

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 7 MARCH 2019

Present:

Councillor Galley (in the Chair)

Councillors

Elmes Hunter
Hobson Mitchell D Scott

Ms Yvonne Russell, Independent Member

In Attendance:

Mr John Blackledge, Director of Community and Environmental Services

Mr Alan Cavill, Director of Communications and Regeneration

Mr Tim Coglan, Head of Public Protection

Mrs Sharon Davis, Scrutiny Manager

Mrs Tracy Greenhalgh, Head of Audit and Risk

Mrs Elaine Ireland, Democratic Governance

Mr Les Marshall, Head of Adult Social Care

Mr Nick Raynor, Senior Manager Audit and Risk Advisory, Deloitte

Mr Paul Thompson, Lead Audit Partner, Deloitte

Mr Steve Thompson, Director of Resources

1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

2 MINUTES OF THE LAST MEETING HELD ON 17 JANUARY 2019

The Committee agreed that the minutes of the meeting held on 17 January 2019 be signed by the Chairman as a true and correct record.

3 TRANSITION FROM CHILDREN TO ADULTS AUDIT FOLLOW-UP

The Committee considered the actions being implemented to address the audit recommendations relating to the transition from children to adults.

Mr Les Marshall, Head of Adult Social Care, and Mr Philip Thompson, Head of Special Educational Needs and Disability (SEND), presented the report.

In respect of recommendation one of the audit, regarding the correct ownership of the Transitions Policy, the Committee was informed that the SEND Service owned the Policy. As per the recommendation, the policy had been redrafted to include clear references to the Care Act. In addition, the pathways that existed for transition between children's and adults

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had been included.

In response to recommendation two of the audit, which was concerned with achieving and overseeing the transition process, as well as the control and storage of documentation of the Transitions Steering Group and Operations Group, it was confirmed that a documented governance structure was now in place and arrangements had been clarified and implemented for the Steering Group and the Operations Group.

Recommendation three asserted that the role of the Transitions Co-ordinator should be reviewed to ensure that there was sufficient capacity to fulfil the required functions. Members were informed that in order to increase capacity in this area, Adult Social Care had funded the recruitment of an additional qualified social worker who would work alongside the existing Transition Coordinator in the SEND Team, and would be taking up the position the following week.

The Committee questioned whether the procedures in place for the transition of service users from Children's Services to Adult Services would receive an improved audit rating should they be re-inspected. Mr Marshall explained that with the improved monitoring of young people from the age of 14 years, the Council was now more fully aware of any young people expected to be accessing Adult Services on turning 18 years, and as such was confident of an improved rating following further audit inspection.

The Committee sought assurance that all three audit recommendations had been implemented, which was confirmed by Mr Marshall.

Clarification was provided that improvements could be evidenced via the reduction of complaints received from young people transitioning to access adult services. The number of complaints had fallen from a previous receipt of approximately three to four per annum, to zero having been received over the past 12 months.

It was agreed that the audit process had been beneficial in that, whilst the issues had already been identified by the service, the audit had generated focused improvement and a resulting action plan for change.

4 STRATEGIC RISK REGISTER - REPUTATIONAL DAMAGE

The Committee considered progress on individual risks identified within the Council's Strategic Risk Register relating to reputational damage.

Sub-Risk – Visitors' negative image of Blackpool

Mr Alan Cavill, Director of Communication and Regeneration, reported that in relation to securing a positive image of Blackpool, the Destination Management Plan had been completed and would be considered by the Deputy Leader of the Council the following week. With regard to the data generated by the submission of visitor satisfaction surveys, it was acknowledged that these only captured the opinions of individuals who had chosen to visit Blackpool. It was also suggested that gaining insight from potential visitors who decided

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against visiting the town could be beneficial. In light of this, an attitude survey had been commissioned which aimed to ascertain individuals' perceptions of Blackpool. The results depicted a mixed view, demonstrating that those surveyed liked elements of Blackpool, whilst indicating that they felt some aspects of the town were less pleasant.

It was explained to the Committee that marketing material had been generated which was aimed specifically at potential investors, following which, it would be amended to appeal to prospective visitors.

Mr Cavill responded to questioning about the town's negative portrayal in some press publications by referring the Committee to the Council's annual marketing campaign 'Blackpool Has It All'. Reference was also made to measures aimed at attracting members of the media to undertake Familiarisation Visits, which in the past had resulted in a number of positive press articles. It was acknowledged that the town had enjoyed an increase in positive news stories of recent months, in comparison to previous years.

An update on the proposed reshaping of the Illuminations was provided by Mr Cavill, with the assurance that every avenue of funding would be considered. It was acknowledged that the Illuminations in their current form had remained the same for the past 10 years, and that in order to attract commercial funding, businesses needed to be offered a new concept. Concern was raised that should a pricing scheme be introduced, visitor numbers would consequently fall, thereby in part defeating the primary object of the attraction. Mr Cavill acknowledged that the correct combination of product and sales techniques would be required prior to attempting further commercialisation of the Illuminations.

Mr John Blackledge, Director of Community and Environmental Services, addressed concerns over the level of anti-social behaviour and begging within the town centre. It was explained that there was a robust framework in partnership with the police addressing town centre issues, with additional support being provided by Trading Standards. The Committee heard that the Council would be funding two additional officers, dedicated to addressing anti-social behaviour and begging, with an emphasis on avoiding the displacement of issues to other areas, and instead looking to address the underlying causes. It was acknowledged that the issue involved a range of complex and multiple needs, which included mental health support and services, with a coordinated and integrated approach being required. The Committee considered information on the support packages in place for individuals, as well as receiving details of community protection orders and criminal behaviour orders resulting from incidences of begging in the town.

Sub-Risk – Residents' negative image of Blackpool

Discussions were held around the increased use of new communication channels such as social media and newsletters, with assurances given that many avenues of communication were being utilised, with as many opportunities as possible being captured. It was also stressed that in addition to the use of social media, traditional methods of communication were still being included, and that it was important to communicate issues of all sizes, both big and small. The question was raised of whether the Council was reaching the correct audiences, with assurances given by Mr Cavill that audiences were being successfully

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targeted with information specific to them.

The Committee was informed that a number of funding applications for a museum in Blackpool to share heritage and foster local pride had now been submitted, with the outcomes being determined prior to the end of the calendar year. The £13-million funding for the project also included the initial two years' of running costs. Mr Cavill assured the Committee that the robust business plan for the proposed museum was not overly ambitious, having been prepared by an external field expert, with a 30% variance in visitor numbers having been factored in as a contingency.

5 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 2018/2019 financial year.

The Committee heard that the completion of fraud awareness training across the Council had been very positive. With regards to one potential area of concern, Mrs Greenhalgh addressed the issue of Business Continuity Plans becoming out of date, as departments had not adhered to annual submission targets, and that this would be a key area for focus in the new financial year. It was stressed that continuity plans were in place, but that some departments had failed to provide updated versions as required. Mr John Blackledge, Director of Community and Environmental Services, assured Members that departmental improvements would be made in the new financial year.

The Committee asked for further information regarding the formation of a new waste company, along with any associated risk assessment that would be in place. Mr Blackledge explained that a robust risk assessment of the waste company would fall under the umbrella of the Council, with the company maintaining its own comprehensive risk register. Mrs Greenhalgh stated that the internal audit proposal for the new waste company had already been agreed including audits of Health and Safety; Business Continuity; and Risk Management.

Mrs Greenhalgh addressed the issue that Financial Control Assurance Testing had identified non-compliance of payment card controls, however she advised that robust procedures were in place. Members questioned whether VAT claims had been made in cases where they should not have been. They were informed that in fact the opposite was the case, whereby VAT had not been claimed where it could have been, and had now been recovered. All non-compliance had been identified, and departments all made aware of the issue.

In response to questioning in relation to the schools improvement board and processes audit, Mrs Greenhalgh explained that Council engagement with schools was the subject of the audit, with a random sample of schools being consulted as part of the process. The detailed scope of the audit review, and the overall opinion and assurance statement had been included in the Risk Services Quarterly Report. It was agreed that the final report should be forwarded to Members of the Resilient Communities and Children's Scrutiny Committee for consideration.

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With regards to the audit of risk management, the Committee was assured that Mrs Greenhalgh had separated herself from the review, with it being solely conducted under the management of the Audit Manager, with Mrs Greenhalgh as the auditee. The findings had been reported directly to the Director of Resources to reduce any conflicts of interest.

It was noted that there had been an increase in the number of public liability claims without a similar increase in the total cost. Mrs Greenhalgh advised that she would consult with Legal Services to identify trends and report the findings back to the Committee.

6 INTERNAL AUDIT PLAN 2019/2020

Mrs Tracy Greenhalgh, Head of Audit and Risk, sought approval of the Internal Audit Plan 2019/2020.

Members were informed that each risk-based review would include core areas of internal control such as business planning, performance monitoring, and security of assets. Segregation of duties in key processes would remain an important focus given the economic climate and issues identified from past work. Compliance testing would account for approximately forty percent of the allocated audit resource to complement risk-based audit work with a robust set of compliance testing. Changes to the programme of risk-based work would only be made following discussion with Council's Section 151 officer. Any changes would be reported to the Audit Committee through the quarterly report of the Head of Audit and Risk.

Mrs Greenhalgh explained that the Corporate Leadership Team had approved the plan, and if the Audit Committee was in agreement, the work programme could be commenced.

The Committee questioned whether any areas for review had not been included in the work programme due to a lack of resources. Members were informed that the situation with regards to resources was not a new one, and that despite constraints, the Council would not be exposed to risk as regular follow-ups would be scheduled for any identified areas not included for full review.

It was explained to the Committee that areas identified for review were selected via a two-way process, whereby risks were identified by Internal Audit, following which Chief Officers and Heads of Service were consulted to ascertain their concerns of risk. Following this process, the final work plan had been generated for consideration and approval. With regards to amendments to the work plan over the course of the year, Mrs Greenhalgh assured Members that any proposed changes would be reviewed and discussed with the Director of Resources prior to coming before the Audit Committee for approval.

Resolved: That the Audit Committee approve the Internal Audit Plan for 2019/2020.

7 FRAUD PREVENTION CHARTER 2019/2020

Mrs Tracy Greenhalgh, Head of Audit and Risk, presented the Council's Fraud Prevention Charter 2019/2020 for approval by the Committee.

The Fraud Prevention Charter set out the Council's Anti-Fraud and Corruption Statement,

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which outlined the Council's zero tolerance approach when dealing with fraud, corruption and bribery. It also outlined the fraud risk assessment and associated counter fraud programme which was based on best practice guidance from the Chartered Institute of Public Finance and Accountancy to ensure that it took account of emerging threats, and focused on priority fraud risks.

Attention was drawn towards the key changes of the Charter, namely that the Fraud Risk Register had been updated and revised; and that a new proactive fraud work programme had been generated in consultation with the Fraud team.

The Fraud Prevention Charter had been reviewed and approved by the Corporate Leadership Team, and approval was sought from the Audit Committee.

Clarification was sought as to whether debt checks were carried out for all new Council employees. Mrs Greenhalgh confirmed this to be correct, explaining that any unresolved debts owed to the Council by a prospective employee were resolved prior to them commencing employment in order to avoid the possibility of a disciplinary proceeding once they were a Council employee.

Committee Members requested further information on the Anti-Fraud Action Plan in relation to successful prosecutions for insurance fraud. Mrs Greenhalgh explained that if insurance fraud could be proven, criminal proceedings could be taken. The differentiation between proven intentional fraud and error was highlighted, with potential action following only in cases where fraud was proven.

It was noted by the Committee that clear and transparent regulations were in place surrounding the hospitality register for Elected Members, and it was questioned whether a similarly robust system was in place for the declaration of gifts and hospitality for Council officers. Mrs Greenhalgh confirmed this to be the case, with annual reminders issued to all staff and the need for officers to update the register with any changes during the course of the year. She highlighted that there was no legal obligation for the officer register to be published.

Publicity surrounding the Blue Badge campaign was queried, and the suggestion put forward that it would be beneficial for the campaign itself to be publicised and not just its success stories. Mrs Greenhalgh agreed that this would be reflected in the next Charter.

Resolved – That the Fraud Prevention Charter 2019/2020 be approved.

8 INTERNAL AUDIT CHARTER 2019/2020

Mrs Tracy Greenhalgh, Head of Audit and Risk, presented the updated Internal Audit Charter 2019/2020 for consideration and approval by the Committee.

The Internal Audit Charter defined internal audit's mission, purpose, authority and responsibility. It established internal audit's position within the Council, and defined the

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scope of internal audit activities and reporting lines. The Chartered Institute of Public Finance and Accountancy, and the Chartered Institute of Internal Auditors set the internal audit standards in respect of local government across the UK, adopting a common set of Public Sector Internal Audit Standards in April 2013. The standards had been updated in March 2016 and the Internal Audit Charter had been updated accordingly. This revised Charter followed the model document provided by the Chartered Institute of Internal Auditors.

The Committee heard that the Charter was updated annually by Internal Audit, and although it followed the model document, it had been amended to make it applicable locally. Mrs Greenhalgh informed Members that there had been no significant amendments since the previous year.

It was requested that copies of the Internal Audit Charter be sent to new Members on joining the Audit Committee, which was agreed by Mrs Greenhalgh.

Resolved: That the Internal Audit Charter 2019/2020 be approved.

9 EXTERNAL AUDIT PLAN 2018/2019

The Committee was asked to consider the External Audit plan as presented by Mr Nick Raynor, Senior Manager Audit and Risk Advisory, Deloitte, and Mr Paul Thompson, Lead Audit Partner, Deloitte.

Mr P Thompson introduced the plan, explaining that it set out Deloitte's responsibilities, scope of work and approach, communication and reporting methods, significant risks, and value for money. He drew Members' attention to the highlighted risks that had been identified by Deloitte as significant, including completeness and cut off of expenditure, property valuations, pension liabilities, and management override of controls.

The Committee raised a query over the previous Council's external auditors' identified risks, as they differed from those highlighted by Deloitte. Mr P Thompson assured Members that all the work previously completed by KPMG in their former role as the Council's external auditors, had been fully reviewed, with a number of the identified risks overlapping.

Mr P Thompson assured the Committee that Deloitte would be completing all their work in line with deadlines, in particular in relation to the completion of pension liability data, with all relevant information being collected and collated in a timely manner and with no assumptions being made without reviewing the financial data.

With regards to their fees and charges, Committee Members were informed that Deloitte's fees were set nationally.

The Chairman invited Deloitte representatives to future pre-Committee meetings, where appropriate, in order to identify any potential areas for discussion.

10 DATE OF NEXT MEETING

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The date and time of the next meeting of the Committee was noted as 13 June 2019, commencing at 6pm, subject to confirmation at Annual Council.

Chairman

(The meeting ended at 7.50 pm)

Any queries regarding these minutes, please contact:

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