

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 28 JANUARY 2016

Present:

Councillor Galley (in the Chair)

Councillors

Benson
Cox

Hunter
Matthews

O'Hara
Owen

Roberts

In Attendance:

Mr Neil Jack, Chief Executive

Mr Steve Thompson, Director of Resources

Mrs Delyth Curtis, Director of People

Ms Tracy Greenhalgh, Chief Internal Auditor

Mr Iain Leviston, Manager, KPMG

Mr Paolo Pertica, Head of Visitors Services

Mr Chris Kelly, Senior Democratic Governance Adviser (Scrutiny)

1 DECLARATIONS OF INTEREST

Councillor Galley declared a personal interest with regard to item 6, 'External Audit Plan', the nature of the interest being that he was a Board Member of Blackpool Transport Company and Blackpool Entertainment Company.

Councillor Cox declared a personal interest with regard to item 6, 'External Audit Plan', the nature of the interest being that he was a Board Member of Blackpool Operating Company.

Councillor Hunter declared a personal interest with regard to item 6, 'External Audit Plan', the nature of the interest being that he was a Board Member of Blackpool Housing Company.

2 MINUTES OF THE LAST MEETING HELD ON 26 NOVEMBER 2015

The Committee agreed that the minutes of the last meeting held on 26 November 2015 be signed by the Chairman as a correct record.

3 CCTV SERVICE - INTERNAL AUDIT

Councillor Galley introduced the item, explaining that at the last meeting of the Committee, Members had considered the Risk Services Quarter Two report, which made reference to the inadequate assurance statement issued in regards to the audit of the CCTV service. The Committee had requested that an explanation be provided for controls being inadequate and a progress report be provided, detailing how the concerns of Internal Audit had been mitigated.

Mr Pertica, Head of Visitor Services, explained that Internal Audit issued the report on its review of the CCTV service in August 2015, following concerns relating to the lack of

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funding and investment available to the service for a number of years. He advised that there had been a limited capacity of the service to ensure that the required work in relation to asset management, business continuity planning, adherence to corporate policies and health and safety requirements, had been undertaken.

The Committee noted that there were still a number of recommendations that had not yet been actioned and questioned whether the level of risk was at an acceptable level for the service. Mr Pertica advised that the outstanding recommendations were not in areas that would pose any significant risks to the health and safety of staff or of the public and would not risk any reputational damage to the Council. He provided details of the recommendations that were still to be actioned and noted that many related to updating and maintaining the asset register, reviewing the frequency of stock takes and implementing appropriate service level agreements with neighbouring authorities who also used the service.

Mr Pertica advised that the report contained 24 recommendations, some of which had already been actioned by the time the final report was issued. The Committee noted that six recommendations had been classified as Priority One and five of those had now been actioned. Mr Pertica explained that work was ongoing with the Procurement Team on the sixth priority one recommendation.

Members raised questions relating to the recommendation to ensure appropriate insurance cover was put in place. Mr Pertica advised that it was hoped that this would be completed as soon as possible and he explained that the asset register needed to be updated first.

The Committee raised questions regarding the level of communication between the service and Internal Audit before the CCTV service went live. Mr Pertica advised that the service had not at any point ceased recording and that the change to the operation of the service was in its use of Business Improvement District officers and volunteers to monitor CCTV images. He noted that all those working in the CCTV Control Room had completed Security Industry Authority training before they started and that they had to obtain the appropriate security clearance in order to gain access to the control room adjacent to the Police Station. Mr Jack, Chief Executive, advised that in light of the number of Priority One recommendations in the Internal Audit report, it would have been appropriate to reconsider the usual reporting cycles to Internal Audit and that this would be done in future.

The Committee noted that funding for reintroducing the monitoring of CCTV had been secured from external sources, such as the Department for Communities and Local Government, the Home Office and the Lancashire Police and Crime Commissioner. Members questioned what the impact of the potential lack of funding in future would be and Mr Pertica advised that unless the service was financially supported by the Council and/or its partners, it would not be possible to continue monitoring CCTV images. The Committee considered that it would be appropriate for the Tourism, Economy and Resources Scrutiny Committee to consider the impact of the service once its performance was able to be demonstrated.

The Committee agreed:

1) To request that the Chief Internal Auditor monitor the progress of the action plan and

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update the Committee on the completion of the recommendations contained within the Internal Audit report;

3) To recommend that the Tourism, Economy and Resources Scrutiny Committee consider the impact of the CCTV Service once its performance was able to be demonstrated.

Background papers: Internal Audit Report – Review of CCTV Service

4 STRATEGIC RISK REGISTER - INADEQUATE CHANGE MANAGEMENT

The Committee considered a progress report in relation to the individual risks identified on the Council's Strategic Risk Register, specifically in relation to those risks regarding Inadequate Change Management. The Committee discussed plans to control and mitigate the risks with the strategic risk owners, Mr Jack, Chief Executive and Mr Thompson, Director of Resources.

Mr Thompson advised the Committee that over the past few years there had been numerous examples of how change had been adequately managed. He highlighted the property rationalisation that had been undertaken that had resulted in numerous services being brought together at Bickerstaffe Number One and enabling cultured transformation.

Mr Thompson explained that past success was not necessarily an indication of future ability to manage change adequately and he highlighted the potential difficulties that could be created in the event of unexpected changes as a result of legal rulings. He provided the Committee with the recent example of NHS Trusts applying for mandatory rate relief. In such an event, the local authority would suffer a significant decrease in revenue.

Mr Thompson advised the Committee that he considered the risk of Inadequate Change Management to be high and noted that the Council now had fewer members of staff than it did in 2000, yet now provided significantly more services.

Mr Jack identified a number of sub risks for the Committee. The sub risks included national changes and unfunded new burdens falling on the local authority, such as the localisation of business rates, which would increase the risk of a reduction in revenue should a business within the town fail. The Committee discussed changes to social care brought about by changes in the Care Act and Mr Jack also noted the increased level of scrutiny over safeguarding services, for which budget cuts could not be an excuse for service failings or inadequacies.

Mr Jack also advised the Committee of the implications arising from the various schools in Blackpool undergoing a process of becoming academies. He reported that the funding received by the local authority per pupil had decreased significantly, but that there still remained a number of statutory duties the local authority was responsible for, relating to school improvement. He noted the work that was being undertaken by the Blackpool Challenge Board in an attempt to drive school improvement across all schools in the town.

As a further example of a change that posed a risk to the Council, Mr Jack advised the Committee that the increase to the National Minimum wage would cost approximately

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£3.5 million in Adult Social Care alone.

In response to questions from the Committee, Mr Jack advised that, as part of plans to mitigate against the risk of inadequate change management, an aim was to encourage greater cooperation between various agencies within the public sector. Members were provided with the example of the Vanguard programme that would change the way primary care was provided across the Fylde coast, to illustrate how an improved partnership approach could be achieved.

The Committee questioned what an acceptable level of risk was for Inadequate Change Management. It was explained that the risk would always remain high due to the inherent unpredictability of the risk. Ms Greenhalgh advised the Committee that the Strategic Risk Register was a working document and the level of risk score was reviewed every six months.

Background papers: None

5 STRATEGIC RISK REGISTER - FAILURE TO KEEP PEOPLE SAFE

The Committee considered a progress report in relation to the individual risks identified on the Council's Strategic Risk Register, specifically in relation to those risks regarding Failure to Keep People Safe. The Committee discussed plans to control and mitigate those risks with the strategic risk owner, Mrs Curtis, Director of People.

Mrs Curtis advised the Committee that the risk was considered to be a high level risk and would continue to be so into the foreseeable future. It was considered that there remained significant pressures relating to transience and the complexity of youth offending and looked after children cases. The Committee noted the particular problems caused by large families entering Blackpool with many children needing care placements, with children often being too old for any early help provision to make an impact.

Members were provided with details of the controls and mitigation for the risk. Mrs Curtis provided details of the governance framework for Adults and Children's Services and the work undertaken by the Safeguarding Boards. The Committee was informed of the external inspection processes undertaken in relation to Children's and Adult's Services by the Care Quality Commission and Ofsted. The Committee discussed the difficulty of not knowing what situations may arise and which complex needs of residents may present to local authority services. However, Mr Jack advised that the exact type of risk may not be foreseeable, but that by having plans in place to deal with needs should they arise helped to mitigate the risk.

Mrs Curtis also reported details of the Child Sexual Exploitation training, which had been co-produced with the Police and was being offered to care providers, elected Members, taxi drivers and businesses in the town.

The Committee was provided with details about the contract monitoring process for care homes, which helped to ensure robust monitoring of all care homes in Blackpool. Mrs Curtis advised that, although care homes were subject to Care Quality Commission inspections, Adult Services undertook its own monitoring of care homes via a robust quality framework.

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Upon questioning from Members, Mrs Curtis advised that in relation to care homes and the sector more generally, there were risks regarding market failure, which for example, could result in potential safeguarding concerns arising following the closure of a care home. It was also considered particularly traumatic for some elderly people to be moved and the impact on health and wellbeing had to be evaluated..

The Committee questioned what level of risk was considered acceptable for failure to keep people safe. Mrs Curtis advised Members that ideally the risk would not be 'red' rated. However, due to the context of the town it was appropriate for the foreseeable future that the risk was rated as being red. In the long term, work to increase resilience in the community and lower the level of transience would help to lower the potential risk.

Background papers: None

6 EXTERNAL AUDIT PLAN 2015/2016

Mr Leviston, Manager, KPMG, presented KPMG's Audit Plan 2015/2016. Mr Leviston advised Members that external auditors were 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).

Mr Leviston reported that with regards to financial statement audit planning, KPMG were required to consider two standard risks for all organisations. He reported that one of the risks was management override of controls. He advised that management was typically in a powerful position to be able to perpetrate fraud, owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appeared to be operating effectively. Mr Leviston advised that he did not suspect this was occurring but that professional standards required that appropriate testing of controls and procedures needed to be undertaken. He reported that the other risk assessment that KPMG was required to test was fraudulent revenue recognition.

The Committee was also provided with details of the significant audit risks and that KPMG was required to determine with reasonable confidence whether or not the financial statements were free from material misstatement. He advised that materiality for the external audit planning purposes had been set at £3.5 million for the Local Authority's standalone accounts, which amounted to approximately one percent of gross expenditure.

Members were also advised that the planned audit fee for 2015/2016 was £110,153, which was a 25% reduction from the previous year.

The Committee agreed to note the report.

Background papers: None

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7 ANTI-MONEY LAUNDERING POLICY AND PROCEDURES

Ms Greenhalgh presented the Anti-Money Laundering Policy and Procedure and explained that the policy set out what money laundering was and the legal framework that was in place to govern it. Ms Greenhalgh advised that the policy applied to all employees and elected Members and that it aimed to help maintain high standards of conduct by preventing criminal activity through money laundering. It was noted that the policy also included casual employees and agency staff.

Upon questioning from Members, Ms Greenhalgh reported that the Council was not at particularly high risk of money laundering, as usually the most at risk organisations tended to be businesses handling a high level of cash. Ms Greenhalgh advised that she could only recall one incident of concern in relation to money laundering in the past few years.

The Committee agreed to approve the Anti-Money Laundering Policy and Procedure.

Background papers: None

8 DATE OF NEXT MEETING

The Committee noted the date of the next meeting as 6pm on Thursday, 10 March 2016 at the Town Hall, Blackpool.

Chairman

(The meeting ended at 7.24 pm)

Any queries regarding these minutes, please contact:

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