacity across the Council.

The Council's Constitution, including the Scheme of Delegation, sets out the arrangements and protocols which are in place to enable effective communication within the authority.

The Council has in place effective arrangements to discharge the Head of Paid Service function and this role is undertaken by the Chief Executive.

The Council has designated a Monitoring Officer and Deputy with appropriate qualifications and experience. The Monitoring Officer has the specific duty to ensure that the Council, its officers and its Elected Members maintain the highest standards in all they do and is responsible to Blackpool Council for ensuring that governance procedures are followed and all applicable statutes and regulations are complied with.

Decision Making

The Constitution sets out the functions and responsibilities of the Council, the Executive and Committees. Included in this are the delegation arrangements adopted by the Council and the Executive and this is reviewed on a regular basis.

Annual Governance Statement 2017/2018

All Executive Decisions contain all relevant policy implications including financial, risk management, human resources, equality analysis, ethical considerations, legal considerations and links to Council priorities. All Executive Decisions are subject to finance and legal approval before they are taken forward for a decision to be made. The Monitoring Officer or a designated representative, receive all decisions before they are processed and therefore are able to check the robustness of data quality prior to a decision being submitted for formal approval. Cabinet Member and relevant Officer Decisions are published to meet transparency requirements and inform the public.

A framework for undertaking compliance checks to ensure that decision making processes are appropriate has been developed and these reviews are jointly carried out by Internal Audit and Democratic Governance and the findings reported to Audit Committee.

Compliance with relevant Laws, Regulations, Internal Policies and Procedures

A wide range of corporate policies and procedures are in place to ensure compliance with laws and regulations. These cover all key areas including financial management, human resources, procurement, contract management, risk management, business continuity, data protection, health and safety management arrangements and safeguarding arrangements.

Managers are responsible for ensuring that their service adheres to the relevant policies and procedures and Disciplinary and Capability Procedures are in place to deal with non-compliance. An audit was undertaken to assess current levels of compliance and identify any necessary actions for improvement the results of which have been shared with the Corporate Leadership Team and Senior Leadership Team.

Internal and external audit arrangements are in place to provide a reasonable level of assurance with compliance of the Council's system of internal control. The Health and Safety Team also undertake a programme of audits to ensure that managers maintain their manuals and comply with statutory requirements.

The Council has obtained PSNN, PCI and N3 security compliance so that it can effectively share data with other organisations including the National Health Service and Department for Work and Pensions. There is an ongoing review of cyber risks and progress against this is monitored by the Audit Committee. An ICT Security Policy is in place. Considerable work has been undertaken throughout the year to help ensure compliance with the General Data Protection Regulations which come into effect in May 2018.

A Corporate Procurement and Projects Team is in place to support Heads of Services and Service Managers to undertake market engagement for those goods, services and works which are delivered through third-party organisations. Procedures are in place to ensure compliance with the Public Contract Regulations Act 2015, European Union Procurement Directive 2014 and the Council's Contract Procedure Rules. Standard Control Documents are used to ensure consistency of practice, demonstrate value for money and to maximise Social Value through tendering and contract arrangements.

Mandatory training is delivered in a number of ways including through the iPool online system to advise staff of legislative requirements. Reporting tools have been developed to enable Managers to monitor completion of mandatory training courses and completion of Individual Performance Appraisals.

The Council's Monitoring Officer has a role in ensuring that the Council acts within the remit of relevant law and regulations and that a robust democratic process ensures the application of the Constitution. The Monitoring

Annual Governance Statement 2017/2018

Officer is responsible for the in-house legal team which serves as an additional control to ensure that the Council operates within the constraints of the law and the team hold LEXCEL accreditation.

A number of arrangements are in place to deal with potential breaches to compliance and these include a Data Breach Panel, Corporate Complaints Panel and Serious Case Reviews. These are chaired independently of the service which has breached requirements to ensure that objective decisions can be taken.

A Disclosure and Barring Service Panel (DBS) is in place which reviews any positive DBS's in relation to pre-employment checks to ensure Council wide robust and consistent decision making.

Financial Management

The Council has an appropriately qualified and experienced designated Chief Financial Officer who holds Section 151 responsibilities and a deputy has also been appointed. The Chief Financial Officer has arrangements in place for financial management, financial reporting and value for money which is assessed annually by the Council's external auditors.

Financial Regulations are in place which are supported by a Scheme of Delegation to ensure that managers are aware of the level of expenditure they are able to authorise.

The Council sets a lawful annual budget and is part way through a six year Medium Term Financial Sustainability Strategy. The associated plan is updated on an annual basis to enable early planning on the financial position to take place.

Monthly financial monitoring reports, starting from month 0, are reported to the Corporate Leadership Team, the Executive and Tourism, Economy and Resources Scrutiny Committee. The Transformation Board also has a role in monitoring key saving targets and considers ways to address funding shortages in underachieving areas.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Council facilitates a Public Inspection of the Accounts and publishes details of all payment transactions over and above the minimum requirements of the Transparency Code.

Audit Arrangements

An Audit Committee is in place which is independent of the scrutiny function. As a full committee of the Council it is able to discharge all the core functions of an Audit Committee outlined in the CIPFA Audit Committee: Practical Guidance for Local Authorities (2013), from which the Committee has adopted the model terms of reference. Over the past twelve months that Chair of the Audit Committee has continued to raise the profile of the Audit Committee and has presented a report to Full Council on the work of the Committee and has proactively requested Chief Officers to attend Committee to be challenged and held to account where controls issues have been identified. In the year an independent member was co-opted onto the Committee to enhance the robustness of the Committee.

Modular training is delivered prior to each Audit Committee meeting to ensure that members have the appropriate skills and knowledge to effectively discharge their duties. The Audit Committee undertake annual self-assessments of their performance to identify strengths and areas for development.

Annual Governance Statement 2017/2018

The Council has an internal audit team who prepare an Annual Internal Audit Plan which is approved by the Corporate Leadership Team and Audit Committee. This includes a balance of risk and compliance work. The audit opinion and assurance statement for each audit is reported quarterly to the Audit Committee.

In 2017/18 the Head of Audit and Risks Annual Audit Opinion was that sufficient assurance work was undertaken to provide a reasonable conclusion on the adequacy and effectiveness of the control environment and that the overall control environment at the Council is adequate. Where weaknesses were identified through internal audit work the team have worked with management to agree appropriate remedial actions and a timescale for improvement.

The Council's internal audit arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and the Public Sector Internal Audit Standards. An external review of the Council's compliance with the Public Sector Internal Audit Standards took place in 2016/17 which confirmed conformance with the standards. The recommendations made in the external assessment report have been incorporated into the Quality Assurance and Improvement Programme for the service.

External audit arrangements are in place and representatives are invited to attend Audit Committee to present the findings of their work and raise any concerns which they may have. Effective working relationships are in place with external audit which help ensure that the Council provides timely support, information and responses to the external auditors and considers audit findings and recommendations.

Risk Management

A Corporate Risk Management Group is in place to coordinate and promote risk management activity in line with the Council's Risk Management Framework 2014-2017. The Risk Management Framework was reviewed in the year and a version covering 2018-2021 is now in place. It is supported by directorate and thematic risk management groups.

All directorates have nominated risk champions to promote best practice in their areas and ensure that service level risk registers are in place and that risk registers are developed for major projects and partnerships where appropriate.

The Strategic Risk Register is reviewed by the Corporate Leadership Team and considered by the Audit Committee annually. Chief Officers identified in the Strategic Risk Register are required to attend Audit Committee to explain how the risks are being managed and what further mitigating controls may be required.

Risk management should be considered for all decisions made by the Council and these are evidenced in the dedicated section on the decision making template.

A Corporate Business Continuity Plan and Critical Activities List are in place and this is supported by service level business continuity plans.

Counter Fraud and Anti-Corruption Arrangements

The Council has developed counter fraud and anti-corruption arrangements in line with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014). A Fraud Prevention Charter has been developed and approved by the Corporate Leadership Team and Audit Committee. Any suspected instance of fraud or

Annual Governance Statement 2017/2018

corruption should be reported to the Head of Audit and Risk so that an appropriate investigation into the matter can be undertaken.

A dedicated Corporate Fraud Team is in place which deals with a range of corporate fraud issues and proactive work has commenced on high risk areas such as insurance fraud, blue badges and council tax.

The Council has appropriate procedures in place to deal with the risk of money laundering and also to raise awareness of the Bribery Act and ensure that appropriate controls are in place to reduce the risk.

The Council participates in the National Fraud Initiative and progress against this and outcomes, are reported to Audit Committee on quarterly basis.

A corporate group is in place to review the Council's use of covert surveillance and to ensure compliance with the Regulatory of Investigatory Powers Act (2000).

Scrutiny Arrangements

Three Scrutiny Committees are in place which reflect the Council's priorities including a Resilient Communities and Children's Scrutiny Committee, Tourism, Economy and Resources Scrutiny Committee and an Adults Social Care and Health Scrutiny Committee. These committees help empower elected members and provide them with the opportunity to challenge and hold decision makers to account. These Committees meet on a regular basis and the minutes of the meetings and supporting documentation are published.

Learning and Development

An Induction and Probation process is in place for all new employees in the Council. Following successful completion of the probation process employees will then receive a mandatory Individual Performance Appraisal (IPA). The IPA incorporates an annual and interim review, held at an appropriate time in a private, comfortable space and can be considered as the setting of a 'roadmap' for an employee for the coming twelve months.

A wide range of training is available corporately which is informed from development needs identified in the Individual Performance Appraisal. The Council is committed to leadership development and various courses are available to continue to develop skills and knowledge. A revised leadership development programme will be delivered in 2018/19 based upon the outcomes of the Leadership survey which has been conducted.. An aspiring leadership programme has been delivered but further work is required in relation to succession planning and this will form part of HRs Business Plan for 2018/19.. The attainment of professional qualifications in relevant disciplines is encouraged and the Council is committed to funding studies where appropriate.

Many professionals across the Council maintain continuing professional develop records to ensure they continue to meet the requirements of their professional bodies.

A Workforce Strategy is in place and steps have been taken through the new Business Planning Framework to better align workforce planning with the business plan process. However it is recognised that this is in its infancy.

The Council runs an apprentice programme to encourage young people and those who may have struggled to access work previously to engage in employment with the Council. From 2016/17 the way apprentices are funded has changed as employers with a pay bill of more than £3m are now required to pay an Apprenticeship Levy. The Council pay's the levy and is able to use this to access funding to meet the cost of apprenticeship

Annual Governance Statement 2017/2018

training and assessment against the approved apprenticeship framework or standard and this funding is used for existing employees as well as new starters.

Project Search, the job scheme for young people with learning disabilities also ran for a third year where each of the students learn personal and job skills for a two month period before embarking on work placements to find a suitable job for them.

An induction programme is in place for all elected members. A three year development plan is in place for elected members which helps deliver training to help them fulfil their role. All elected members have a personal development plan which helps to identify training needs.

Partnerships and Joint Working

The Council is involved in a number of key projects with partner organisations in order to transform the way in which services are delivered. Examples include the Better Start Project and Head Start Project which focus on early intervention in order to build resilience in the community. Boards with representation from partner organisations are also in place for key risks faced by the Council to introduce an element of independence and challenge. Transformation is also been achieved through the Opportunity Area funding stream which seeks to improve educational attainment.

Arrangements are in place for the provision of Shared Services with Fylde Borough Council in a number of areas, the most significant being the Revenues and Benefits Service. Shared arrangements are also in place with Blackpool Teaching Hospital in relation to legal services, governance and emergency planning. The Council is also working jointly with other Fylde Coast authorities on the development of an enterprise zone and other economic prosperity opportunities to improve the local economy.

Where joint working arrangements are not achieving the desired outcomes this is recognised in the pilot phase of the scheme so that other opportunities and delivery models can be identified.

The Council has a number of wholly-owned companies, including the acquisition of Blackpool Airport in the year, and a Good Governance Framework has been developed and rolled-out across each company in order to strengthen the governance arrangements in place and ensure that the Council's vision for the town, as the shareholder, is able to form part of the direction of travel of each company. The Framework also gives assurance that each company is operating in an effective and accountable way.

In order to strengthen the democratic accountability and due to the increasing number of companies, a Shareholder Advisory Board was appointed in September 2017. This Board, consisting of four councillors meets senior company representatives on a twice yearly basis and helps co-ordinate the work of the Council and its companies. It advises the shareholder on key strategic performance and helps inform long term development across Blackpool. The Council is looking at the use of wholly owned companies further in the future and this new Board is an important mechanism to ensure any business case adds to the Council delivering its priorities and vision going forward.

Annual Governance Statement 2017/2018

In the community @theGrange was developed and launched in the year to provide a hub for community activity in the Grange Park area of Blackpool which is a partnership between the Council and Groundworks.

Value for money in the procurement process is also been sought through collaborative tender exercises with other local authorities in the region to achieve economies of scale.

Annual Review of Effectiveness

Blackpool Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The stages included in the review process and the key findings from each are summarised below.

Good Governance Group

A Good Governance Group was established in October 2016 and has led on the review of effectiveness and the production of the Annual Governance Statement to ensure that governance issues identified have subsequently been addressed. This group is chaired by the Director of Governance and Partnerships and attended by the Head of Audit and Risk, Head of Democratic Governance, Transformation Manager, Deputy Head of Legal Services, Head of ICT, Chief Accountant, Equality and Diversity Manager and the Head of Organisation and Workforce Development.

Elected Member Workshop

A workshop was held on the 13th March 2018 with representation from Scrutiny, Audit and Standards Committees and facilitated by the Head of Audit and Risk, Head of Democratic Governance and the Transformation Manager. A representative of the Executive was also consulted as part of the process.

The workshop was based around the principles of good governance and elected members were asked to establish what arrangements are already in place and these have been reflected in the overview of the governance framework included in this report. Elected members were also asked to identify areas for further development and these have been incorporated into the governance issues action plan.

Key Officer Workshop

A workshop was held on the 13th March with key officers involved in governance. This included representatives from the core Good Governance Group and also the Head of Revenues and Exchequer Services, Fairness Commission Manager and Head of Procurement and Projects.

The workshop was based around the principles of good governance and an assessment was made as to what controls already form part of the Council's governance framework and also areas which needed further development. This process identified a number of areas of good practice and these have been summarised in the

Annual Governance Statement 2017/2018

governance framework outlined earlier in this report and areas for improvement have been captured in the significant governance issues action plan.

Control Self-Assessment Questionnaire

The Corporate Leadership Team was required to complete a control self-assessment questionnaire providing assurance that their directorates were compliant with a number of key controls.

Review of 2016/17 Actions

A summary of the actions completed in 2016/17 can be seen in **Appendix 1** and any partially implemented actions have been carried forward into the 2017/18 action plan.

Assurance Statement

The results of the effectiveness of the governance framework have been considered by the Corporate Leadership Team and Audit Committee who have determined that the arrangements are fit for purpose in accordance with the governance framework.

Governance Issues

Actions have been identified as part of the 2017/18 review of the effectiveness of the governance framework and these are captured in the following table. It should be noted that some of the issues identified are not deemed as significant but have been included to aid openness and transparency.

Issue	Actions	Responsible Officer (s)	Target Date
Code of Conduct and Behaviours	Raise awareness of the whistleblowing policy to officers and elected members through communication and training.	Director of Governance and Partnerships	Before mid-term review
	Review the guidance available for elected members relating to conflict management / intimidation in public office and communicate the support packages available such as training and access to the Employee Assistant Programme.	Director of Governance and Partnerships	After mid-term review
Commitment to Openness,	Continue to improve how the Council	Director of	Before mid-

Annual Governance Statement 2017/2018

Issue	Actions	Responsible Officer (s)	Target Date
Communication and Consultation	communicates through the implementation of the recommendations identified in the LGA Peer Review.	Strategy (Assistant Chief Executive)	term review
	Continue to deliver the channel shift agenda to improve accessibility to residents and reduce demand on Council resources.	Director of Resources	After mid-term review
	Continue to improve the level of information published on the Council website so that this is readily available.	Director of Governance and Partnerships	After mid-term review
	Undertake a resident's survey to assess how they perceive the Council and use the outcome to inform the future direction of the Council.	Director of Strategy (Assistant Chief Executive)	Before mid-term review
	Develop and roll out a toolkit to services in relation to good practice when undertaking consultation exercises.	Director of Public Health	Before mid-term review
Developing, Communicating and Translating the Vision	Develop a communications plan ready for translating the Council Plan into information which is accessible and interesting to different audiences.	Director of Strategy (Assistant Chief Executive)	After mid-term review
Performance Management	Embed a new performance management framework with outcome based indicators across the Council.	Director of Strategy (Assistant Chief Executive)	Before mid-term review
Roles and Responsibilities	Update the organisational charts to accurately reflect the Senior Leadership Teams roles and responsibilities to assist elected members identify who to contact to seek advice.	Director of Governance and Partnerships	Before mid-term review
Compliance with Relevant Laws, Regulations, Internal Policies and Procedures	Ensure that the Council complies, as far as reasonably possible, with the requirements of the General Data Protection Regulations.	Director of Governance and Partnerships	Before mid-term review
	Increase monitoring of the Policy and Strategy Framework to ensure that key	Director of Strategy	Before mid-term review

Annual Governance Statement 2017/2018

Issue	Actions	Responsible Officer (s)	Target Date
	documents are refreshed on a timely basis.	(Assistant Chief Executive)	term review
	Assess how to strengthen contract management arrangements across the Council.	Director of Resources	After mid-term review
Risk Management	Undertake an independent review of all service level risk registers to improve the quality of the information contained in the risk registers.	Director of Resources	After mid-term review
	Embed and ensure buy in to the Risk Management Framework 2018/21 across the Council focusing not only of the threats which risks can create but the opportunities that they bring for innovation and transformation.	Director of Resources	After mid-term review
	Enhance how strategic risks are reported to the Audit Committee to enable effective review and challenge and demonstrate to correlation between the strategic risk register and Council strategies and plans.	Director of Resources	Before mid-term review
Scrutiny Arrangements	Deliver the actions arising from the review of the scrutiny function by North West Employers.	Director of Governance and Partnerships	After mid-term review
Learning and Developing	Review methods of training available for elected members through the Member Training Panel and consider the wider use of e-learning, webinars and involvement in training sessions being held for officers.	Director of Governance and Partnerships	After mid-term review
	Increase the robustness of succession plans across the Council.	Chief Executive	Before mid-term review
	Deliver a Leadership Development Programme based on the outcome of the Leadership Survey.	Chief Executive	After mid-term review
	Continue to develop digital skills across the Council to assist in the use of innovation	Director of	After mid-

Annual Governance Statement 2017/2018

Issue	Actions	Responsible Officer (s)	Target Date
	technological solutions to build capacity through the further roll out of new devices and Microsoft 365 and training around cyber skills.	Resources	term review
Partnership and Joint Working	Consider how elected members can network with other public sector partners at neighbourhood level.	Director of Public Health	After mid-term review
	A Framework for the implementation of shared services and partnership / joint working arrangements will be developed.	Director of Governance and Partnerships	After mid-term review

Conclusion

We propose over the coming year to take steps to address the significant governance issues identified to further enhance governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: (Leader of the Council)

Signed: (Chief Executive)

Annual Governance Statement 2017/2018

Appendix 1 – Actions Completed in 2016/17

- Developed and piloted a new face to face diversity awareness course.
- Developed an Equality Compliance tool and performance scorecard.
- Reviewed the Whistleblowing Policy to ensure that this aligns to best practice, trained names contacts and implemented a central recording system for complaints received.
- The revised ethical principals have been embedded throughout the decision-making processes.
- The Community Orientated Primary Care work has been piloted and rolled out.
- The Fairness Commission has delivered a number of community engagement events throughout the year.
- Elected members have been invited to be part of the Steering Group for the Community Orientated Primary Care work to ensure they are involved in the engagement work in their ward.
- Community Engagement and Fairness Commission awareness sessions have been held with elected members.
- A review of what other Councils are doing in relation to Community Engagement and in particular the Wigan Model which is extremely effective was undertaken.
- The new FYI website is live and makes the relevant links with Blackpool Council's website.
- The Channel Shift Team and Strategic Customer Service Group have been established to deliver the channel shift agenda.
- Embedded the process for reporting and monitoring the success and benefits of the Corporate Delivery Unit.
- The three year planning process implemented via the Business Planning is further evolving to create new Strategic Business Plans linked directly to the Priority Boards and therefore the Council Plan, ensuring that CLT and Councillors have oversight of the key strategic activity being delivered and progress to date.
- There has been a significant amount of work done to develop the Corporate Indicators with CLT and their DMTs. Scrutiny now receives reports on performance relevant to the main agenda to encourage further scrutiny and feedback from members in line with the Forward Plan.
- Peer reviews have taken place with regard to corporate communications and children's services.
- Embedded the Leadership Charter within the Individual Performance Appraisal process.
- The Compliance Calendar has been finalised and rolled-out to all managers.
- The managers 'quick guide' section on the Hub has been developed.
- Two decision making audit reviews were carried out during 2017/18 focusing on the Resources Directorate and Public Health Directorate and illustrated that there were no immediate areas of concern to address.
- Provided an annual update to Audit Committee on the robustness of the arrangements in place to reduce the risk of a cyber threat.
- Implemented an action plan setting out any required process changes under the General Data Protection Regulations which come into force in May 2018 and raised awareness of the new requirements.

Annual Governance Statement 2017/2018

- Ensured that 2017/18 savings targets were delivered with reduced resource and significant demand pressures.
- An independent member was appointed to the Audit Committee.
- The Property Risk Management Group was re-established and is meeting quarterly.
- The Risk Management Framework was reviewed approved by CLT and Audit Committee.
- A risk management i-pool course has been developed and launched.
- A number of face to face training sessions relating to business continuity planning were held in the year.
- The Business Continuity Framework was reviewed and approved by CLT and the Audit Committee.
- Identified those staff for which counter fraud training is mandatory and completion rates are being reported to CLT and Audit Committee.
- A leadership survey was undertaken and the results have been analysed and reported to CLT in January the Senior Leadership Team.
- Implemented a robust action plan to ensure that the Council maximises the Apprenticeship Levy.

This page is intentionally left blank

Report to:	AUDIT COMMITTEE
Relevant Officer:	Iain Leviston, Manager, KPMG
Date of Meeting:	3 May 2018

EXTERNAL AUDIT PLAN 2017/2018

1.0 Purpose of the report:

1.1 To consider KPMG's Audit Plan 2017/2018.

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 5(a): 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

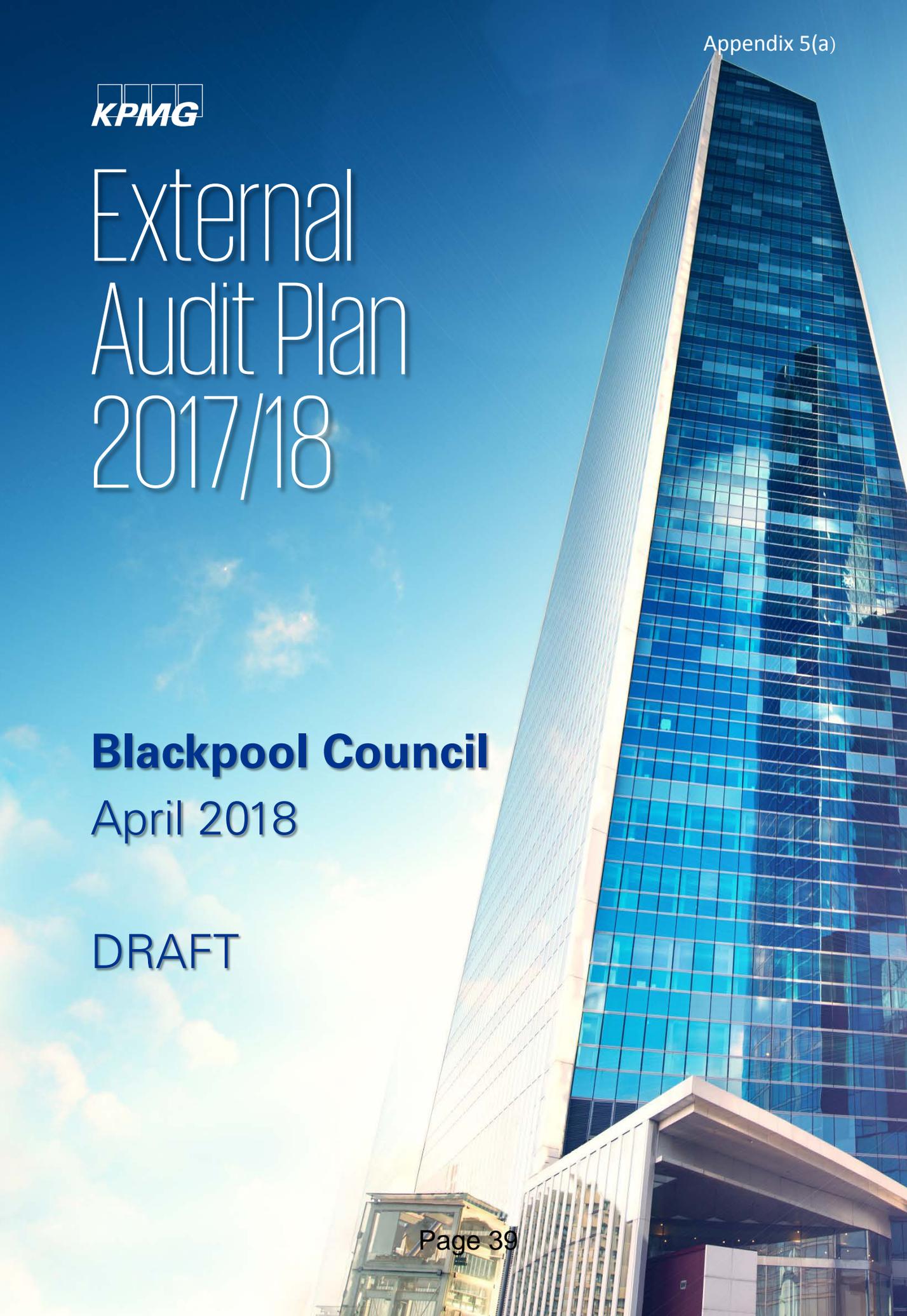


External Audit Plan 2017/18

Blackpool Council

April 2018

DRAFT



Summary for Audit Committee

Financial statements

There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards the Authority need to comply with. However, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017. This represents a significant change for the Authority and will need to be carefully managed in order to ensure the new deadlines are met. As a result we have recognised a significant risk in relation to this matter.

In order to meet the revised deadlines it will be essential that the draft financial statements and all prepared by client documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2018.

Materiality

Materiality for planning purposes has been 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 **£3.4 million**.

Significant risks

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

- **Valuation of PPE** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated;
- **Pension liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation.
- **Faster close** – As set out above, the timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2017: 30 June) and the final accounts signed by 31 July (2017: 30 September). We will work with the Authority in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work.

See pages 4 to 10 for more details

Summary for Audit Committee (cont.)

Value for Money Arrangements work

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

- **Financial resilience** – This remains a significant VFM risk as the Authority continues to face the requirement to make savings on top of those undertaken in previous years, despite setting the highest allowable Council Tax increases to offset the reductions in central government funding and the the Precept allowable for Adult Social Care; and
- **Children Services** – Children’s Services continue to face financial challenges with a further £3.2 million overspend forecast for 2017/18. Work began in 2016/17 to make significant changes within the Directorate to ensure that every child receives the most appropriate support for their specific circumstances.,

See pages 11 to 16 for more details

Logistics

Our team is:

- Tim Cutler – Partner
- Iain Leviston – Manager
- Saima Valli – Assistant Manager

More details are in **Appendix 2**.

Our work will be completed in four phases from October to July and our key deliverables are this Audit Plan and a Report to Those Charged With Governance as outlined on **page 19**.

Our fee for the 2017/18 audit is £110,153, see **page 18**. These fees are in line with the scale fees published by PSAA and are the same as for 2016/17.

Acknowledgements

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

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2017/18 presented to you in April 2017, 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, the National Audit Office's Code of Audit Practice and the PSAA Statement of Responsibilities.

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

01 | Financial statements :
Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and

02 | 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. Any change to our identified risks will be reporting to the Audit Committee.

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 9 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18.



Financial statements audit planning

Financial Statements Audit Planning

Our planning work takes place during October 2017 to March 2018. This involves the following key aspects:

- Determining our materiality level.
- Risk assessment.
- Identification of significant risks.
- Consideration of potential fraud risks.
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures.
- Consideration of management's use of experts.
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Auditing 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.

01

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.

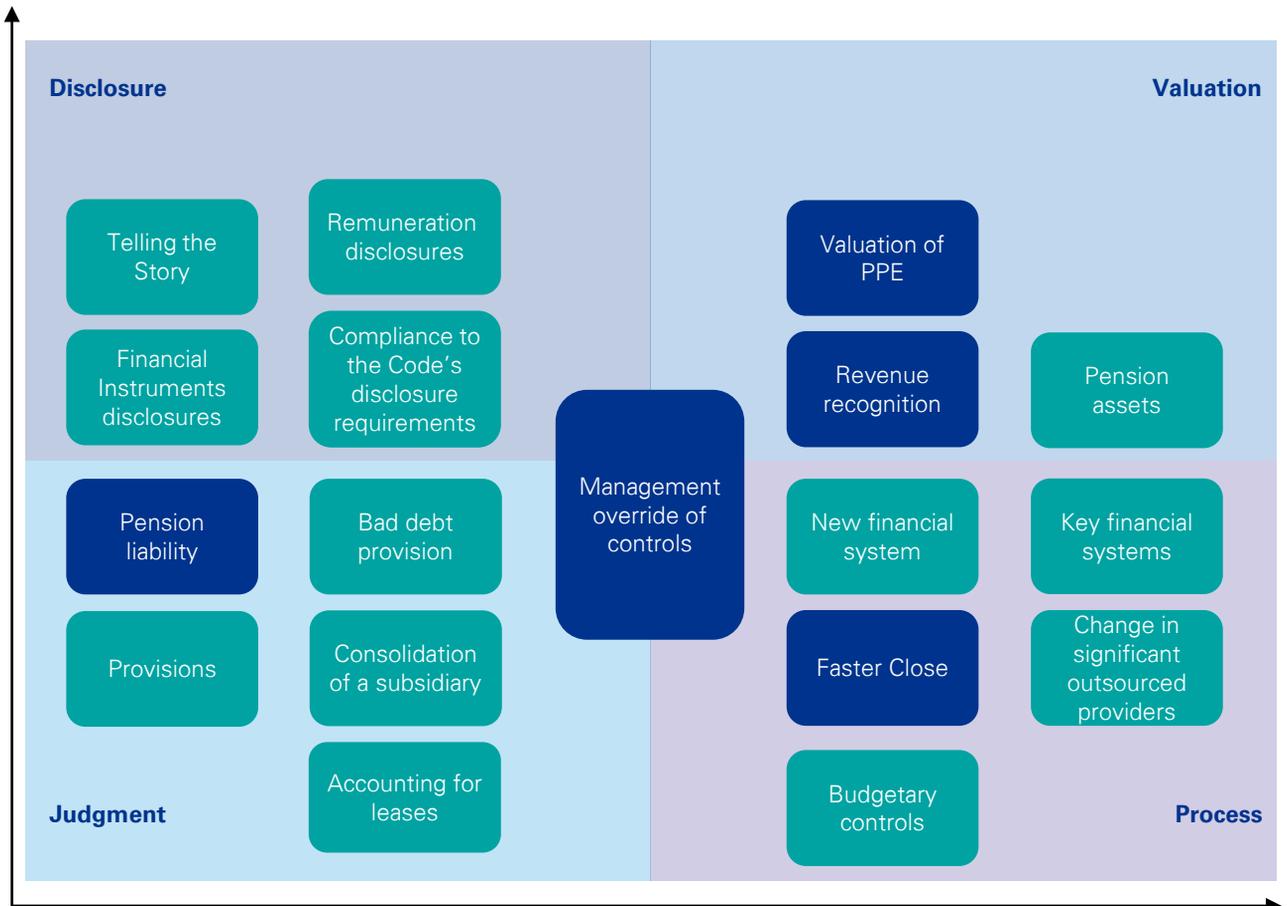
02

Fraudulent revenue recognition

We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way 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.

Financial statements audit planning (cont.)

The diagram below 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.



Keys: ■ Significant risk ■ Other area of audit focus ■ Example other areas considered by our approach

Financial statements audit planning (cont.)

Significant audit risks

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

Risk:	Valuation of PPE <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a policy of rolling revaluation which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years. Desktop exercises may be undertaken in the intervening period, using appropriate indices, although the choice of index, and the assumptions underlying such indices, are assumptions based on the valuer's professional judgement.</p> <p>This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. In addition, as the valuation is undertaken as at 1 April, there is a risk that the fair value is different at the year end. There is also a risk in relation to heritage assets, a material balance for the Authority. We raised a recommendation in 2016/17 as some of these assets had not been revalued for some years.</p>
Approach:	<p>We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. We will also assess the risk of the valuation changing materially during the year.</p> <p>In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.</p> <p>In relation to those assets which have been revalued during the year we will assess the valuer's qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).</p> <p>Finally, we will assess the Authority's approach to heritage assets, to ensure that a systematic process for revaluation of these assets has been developed.</p>

Financial statements audit planning (cont.)

Significant audit risks (cont.)

Risk:	<p>Pension liabilities</p> <p>The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of Lancashire Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p>
Approach:	<p>As part of our work we will review the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We will also liaise with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of the actuary.</p> <p>Our KPMG actuaries will review the assumptions used by the Fund to ensure that they fall within our acceptable range and are appropriate for the Authority. We will review the methodology applied in the valuation by the actuary. In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements.</p>

Financial statements audit planning (cont.)

Significant audit risks (cont.)

Risk:	Faster close <p>In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.</p> <p>These changes represent a significant change to the timetable that the Authority has previously worked to. The time available to produce draft accounts has been reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in prior years.</p> <p>In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:</p> <ul style="list-style-type: none">— ensuring that any third parties involved in the production of the accounts (including valuers, actuaries, subsidiaries and subsidiary auditors) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;— revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;— ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and— applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report. <p>In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.</p> <p>There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority's Whole of Government Accounts return. This is not a matter of concern and is not seen as a breach of deadlines.</p>
Approach:	<p>We will continue to liaise with officers in preparation for our audit in order to understand the steps that the Authority is taking in order to ensure it meets the revised deadlines. We will also look to advance audit work into the interim visit in order to streamline the year end audit work.</p> <p>Where there is greater reliance upon accounting estimates we will consider the assumptions used and challenge the robustness of those estimates.</p>

Financial statements audit planning (cont.)

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.

For the Authority, materiality for planning purposes has been set at £4.5 million, and at £4.8 million for the Group accounts, which equate to one percent of gross expenditure.

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

Authority Prior Year Gross Expenditure: £455m (2016/17: £467m)

Materiality

£4.5m

1% of Expenditure

(2016/17: £4.4m, 1%)



£225k Misstatements reported to the audit committee (2016/17: £222k)

£3.4m Procedures designed to detect individual errors (2016/17: £3.3m)

£4.5m Materiality for the financial statements as a whole (2016/17: £4.4m)

Group Prior Year Gross Expenditure: £488m (2016/17: £477m)

Materiality

£4.8m

1% of Expenditure

(2016/17: £4.8m, 1%)



£240k Misstatements reported to the audit committee (2016/17: £240k)

£3.6m Procedures designed to detect individual errors (2016/17: £3.6m)

£4.8m Materiality for the financial statements as a whole (2016/17: £4.8m)

Financial statements audit planning (cont.)

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 £225k.

If management has 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.

We will report:



Non-Trivial corrected audit misstatements



Non-trivial uncorrected audit misstatements



Errors and omissions in disclosure
(Corrected and uncorrected)

Group audit

In addition to the Authority the group accounts include the following subsidiaries deemed to be significant in the context of the group audit.

- Blackpool Coastal Housing Limited;
- Blackpool Transport Limited;
- Blackpool Entertainment Company Limited; and
- Blackpool Operating Company Limited.

We will reassess the significance of these subsidiaries throughout our audit and will report any changes in our assessment to the Audit Committee.

In addition to these entities, which are audited by other audit suppliers, the Council bought the Blackpool Airport group during the 2017/18 financial year. This group is also audited by KPMG, and we are working with our colleagues on this audit to ensure that we obtain the appropriate information to support the part-year consolidation.

Value for money arrangements work

VFM audit approach

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.'

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.

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.



Value for money arrangements work (cont.)

Value for Money sub-criterion

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



VFM audit risk assessment

Audit approach

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 *Code of Audit Practice*.

In doing so we consider:

- 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

Audit approach

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.

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.



Identification of significant risks

Audit approach

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.*'

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:

- 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



Assessment of work by other review agencies, and Delivery of local risk based work

Audit approach

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.

We also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will 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:

- additional meetings with senior managers across the Authority;
- review of specific related minutes and internal reports; and
- examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.



Concluding on VFM arrangements

Audit approach

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.

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.



Reporting

Audit approach

On the following page, we report the results of our initial risk assessment.

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.

If considered appropriate, we may produce a separate report on the VFM audit, either overall or for any specific reviews that we may undertake.

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.

Value for money arrangements work (cont.)

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:	<p>Delivery of budgets</p> <p>The Authority identified the need to make savings of £18.7m in 2017/18 to be met through cut to some services, council tax increase of 4.99%, staff redundancies and the elimination of vacant posts.</p> <p>The Authority's budget for 2018/19 was approved at the Council meeting in February 2018. It recognised the need for £5.5 million in savings after allowing for the full 5.99% increase in Council Tax (which included the 3% Adult Social Care Precept).</p> <p>The approved budget includes individual proposals to support the delivery of the overall savings requirement. Further savings will be required over the period to principally address future reductions to local authority funding alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Authority's financial resilience.</p>
Approach:	<p>As part of our additional risk based work, we will review the controls the Authority has in place to ensure financial resilience, specifically that the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. We will test the mathematical accuracy of the Plan, and ensure that the assumptions adopted are comparable with sector norms.</p>
VFM Sub-criterion:	<p>This risk is related to the following Value For Money sub-criterion:</p> <ul style="list-style-type: none">— Informed decision making; and— Sustainable resource deployment.

Value for money arrangements work (cont.)

Significant VFM risks (cont.)

Risk:	<p>Children Services</p> <p>Children’s Services represents the biggest budgetary pressure on the Authority in 2017/18, with a £3.2 million forecast year-end overspend as at month 10, 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.</p> <p>The Authority continues to tackle the challenges faced in the local area, to ensure that it works effectively with partners to deliver a high quality service that is appropriate to every child’s individual need. 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.</p>
Approach:	<p>We will meet with the Strategic Director to understand the progress that has been made in developing the Children’s Services Directorate, in particular the progress made in delivering the actions that were developed during 2016/17. We will also identify how effective the implemented actions have been in delivering the required objectives by testing the improvement or achievement of the Directorate’s key performance indicators..</p>
VFM Sub-criterion:	<p>This risk is related to the following Value For Money sub-criterion:</p> <ul style="list-style-type: none">— Informed decision making;— Sustainable resource deployment; and— Working with partners and third parties.

Other matters

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. We understand that WGA work will need to be completed by 31 August 2018, one month earlier than in 2017/18, but one month after the financial statements publication deadline.

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.



Other matters

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 2017/18 presented to you in April 2017 first set out our fees for the 2017/18 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage.

Should there be a need to charge additional audit fees then this will be agreed with the s.151 Officer and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned audit fee for 2017/18 is £110,153, remains unchanged from 2016/17.

Appendix 1:

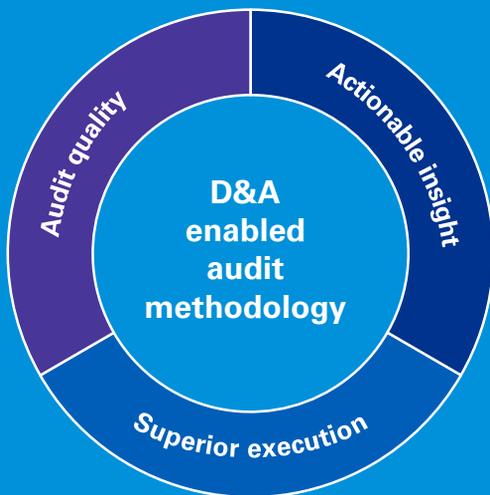
Key elements of our financial statements audit approach

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. Data and Analytics allows us to:

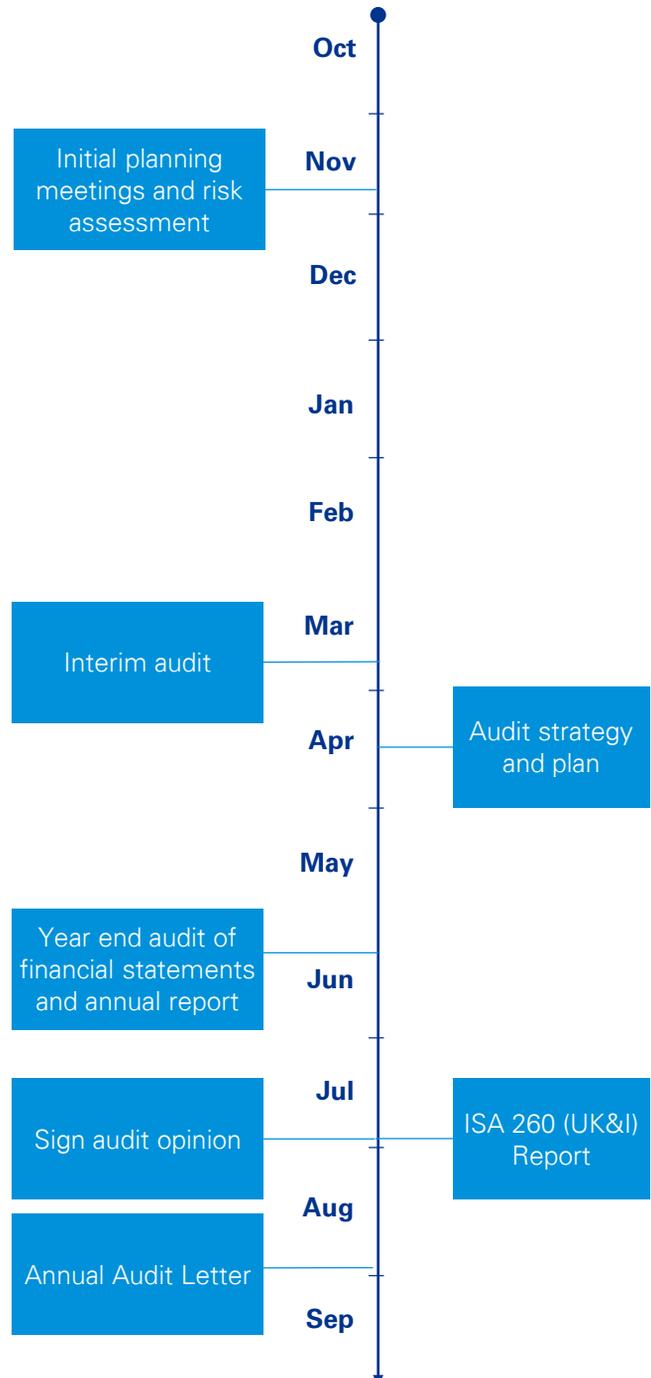
- obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- focus manual procedures on key areas of risk and on transactional exceptions.
- identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as journals.



Communication

Continuous communication involving regular meetings between Audit Committee, Senior Management and audit team.



Appendix 1:

Key elements of our financial statements audit approach (cont.)

Audit workflow

Planning

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of managements use or experts; and
- Issuing this audit plan to communicate our audit strategy.

Control evaluation

- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Assess control risk and risk of the accounts being misstated

Substantive testing

- Plan substantive procedures
- Perform substantive procedures
- Consider if audit evidence is sufficient and appropriate

Completion

- Perform completion procedures
- Perform overall evaluation
- Form an audit opinion
- Audit Committee reporting



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.



Tim Cutler
Partner

T: +44 (0) 161 246 4774
E: tim.cutler@kpmg.co.uk

'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 Chief Executive.'



Iain Leviston
Manager

T: +44 (0) 161 246 4403
E: iain.leviston@kpmg.co.uk

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



Saima Valli
Assistant Manager

T: +44 (0) 161 838 3515
E: saima.valli@KPMG.co.uk

'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'

Appendix 3:

Independence and objectivity requirements

Assessment of our Objectivity and Independence as Auditor of Blackpool Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- general procedures to safeguard independence and objectivity;
- independence and objectivity considerations relating to the provision of non-audit services; and
- independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- instilling professional values;
- communications;
- internal accountability;
- risk management; and
- independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Appendix 3:

Independence and objectivity requirements (cont.)

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the Authority and its affiliates for professional services provided by us during the reporting period.

We can confirm that we have not as yet performed any non-audit services for the 2017/18 financial year. We do anticipate completing some non-audit assurance engagements for the Council (relating to grant certifications and claims) relating to 2017/18 later in the year.

Independence and objectivity considerations relating to other matters

In addition to our audit of the Authority, KPMG LLP does also undertake the external audit of the financial statements for Blackpool Airport group, which the Authority during the year. This audit is performed by a team independent of the Authority audit team, and the two teams are based in different offices. Details of the fees charged in respect of this audit will be disclosed in our ISA 260 document.

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the **Partner** and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

KPMG LLP



kpmg.com/uk



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 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, 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.

© 2018 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

CREATE: CRT086281A

This page is intentionally left blank

Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh, Head of Audit and Risk
Date of Decision/ Meeting	3 May 2018

ANNUAL AUDIT OPINION 2017/2018

1.0 Purpose of the report:

1.1 The report sets out the individual and collective outcomes of the audit reviews undertaken in the year ended 31 March 2018. It also provides an audit opinion on the control environment based on this audit work.

The Head of Audit and Risk's Annual Audit Opinion is one component that the Council takes into account when compiling its Annual Governance Statement.

2.0 Recommendation(s):

2.1 Audit Committee is asked to consider the annual audit report for the year ended 31st March 2018.

3.0 Reasons for recommendation(s):

3.1 The completion of an Annual Audit Opinion is a requirement of the Public Sector Internal Audit Standards and a key component when formulating the Annual Governance Statement.

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 work of Risk Services contributes to the delivery of all of the Council's priorities.

5.0 Background Information

5.1 Blackpool Council's Head of Audit and Risk is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its Annual Governance Statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In giving this

opinion assurance can never be absolute and therefore only reasonable assurance that there are no major weaknesses in the processes reviewed can be provided. In assessing the level of assurance to be given the opinion has been given based on:

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

Does the information submitted include any exempt information?

No

List of Appendices:

Appendix 6(a) Annual Audit Opinion 2017/2018

6.0 Legal considerations:

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

7.0 Human Resources considerations:

7.1 N/A

8.0 Equalities considerations:

8.1 N/A

9.0 Financial considerations:

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

10.0 Risk management considerations:

10.1 The primary role of Risk Services is to provide assurance that the Council is effectively managing its risks and provide support to all services in relation to risk and control. Where high risk areas have been identified as part of audit reviews these are subject to a follow-up process to ensure that effective controls are implemented.

11.0 Ethical considerations:

11.1 All staff in the internal audit service adheres to the Code of Ethics as set out in the Public Sector Internal Audit Standards.

12.0 Internal/ External Consultation undertaken:

12.1 The report has been approved by the Corporate Leadership Team on the 10 April 2018.

13.0 Background papers:

13.1 None.

This page is intentionally left blank

Annual Internal Audit Opinion 2017/18

Blackpool Council



Annual Internal Audit Option

Introduction

The Public Sector Internal Audit Standards (PSIAS) note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Head of Audit and Risk, in accordance with the PSIAS, is to provide an annual opinion, based upon (and limited to) the work performed, on the overall adequacy and effectiveness of the organisation's governance, risk management and control processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with the Corporate Leadership Team and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described in this report.

The CIPFA Statement on the role of the Head of Internal Audit in Local Government noted that the Head of Internal Audit in a local authority plays a critical role in delivering the authority's strategic objectives by:

- Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
- Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

Roles and Responsibilities

The Head of Audit and Risk's Annual Audit Opinion does not imply that internal audit has reviewed all risks and assurances relating to the Council. The purpose of the opinion is to contribute to the assurances available to the Council which underpin the Council's own assessment of the effectiveness of the organisation's governance arrangements and system of internal control. The Head of Audit and Risk's opinion is one component that the Council takes into account when compiling its Annual Governance Statement. In particular, apart from the overall opinion, where limited or inadequate assurance opinions have been issued against individual audits, or where critical or high risk priority recommendations have been made in consultancy reviews, then the Council should assess whether or not the sources of those opinions / recommendations necessitate the need for a disclosure of a significant issue.

The Council is accountable collectively for maintaining a sound system of internal controls and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system. The Annual Governance Statement is an annual statement by the Council setting out:

- How the responsibilities of the Council are discharged, with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;
- The purpose of the governance arrangements as evidenced by a description of the risk management and review processes; and
- The conduct and results of the review of effectiveness of the system of internal control, including any disclosures of significant control failures, together with assurances that actions are or will be taken where appropriate to address issues arising.

Annual Internal Audit Option

The Council's framework of assurance should bring together all of the evidence required to support the Annual Governance Statement.

Head of Audit and Risk Opinion

The Head of Audit and Risk Annual Audit Opinion is that:

Annual Audit Opinion 2017/18

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

The opinion of the Head of Audit and Risk is that the overall control environment of the Council is adequate, however recognises that there are significant financial pressures faced by Children's Services which need to be addressed.

Where weaknesses have been identified through internal audit work the team has worked with management to agree appropriate remedial actions and a timescale for improvement. This is particularly relevant in high risk areas where innovative solutions are being implemented to support the future sustainability of the Council.

Basis of the Opinion

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

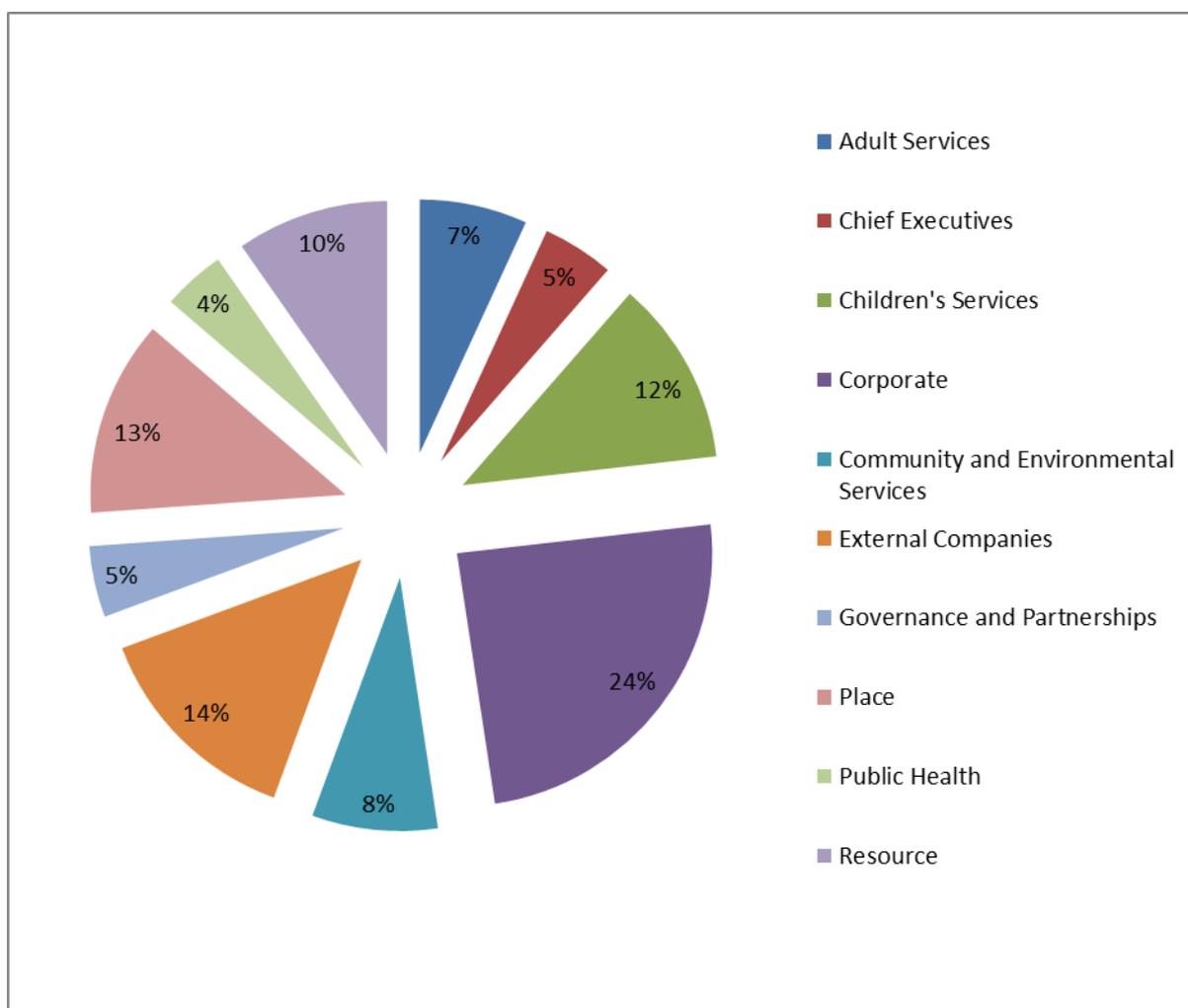
- Internal audit assurance statements issued throughout the year as part of the annual audit plan.
- Reports provided as a result of advice / consultancy work undertaken by the internal audit team.
- The implementation of recommendations made by internal audit linked to high risks throughout the year.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

Annual Internal Audit Option

Internal Audit Coverage and Output

Planned Audit Work

The Annual Internal Audit Plan for 2017/18 was approved by the Corporate Leadership Team in February 2017 and Audit Committee in March 2017. The coverage of work, by directorate, for the audit plan completed, was as follows:



In terms of completed internal audits the level of assurance issued for each review is captured in the following table. This includes the assurance statements from reviews which were also started in 2016/17 but were not finalised until 2017/18.

Annual Internal Audit Option

Assurance Statement	Reviews
Good	<ul style="list-style-type: none"> • Holy Family Catholic Primary School • Executive Decisions (Resources Directorate) • St John's Church of England Primary School • St Nicolas Primary School • St Kentigerns Catholic Primary School • Carbon Reduction Scheme Compliance • Executive Decisions (Public Health Directorate) • Migration to Mosaic Post Implementation Review
Adequate	<ul style="list-style-type: none"> • Positive Steps into Work • Public Health Integration with Council Services • Adult Provider Market Sustainability • Calico Contract • Organised Crime and Procurement Fraud • Business Loans Fund • Ward Budgets • Assessment and Rehabilitation Centre Establishment Visit • General Data Protection Regulations (Corporate Response) • Woodlands School
Split Assurance	<ul style="list-style-type: none"> • Safeguarding Children's Compliance • Financial Control Assurance Testing 2016/17 • Highways • Ride ability • Public Health Outcomes • Head Start • Governance of Shared Services
Inadequate	<ul style="list-style-type: none"> • Adolescent Hub • Children's Services Payments • Compliance with Corporate Arrangements • Growth and Prosperity • Transition from Children's Services to Adult Services • Business Planning and Performance Management • Claims Handling • Events Risk Management • Estates Management and Investment Portfolio
Uncontrolled	<ul style="list-style-type: none"> • -

Any high risk areas identified in the year are given a priority one recommendation which is followed up by the Head of Audit and Risk. Where there is a failure to implement such a recommendation by the due date, without

Annual Internal Audit Option

reasonable justification, a formal process of notification to the Corporate Leadership Team and Audit Committee is in place.

One planned internal audit for 2017/18 has not been undertaken after discussion with management as outlined below:

Review	Reason for Deferment
Looked After Children's Decision Making Process	<ul style="list-style-type: none">A specialist consultant, with a background in social work, has been appointed to undertake a review in this area and therefore the output of this work will be considered to determine whether assurance can be placed on the work undertaken or whether additional audit assurance is required in the future.

The Head of Audit and Risk does not consider this change to the plan to have an adverse impact of the delivery of the overall opinion for the period.

There is also some planned audit work for 2017/18 which is still at draft report stage as these have yet to be discussed with management, however the Head of Audit and Risk does not consider that excluding these will have a negative impact on the overall opinion for the period. The reports included in this category include:

- Adult Services Safeguarding Enquiries
- Public Protection
- Council Tax Collection
- Troubled Families
- Highfurlong School
- Our Lady of Assumption School
- Educational Diversity
- Financial Control Assurance Testing 2017/18
- Positive Steps into Work
- Delivery Unit – Impact of Children's Services Interventions
- Pupil Welfare Unit
- School Improvement Board and Processes
- Public Health Grant Reductions
- Housing Benefit Risk Based Verification

Unplanned Audit Work – Advice and Consultancy

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

Annual Internal Audit Option

Advice	Outcome
Adult Learning Service Data Flows	<ul style="list-style-type: none"> Advice provided on how to improve efficiencies when processing data.
Learning Outside the Classroom	<ul style="list-style-type: none"> Advice provided in terms of roles and responsibilities.
CEDAR Upgrade	<ul style="list-style-type: none"> Project assurance provided as part of the upgrade of the CEDAR financial management system.
Conference Centre	<ul style="list-style-type: none"> Advice provided in relation to project and contract management for the scheme.
Gender Pay Gap Reporting	<ul style="list-style-type: none"> Assurance provided in relation to the methodology used for the calculation.
Retention Periods	<ul style="list-style-type: none"> Advice offered throughout the year to a number of services on the retention periods for financial records.
Adult Social Care Provider Concerns	<ul style="list-style-type: none"> Advice was provided in relation to financial controls at an adult social care setting where financial irregularities were suspected due to poor record keeping.
Trade Waste Direct Debit System	<ul style="list-style-type: none"> Advice provided on the development of a new system to process direct debits for trade waste collections.
Business Loans Fund	<ul style="list-style-type: none"> Advice provided to further enhance the due diligence process for the business loans fund.
Financial Procedures	<ul style="list-style-type: none"> Advice offered in relation to temporary changes of financial limits for authorising expenditure and write-offs.
Illuminations Expenditure	<ul style="list-style-type: none"> Advice provided throughout the year in relation to the appropriateness of transactions undertaken by the illuminations department.
Grant Certification	<ul style="list-style-type: none"> Ad hoc work has been undertaken on a range of externally funded grants to provide assurance that funds have been spent appropriately.
Blackpool Operating Company	<ul style="list-style-type: none"> Advice provided on the governance arrangements.
Business Loans Fund	<ul style="list-style-type: none"> Advice provided on due diligence processes.
Password Policy	<ul style="list-style-type: none"> Consulted as part of a planned change to IT passwords.

The Head of Audit and Risk has also participated in a number of corporate groups and initiatives throughout the year in order to provide support and advice on a variety of risk and controls issues. These include:

Annual Internal Audit Option

- Corporate Regulation of Investigatory Powers Act (RIPA) Group
- GDPR Working Group
- Senior Leadership Team
- Good Governance Group
- Income and Debt Strategy Group
- Stage Three Complaints Panel
- Lancashire Waste Partnership Group
- Blackpool Airport Project Team
- Facilitation of a Business Loans Fund Risk Workshop
- Facilitation of a Growth and Prosperity Risk Workshop
- Whistleblowing Policy Review Group
- Risk management SharePoint development and roll-out
- Review of the Risk Management Framework and Toolkit
- Review of the Business Continuity Framework and Toolkit
- Driving at Work Policy and Systems Review Group

Other Sources of Assurance

We have liaised during the year with External Audit to ensure that we avoid unnecessary duplication and use resource to the best effect.

Where shared services are in place, particularly where we host a service for Fylde Borough Council, a joint approach to internal audit is in place, which makes best use of resource and experience as the auditors from both organisations work together. Similar joint working arrangements are in place with Merlin's Internal Audit Team, who operates a number of key leisure sites across the town.

Internal audit has continued to take into account other forms of assurance received by the Council. When preparing the audit plan and when undertaking individual reviews we will assess other sources of information available to us. Steps are also taken to link the work of Internal Audit to the strategic risk register.

Risk Management

A key element in the control environment at the Council is ensuring that risk management is effectively embedded. A Risk Management Framework 2018/2021 is in place which sets out the Council's policy and objectives in relation to risk management and the framework which is to be adopted.

A number of risk management groups, thematic or at directorate level, have been established, all of which are supported by the Head of Audit and Risk or nominated staff in Risk Services. These include:

- Corporate Risk Management Group
- Central Support Services Risk Management Group

Annual Internal Audit Option

- Children's Services Risk Management Group
- Adult Services Risk Management Group
- Place's Risk Management Group
- Community and Environmental Risk Management Group
- Driving at Work Risk Management Group
- Property Risk Management Group
- Safety Advisory Group

During 2018/19 new risk management groups will be formed in line with the revised Risk Management Framework including:

- Highways Risk Management Group
- Emergency Planning Risk Management Group
- Equalities Risk Management Group

Governance Framework

A Good Governance Group is established, chaired by the Director of Governance and Partnerships and supported by the Head of Audit and Risk and other Heads of Service charged with governance. The Group leads on the production of the Annual Governance Statement and undertook a mid-year review of progress on identified actions, which was reported to Audit Committee.

The Group is also raising awareness of the need for good and consistent application of the governance framework.

This page is intentionally left blank

REPORT TO:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh, Head of Audit and Risk
Date of Decision/ Meeting	3 May 2018

INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME 2018/2019

1.0 Purpose of the report:

1.1 To approve the Quality Assurance and Improvement Programme, to be implemented for the internal audit team, a requirement of the Public Sector Internal Audit.

2.0 Recommendation(s):

2.1 The Audit Committee is asked to approve the Quality Assurance and Improvement Programme for the internal audit service for 2018/2019.

3.0 Reasons for recommendation(s):

3.1 The completion of a Quality Assurance and Improvement Programme is a requirement of 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 work of Risk Services contributes to the delivery of all of the Council's priorities.

5.0 Background Information

5.1 Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to stakeholders of internal audit that the service:

- Performs its work in accordance with its Charter which conforms to the requirements of the Public Sector Internal Audit Standards (PSIAS);
- Operates in an effective and efficient manner; and

- Is perceived by stakeholders as adding value and improving operations.

Internal Audit's QAIP covers all aspects of the Internal Audit Service in accordance with the PSIAS Standard 1300 (Quality Assurance and Improvement Programme), including:

- Monitoring the internal audit activity to ensure it operates in an effective and efficient manner;
- Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics;
- Helping the Internal Audit service add value and improve organisational operations.
- Undertaking both periodic and on-going internal assessments.
- Commissioning an external assessment at least once every five years, the results of which are communicated to the Audit Committee and Corporate Leadership Team in accordance with the Standards.

The Head of Audit and Risk is ultimately responsible for the QAIP, which covers all types of internal audit activity, including advice and consulting.

No

Does the information submitted include any exempt information?

List of Appendices:

Appendix 7(a) Quality Assurance and Improvement Programme 2018/2019.

6.0 Legal considerations:

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

7.0 Human Resources considerations:

7.1 All members of the internal audit team are involved in the development of the improvement programme and delivering the identified outcomes. Provision is made available in the audit plan to ensure that team members have the capacity to be involved.

8.0 Equalities considerations:

8.1 N/a

9.0 Financial considerations:

9.1 All identified improvement actions will be delivered within the allocated budget for the service.

10.0 Risk management considerations:

10.1 An external assessment of the Council's internal audit service confirmed that the team conforms with the Public Sector Internal Audit Standards. Therefore, it is not considered that

any of the improvement actions are high risk but are targeted at further strengthening the service delivered.

11.0 Ethical considerations:

11.1 All staff in the internal audit service adhere to the Code of Ethics as set out in the Public Sector Internal Audit Standards.

12.0 Internal/ External Consultation undertaken:

12.1 All members of the internal audit team are involved in the development of the improvement programme. The document is also approved by the Corporate Leadership Team prior to being presented to Audit Committee.

13.0 Background papers:

13.1 N/a

This page is intentionally left blank

Internal Audit Quality Assurance and Improvement Programme 2018/19



Quality Assurance and Improvement Programme 2018-19

Introduction

Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to stakeholders of the internal audit that the service:

- Performs its work in accordance with its Charter which conforms to the requirements of the Public Sector Internal Audit Standards (PSIAS);
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and improving Internal Audit's operations.

Internal Audit's QAIP covers all aspects of the Internal Audit Service in accordance with the PSIAS Standard 1300 (Quality Assurance and Improvement Programme), including:

- Monitoring the internal audit activity to ensure its operates in an effective and efficient manner;
- Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics;
- Helping the Internal Audit service add value and improve organisational operations;
- Undertaking both periodic and on-going internal assessments;
- Commissioning an external assessment at least once every five years, the results of which are communicated to the Audit Committee and Corporate Leadership Team in accordance with the Standards.

The Head of Audit and Risk is ultimately responsible for the QAIP, which covers all types of internal audit activity, including advice and consulting.

Internal Assessments

In accordance with PSIAS Standard 1300, internal assessments are undertaken through both on-going and periodic reviews.

On-Going Reviews

Continual assessments are conducted through:

- Management supervision of all audit activities and structured, documented review of all working papers.
- Audit quality procedures used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards.
- Review of all draft and final reports by the Audit Manager and Head of Audit and Risk before they are issued.
- Feedback from audit clients obtained through customer satisfaction surveys which are issued at the end of every audit.
- Monthly one to ones between the Head of Audit and Risk and Audit Manager, and the Audit Manager and Audit team.
- Monthly team meetings.

Quality Assurance and Improvement Programme 2018-19

Internal Audit Performance Management

In order to monitor the performance of the internal audit team year on year, an agreed suite of performance indicators are in place. Progress against the performance indicators is reported to the Corporate Leadership Team and Audit Committee each quarter. The suite of indicators is:

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

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

	2015/2016		2016/17		2017/18	
	Target	Actual	Target	Actual	Target	Actual
Audit plan completed	90%	89%	90%	92%	90%	98%
Draft reports delivered in deadline	96%	97%	96%	87%	96%	100%
Audit work completed in budget	92%	91%	92%	86%	92%	95%
Positive satisfaction surveys	85%	88%	85%	88%	85%	92%
Compliance with quality standards	85%	87%	85%	87%	85%	90%

In addition to receiving a score in relation to customer satisfaction surveys sometimes comments are also included. These can be both supportive of the work of the auditors or identify lessons for improvement and these are summarised below:

Positive Feedback	Areas to Improve
<ul style="list-style-type: none"> ▪ It was useful to have the auditor in as we are changing the services and to help us clarify our services in our own minds. 	<ul style="list-style-type: none"> ▪ There were one or two points of clarity required regarding responsibilities/involvement of third parties, but some of the recommendations may add weight to future discussions.
<ul style="list-style-type: none"> ▪ The review provided a useful position statement following the organised crime pilot study undertaken by Greater Manchester Police. 	<ul style="list-style-type: none"> ▪ There were a couple of items that were not factually accurate though the draft report needed little amendment.
<ul style="list-style-type: none"> ▪ The report supports the ongoing work within the service to deliver the vision for integration. 	<ul style="list-style-type: none"> ▪ Possibly a mid-review meeting to check understanding and issues would be useful, rather than just at the beginning and at draft report stage.

Quality Assurance and Improvement Programme 2018-19

Positive Feedback	Areas to Improve
	It would help the complex audits.
<ul style="list-style-type: none"> ▪ The report was helpful. 	<ul style="list-style-type: none"> ▪ The audit added limited value to my service.
<ul style="list-style-type: none"> ▪ Good work well carried out as usual by a friendly and helpful team. 	<ul style="list-style-type: none"> ▪ The auditor went off sick part way through the audit but we were not advised of this. We had blocked out time in our diaries to be available for a meeting with the auditor. We only discovered that they were sick when we contacted their line manager to ascertain why the auditor had not arrived for the meetings.
<ul style="list-style-type: none"> ▪ Professional support that has improved my ability to assess service needs. 	<ul style="list-style-type: none"> ▪ There were some anomalies in the draft report but these were satisfactorily clarified in the meeting to review the audit.
<ul style="list-style-type: none"> ▪ The team were, once again, very professional and timely with the audit and production of the final report. 	<ul style="list-style-type: none"> ▪ I think the scoring was a little harsh in the initial draft; however this was remedied satisfactorily in the draft meeting.
<ul style="list-style-type: none"> ▪ An excellent piece of work that certainly facilitated the formulation of stronger governance of the Council's process. 	
<ul style="list-style-type: none"> ▪ This was a very professional audit as always. 	
<ul style="list-style-type: none"> ▪ The audit will add value to the self-assessment delivery which is critical to the council's external funding received. 	
<ul style="list-style-type: none"> ▪ Good service and staff. 	
<ul style="list-style-type: none"> ▪ Thanks to the auditor who completed the audit - very good and helpful. 	
<ul style="list-style-type: none"> ▪ I was particularly pleased with this review as the scope had to be broadened mid-review and the Audit Team rose to the challenge, and in a very tight timescale, to produce a very helpful and relevant work programme. 	
<ul style="list-style-type: none"> ▪ The auditor was courteous and professional, and the audit went very smoothly. 	
<ul style="list-style-type: none"> ▪ The auditor was courteous and professional throughout and offered some constructive advice. 	

Quality Assurance and Improvement Programme 2018-19

Positive Feedback	Areas to Improve
<ul style="list-style-type: none">The audit team have always given a high quality service and having the audit seen as a system for ensuring we are following best practice.	
<ul style="list-style-type: none">If we meet the recommendations as set out in the report then it will be a positive move.	

Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit’s Charter, the PSIAS Definition of Internal Auditing, the Code of Ethics and the efficiency and effectiveness of the Internal Audit function in meeting the needs of its various stakeholders. Periodic assessments are conducted through:

- An annual risk assessment of the Audit Universe for the purpose of audit planning.
- Annual review of compliance against the requirements of the QAIP, undertaken by the Head of Audit and Risk, the results of which are reported to the Corporate Leadership Team and Audit Committee.
- Annual internal audit service improvement day.
- Compliance with the Individual Performance Appraisal process which sees a full annual and a six monthly assessment of auditor team performance.
- Periodic benchmarking with other local authorities to identify differences in coverage and potential areas for change..
- Networking with other local authorities to identify best practice and potential changes to implement.

The Head of Audit and Risk will implement appropriate follow-up to any identified actions to ensure continual improvement of the service.

Any significant areas of non-compliance with the PSIAS that are identified through internal assessments will be reported in the Annual Audit Report and used to inform the Annual Governance Statement.

External Assessments

External assessment will appraise and express an opinion about internal audit’s conformance with the PSIAS Definition of Internal Auditing and Code of Ethics. The assessment report will include recommendations for improvement as appropriate.

Frequency of External Assessment

An external assessment will be conducted at least every five years, in accordance with the PSIAS. Appointment of the External Assessor and scope of the external assessment will be approved by the Audit Committee. The last external assessment took place in June 2016.

Quality Assurance and Improvement Programme 2018-19

Scope of External Assessment

The scope of the external assessment is broad and includes the following elements of Internal Audit activity:

- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics and Internal Audit Charter; plans, policies, procedures, practices and any applicable legislative and regulatory requirements.
- Integration of the Internal Audit activity into the Council's governance framework, including the audit relationship between and among the key groups involved in the process.
- Tools and techniques used by Internal Audit.
- The mix of knowledge, experiences and disciplines within the staff, including staff focus on process improvement delivered through this Quality Assurance and Improvement Programme.
- A determination whether Internal Audit adds value and improves the Council's operations.

Results of external assessments are provided to the Audit Committee. The external assessment report will be accompanied by an action plan in response to the comments and recommendations identified. Any significant areas of non-compliance will be reported in the Annual Audit Report and the Council's Annual Governance Statement.

Review of the QAIP

The QAIP will be appropriately updated following any changes to the PSIAS or Internal Audit's Operating Environment. It will be reviewed, as a minimum, on an annual basis.

Action Taken Since QAIP 2017/18

A number of actions, which were identified in the QAIP 2017/18, have been implemented throughout 2017/18 as shown in **Appendix 1**.

Action Plan 2018/19

Actions to be addressed throughout 2018/19 and future years QAIP's are shown in **Appendix 2**.

Appendix 1 – Actions Completed in 2017/18

Source	Issue	Completed Action
PSIAS External Assessment	Mechanisms to obtain formal feedback from the Chief Executive, Audit Committee Chair and Monitoring Officer should be established to inform the appraisal of the Head of Audit and Risk.	This will be addressed in any future 360 degree appraisal processes where key officers will be invited to comment.
PSIAS External Assessment	Consideration should be given to including the available audit days in respect of the capacity of the Head of Audit and Risk and Audit Manager within the Annual Audit Plan to fully reflect internal audit resource available and utilised.	This was addressed in the 2017/18 Internal Audit Plan and will continue in future years.
PSIAS External Assessment	An allocation in respect of consultancy reviews and services, corporate governance and risk work and counter fraud activity should be reflected in the Annual Audit Plan in order that outturn can be reported and significant deviations from the plan can be referred to the Audit Committee.	This was addressed in the 2017/18 Internal Audit Plan and will continue in future years.
PSIAS External Assessment	The scope of consultancy work should be clearly defined at the outset of each consultancy review and an audit opinion given at the conclusion of each review only if appropriate to do so.	Consultancy reviews are now differentiated from assurance reviews in the annual audit plan and there is now only a requirement to give an opinion where assurance is required in the plan.
PSIAS External Assessment	Consultancy reviews and services, corporate governance and risk work and counter fraud activity should be reflected in the Annual Report and included within the scope of the Annual Audit opinion.	This was incorporated into the Annual Report for 2016/17 and will continue for future years.
PSIAS External Assessment	The allocation of Internal Audit days to individual reviews appears high (20 day reviews) which may be in part due to the allocation / involvement of two officers attending scoping and drafting meetings. A resource / skills	Any training needs will be identified through the IPA process and one to ones which are already established. A provisional number of days have been included in the audit plan however

Source	Issue	Completed Action
	analysis exercise may be beneficial in identifying areas which are unnecessarily labour intensive or skills gaps which need to be addressed through training and development. This would address weaknesses identified in succession planning within the section.	these will be amended once the scope of each assignment is known.
PSIAS External Assessment Page 90	<p>Amendments to the QAIP should be considered:</p> <ul style="list-style-type: none"> • Consideration could be given to producing the Quality Assurance & Improvement Programme (QAIP) as a separate strategic document, which can be subject to review and update as required. • A review of the current QAIP is required to ensure that it reflects the requirements of the revised Public Sector Internal Audit Standards (April 2016). 	The QAIP 2017/18 was amended to address this action and this will continue going forward.
PSIAS External Assessment	Staff should formally acknowledge acceptance of the Internal Audit Code of Ethics periodically.	The Code of Ethics was circulated to all audit staff in January 2017 and signed as accepted by all staff. This will be repeated on an approximately annual basis depending on staff changes.
PSIAS External Assessment / Internal Assessment	<p>Amendments to the Charter should be considered:</p> <ul style="list-style-type: none"> • Produce the Charter as a separate, strategic document which clearly reflects the requirements of the PSIAS / LGAN and can be reviewed and updated independently from the Annual Audit Plan. • Extend the Charter to include the requirements from the PSIAS (see para 4.2.1 of the report) • Update to the Charter is required to include revisions to the PSIAS which came into effect in April 2016. 	The Internal Audit Charter was updated for 2017/18 and created as a standalone document. This will continue in future years.
PSIAS External Assessment /	Clear links between the Corporate Risk Register and the nature and scope of planned audit work should be defined within the Strategic Audit Plan,	This was addressed in the 2017/18 Internal Audit Plan and will

Source	Issue	Completed Action
Internal Assessment	Annual Audit Plan and / or the scope of specific reviews.	continue to feature in future years.
PSIAS External Assessment / Internal Assessment	All external sources of assurance should be taken into consideration as part of an assurance mapping exercise, to inform the Annual Audit opinion.	This was addressed as part of the 2017/18 planning process where other forms of assurance have been linked to all identified audit work in order to prioritise how audit resource will be used and will continue in future years.
Audit Strategy 2014-2017	There is a need to set out the role of the Head of Audit and Risk and how this fits with others charged with governance at Blackpool Council.	A Good Governance Group has been established which addresses this issue at which Risk Services is represented by the Head of Audit and Risk.
Customer Satisfaction Surveys	Services sometimes do not feel that they have been adequately consulted prior to a draft report being issued.	A formal summary of findings meeting is held prior to any draft reports being issued to encourage a culture of no surprises.
Customer Satisfaction Surveys	There is a need to ensure that all relevant officers are consulted with during the audit programme.	Potential auditees are defined at the pre-scope and scoping stage and steps taken to ensure that they are consulted with as part of the fieldwork.
Service Improvement Day	Increase awareness of the work of Internal Audit to all employees, not just managers.	A quick guide as to 'What to expect when being audited' has been prepared and is available on the Hub.
Service Improvement Day	The audit team are not always familiar with the strategic element of audit.	Links have been sent to each auditor setting out where to find the strategic documents such as the Risk Services Quarterly Reports, Internal Audit Plan and Audit Committee papers.

Appendix 2 – Actions to Complete in 2018/19

Source	Issue	Action	Action By	Status	Target Date
PSIAS External Assessment	Length of Internal Audit Reports – Reports routinely contain extensive and long narrative which is time consuming to produce - Could be leaner / streamlined.	<ul style="list-style-type: none"> There is a need to streamline the reports issued for compliance work. 	<ul style="list-style-type: none"> Audit Manager 	Partially Implemented.	March 2019
PSIAS External Assessment	The FCATs approach to financial systems assurance is labour intensive. However, despite the significant resource expended on this, overview / strategic recommendations are not reported in a manner which maximises the process as a continuous improvement tool and demonstrates the value that it adds to the organisation.	<ul style="list-style-type: none"> There is a need to review how compliance testing is undertaken on key financial systems to ensure that it is control assurance focused and less resource intensive. 	<ul style="list-style-type: none"> Audit Manager 	Partially Implemented.	June 2018
Service Improvement Day	Responses are not always received to customer satisfaction surveys and the value added during an audit is not always recognised.	<ul style="list-style-type: none"> Steps are being taken to launch an on-line customer satisfaction survey for 2018/19 which should improve response rates. 	<ul style="list-style-type: none"> Head of Audit and Risk 	Partially Implemented.	April 2018
Service Improvement Day	Sometimes useful information about previous audits is not available as the information has not been retained.	<ul style="list-style-type: none"> Set up a library of Audit Programmes so that auditors have a reference point for future audits. 	<ul style="list-style-type: none"> Audit Manager 	Partially Implemented.	March 2019
Service	Not all auditors are using file interrogation	<ul style="list-style-type: none"> Training has now been provided so 	<ul style="list-style-type: none"> Audit 	Partially	April 2018

Source	Issue	Action	Action By	Status	Target Date
Improvement Day	software to assist with their reviews.	<p>that all members of the team are able to use IDEA software.</p> <ul style="list-style-type: none"> • There needs to be more rigorous consideration of using the software for all types of audit work. • There is a need to upgrade to the latest version of IDEA software. 	Manager	Implemented.	
Internal Audit Strategic Plan 2018/21	Develop resource planning to ensure that the team is appropriately structured to deliver the increasing risk focused demands on the service.	<ul style="list-style-type: none"> • Review the organisation structure to ensure that appropriate levels of qualified staff are in post to undertake the increasing level of risk based auditing/ consultancy required by the Council. 	<ul style="list-style-type: none"> • Head of Audit and Risk 	Not yet implemented.	April 2019
Internal Audit Strategic Plan 2018/21	Clearly align the work of internal audit to the Council's strategic direction and transformation process.	<ul style="list-style-type: none"> • Develop stronger links with the Corporate Delivery Unit and Transformation Board to ensure that the transformation process complements and supports that of Internal Audit. 	<ul style="list-style-type: none"> • Head of Audit and Risk 	Not yet implemented.	March 2019
Internal Audit Strategic Plan 2018/21	Keep up to date with the changing landscape at the Council and adapt the way in which the internal audit service is delivered accordingly.	<ul style="list-style-type: none"> • Review the structure of the audit team to ensure that there is adequate resource for risk based / consultancy work. 	<ul style="list-style-type: none"> • Head of Audit and Risk 	Not yet implemented.	April 2019
Internal Audit Strategic Plan	Maintain efficient and high quality work which meets customer expectations and	<ul style="list-style-type: none"> • Continue to undertake quality assurance throughout the audit 	<ul style="list-style-type: none"> • Audit Manager 	Partially	March 2019

Source	Issue	Action	Action By	Status	Target Date
2018/21	audit standards.	<p>process.</p> <ul style="list-style-type: none"> Review the Head of Audit and Risk audit completion quality check to ensure this remains fit for purpose. Carry out a service improvement event including a self-assessment against the PSIAS. 	<ul style="list-style-type: none"> Head of Audit and Risk Audit Manager 	Implemented.	
Internal Audit Strategic Plan 2018/21	Continue to raise the profile and the value added by internal audit across the Council and with external customers.	<ul style="list-style-type: none"> Continue to participate in corporate groups / project assurance role as required. 	<ul style="list-style-type: none"> Head of Audit and Risk 	Ongoing.	March 2019
Internal Audit Strategic Plan 2018/21	Maximise income generation opportunities through the continuous exploration of opportunities such as shared services and external work.	<ul style="list-style-type: none"> Continue to review all opportunities with a view to generate income, create resilience across the team and maintain an appropriate level of assurance for the Council. 	<ul style="list-style-type: none"> Head of Audit and Risk 	Ongoing.	March 2019
Internal Audit Strategic Plan 2018/21	Ensure that adequate IT audit provision is available within the team.	<ul style="list-style-type: none"> Sign up to the Lancashire wide IT procurement framework for the provision of specialist IT audit support where required. Qualify a member of the audit team to undertake IT audit. 	<ul style="list-style-type: none"> Head of Audit and Risk 	Not yet Implemented	April 2020
Internal Audit Strategic Plan 2018/21	Embrace the digital strategy through the maximisation of IT hardware and software opportunities.	<ul style="list-style-type: none"> Explore the potential for using SharePoint for both the internal audit team and for the issue of audit reports. 	<ul style="list-style-type: none"> Head of Audit and Risk 	Yet to Complete.	March 2020

Source	Issue	Action	Action By	Status	Target Date
		<ul style="list-style-type: none"> Move onto the Microsoft Windows 10 and 365 platforms. 			
Internal Audit Strategic Plan 2018/21	Strengthen the integration with the wider Risk Services to enhance auditor knowledge and experience and deliver a cohesive risk management and assurance service to the Council.	<ul style="list-style-type: none"> Explore the potential of undertaking joint audits between the audit team and other risk professionals in the service. Expand the standard internal control evaluation template to cover fraud, health and safety and equality and diversity risks. 	<ul style="list-style-type: none"> Head of Audit and Risk Audit Manager 	Yet to Complete.	March 2019
Internal Audit Strategic Plan 2018/21	Ensure that all staff in the team are appropriately qualified and have a broad range of experience.	<ul style="list-style-type: none"> Map out existing skills and experience in the team and identified opportunities for development and additional responsibilities. 	<ul style="list-style-type: none"> Audit Manager 	Yet to Complete.	March 2020

This page is intentionally left blank

Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh, Head of Audit and Risk
Date of Meeting	3 May 2018

AUDIT COMMITTEE SELF-EVALUATION

1.0 Purpose of the report:

- 1.1 To consider the feedback from the self-evaluation exercise undertaken by the Audit Committee and senior officers who engage with the Committee on a regular basis and to approve the training programme.

2.0 Recommendation(s):

- 2.1 To consider the outcome of the self-evaluation exercise and approve the training programme.

3.0 Reasons for recommendation(s):

- 3.1 To develop the effectiveness of 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 effectiveness of the Audit Committee is relevant to all Council priorities.

5.0 Background Information

5.1 Elected Member Feedback

Members of the Audit Committee were invited to complete a self-evaluation checklist to help measure the effectiveness of the Committee. Five Members responded and completed a self-evaluation checklist which was based on the CIPFA Guidance for Audit Committees (2013).

The self-assessment checklist asked members to consider a number of questions in relation to the following topics:

- Audit Committee Purpose and Governance
- Functions of the Committee
- Membership and Support
- Effectiveness of the Committee

The results of the completed self-evaluation, along with the results from when the exercise was completed twelve months prior can be seen in the following table. An indication of the direction of travel has also been provided:

Ref	Good Practice Questions	May 2018			June 2017			DoT
		Yes	Partly	No / Not Sure	Yes	Partly	No / Not Sure	
Audit Committee Purpose and Governance								
1	Does the authority have a dedicated Audit Committee?	100%	-	-	100%	-	-	-
2	Does the Audit Committee report directly to full Council?	100%	-	-	100%	-	-	-
3	Do the terms of reference clearly set out the purpose of the Committee in accordance with CIPFA's Position Statement?	100%	-	-	100%	-	-	-
4	Is the role and purpose of the Audit Committee understood and accepted across the authority?	60%	20%	20%	50%	33%	17%	✓
5	Does the Audit Committee provide support to the authority in meeting the requirements of good governance?	100%	-	-	100%	-	-	-
6	Are the arrangements to hold the Committee to account for its performance operating satisfactorily?	60%	20%	20%	83%	17%	-	✗
Functions of the Committee								
7	Does the Committee's term of reference explicitly address all the core areas identified in CIPFA's position statement?							
	• Good governance	100%	-	-	83%	-	17%	✓
	• Assurance framework	100%	-	-	83%	-	17%	✓
	• Internal audit	100%	-	-	83%	-	17%	✓
	• External audit	100%	-	-	83%	-	17%	✓
	• Financial reporting	80%	20%	-	67%	17%	17%	✓
	• Risk management	100%	-	-	83%	-	17%	✓

Ref	Good Practice Questions	Yes	Partly	No / Not Sure	Yes	Partly	No / Not Sure	DoT
	<ul style="list-style-type: none"> Value for money or best value 	100%	-	-	67%	17%	17%	✓
	<ul style="list-style-type: none"> Counter-fraud and corruption 	100%	-	-	67%	17%	17%	✓
8	Is an annual evaluation undertaken to assess whether the Committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	60%	20%	20%	100%	-	-	✗
9	Has the Audit Committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the Committee to undertake them?	40%	20%	40%	67%	17%	17%	✗
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	40%	20%	40%	67%	-	33%	✗
11	Has the Committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	100%	-	-	100%	-	-	-
Membership and Support								
12	<p>Has an effective Audit Committee structure and composition to the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> Separation from the Executive An appropriate mix of knowledge and skills among the membership A size of Committee that is not unwieldy Where independent members are used, that they have been appointed using an appropriate process 	100%	-	-	67%	33%	-	✓
13	Does the Chair of the Committee have appropriate knowledge and skills?	100%	-	-	100%	-	-	-

Ref	Good Practice Questions	Yes	Partly	No / Not Sure	Yes	Partly	No / Not Sure	DoT
14	Are arrangements in place to support the Committee with briefings and training?	100%	-	-	100%	-	-	-
15	Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory?	60%	20%	20%	40%	20%	40%	✓
16	Does the Committee have good working relations with key people and organisations, including external audit, internal audit and the Chief Financial Officer?	100%	-	-	80%	20%	-	✓
17	Is adequate secretariat and administrative support to the Committee provided?	100%	-	-	100%	-	-	-
Effectiveness of the Committee								
18	Has the Committee obtained feedback on its performance from those interacting with the Committee or relying on its work?	40%	20%	40%	60%	-	40%	✗
19	Has the Committee evaluated whether and how it is adding value to the organisation?	40%	20%	40%	60%	20%	20%	✗
20	Does the Committee have an action plan to improve any areas of weakness?	40%	40%	20%	80%	-	20%	✗

Comments

Training and Development Requirements

- More examples of good practice elsewhere.
- Look to use external training courses such as CIPFA.
- The current training schedule in place is very useful.
- More training on the strategic risk register.
- More examples of benchmarking with other Council's especially when things go wrong.

Key Strengths of the Audit Committee

- Concentration of specific policy areas.
- Engagement with the Council's Internal Audit Team.
- A very good Chair.
- An apolitical approach to audit.

- Excellent officer support.
- Good teamwork.
- Good level of challenge.

Improvements which could be made to Audit Committee

- More focused attention on specifics.
- Fewer topics at each meeting to improve scrutiny time.
- Consider holding more meetings.
- Due to the annually rolling nature of many of the agenda items consideration should be given to rotating committee members more regularly to keep agenda items fresh to them.
- More contact with other audit members from other Councils.

Officer Feedback

A number of Officers who engage with the Audit Committee were also asked to undertake an evaluation of the Committee based on their experiences. A number of questions were asked, based on the CIPFA Guidance on Audit Committees (2013) and officers were also asked to provide any comments or suggestions as to potential improvements going forward. Six responses were received in total.

The results of the completed self-evaluation, along with the results from when the exercise was completed twelve months prior can be seen in the following table. An indication of the direction of travel has also been provided:

Ref	Good Practice Questions	May 2018			June 2017			DoT
		Yes	Partly	No / Not Sure	Yes	Partly	No / Not Sure	
1	Is the role and purpose of the Audit Committee understood and accepted across the authority?	67%	33%	-	40%	60%	-	✓
2	Does the Audit Committee provide support to the authority in meeting the requirements of good governance?	83%	17%	-	100%	-	-	✗
3	Are the arrangements to hold the Committee to account for its performance operating satisfactorily?	66%	17%	17%	60%	40%	-	✓

Ref	Good Practice Questions	Yes	Partly	No / Not Sure	Yes	Partly	No / Not Sure	DoT
4	Has the Committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	66%	17%	17%	80%	20%	-	✗
5	Does the Chair of the Committee have the appropriate knowledge and skills?	100%	-	-	100%	-	-	-
6	Does the Committee have good working relations with key people and organisations, including external audit, internal audit and the Chief Financial Officer?	100%	-	-	80%	20%	-	✓
7	Do you consider that the Audit Committee performs well and achieves its core function?	67%	33%	-	100%	-	-	✗
8	Do you believe that the Audit Committee adds value to the organisation?	83%	17%	-	100%	-	-	✗
9	Do you find members of the committee approachable?	100%	-	-	80%	20%	-	✓
10	Do you feel that the committee offers the appropriate level of challenge?	50%	50%	-	60%	40%	-	✗

Comments

Role and Purpose of Committee

- Not all leaders under CLT understand the role or importance of Audit Committee.
- The Audit Committee targets the right areas and is much better than previous experiences in other local authorities.

Committee Performance

- The Committee reports to Full Council however the only link appears to be its annual report to Full Council.
- The Chair of the Committee is thoughtful and challenging but able to suggest solution support.
- The Chair of the Committee is the best I have worked under.

Challenge

- Challenge by the Committee is improving but it needs to ensure that it focuses on the right areas.
- The Committee could provide more strategic challenge.
- Sometimes self-interest questions are asked rather than appropriate challenge.

Training Programme 2018/2019

To continue to develop the skills and knowledge of Committee Members the following training programme is proposed for 2018/2019:

Date	Topic	Time	Presenter
June 2018	Induction and Terms of Reference	5pm till 5.45pm	Mark Towers
July 2018	Statement of Accounts	5pm till 5.45pm	Phil Redmond
September 2018	Strategic Risk Register	4.15pm till 5.45pm	Tracy Greenhalgh and Gallagher Bassett
November 2018	Good Practice from other Audit Committees	5pm till 5.45pm	External Audit
January 2019	When things go wrong – lessons to be learned from other local authorities	5pm till 5.45pm	Tracy Greenhalgh and Mark Towers
March 2019	Managing Cyber Risk	5pm till 5.45pm	Tony Doyle

Does the information submitted include any exempt information?

No

List of Appendices:

None.

6.0 Legal considerations:

6.1 The purpose of the self-evaluation is to help ensure that members of the Committee effectively fulfil their responsibilities as members of the Audit Committee.

7.0 Human Resources considerations:

7.1 Members of the Committee may wish to complete the CIPFA Guidance on Audit Committees (2013) evaluation titled Audit Committee Members – Knowledge and Skills Framework. This may identify additional training and development needs which could potentially be provided internally, or where budget allows, at external events.

8.0 Equalities considerations:

8.1 All members of the Committee have the same access to training available.

9.0 Financial considerations:

9.1 It is anticipated that the training programme for Committee members will be delivered within existing Council budgets.

10.0 Risk management considerations:

10.1 The Audit Committee has a key role in the governance of the Council and therefore it is important that it engages in the development and delivery of an improvement plan to ensure that it can effectively manage risk.

11.0 Ethical considerations:

11.1 N/A

12.0 Internal/ External Consultation undertaken:

12.1 Consultation has taken place with Chief Officers and Committee members.

13.0 Background papers:

13.1 None.