

Risk Services Quarterly Report  
1<sup>st</sup> October to 31<sup>st</sup> December 2015

Contents	Page
1. Third Quarter Summary .....	2
Service Developments.....	2
2. Performance.....	9
Risk Services Performance indicators .....	9
Internal Audit Team performance indicators .....	9
Risk and Resilience Team performance indicators .....	10
Corporate Fraud Team performance indicators .....	11
Corporate Fraud Team Statistics (Including National Fraud Initiative Findings) .....	12
3. Appendix A: Performance & Summary Tables for Quarter Three .....	13
Internal Audit reports issued in period .....	13
Progress with Priority 1 audit recommendations .....	23
The Regulation of Investigatory Powers Act 2000 .....	23
Insurance claims data.....	23
4. Appendix B – Insurance Claims Data.....	24

**Risk Services Quarter Three Report – 2015/2016**

**1. Third Quarter Summary**

***Service Developments***

**1.1 *Internal Audit***

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

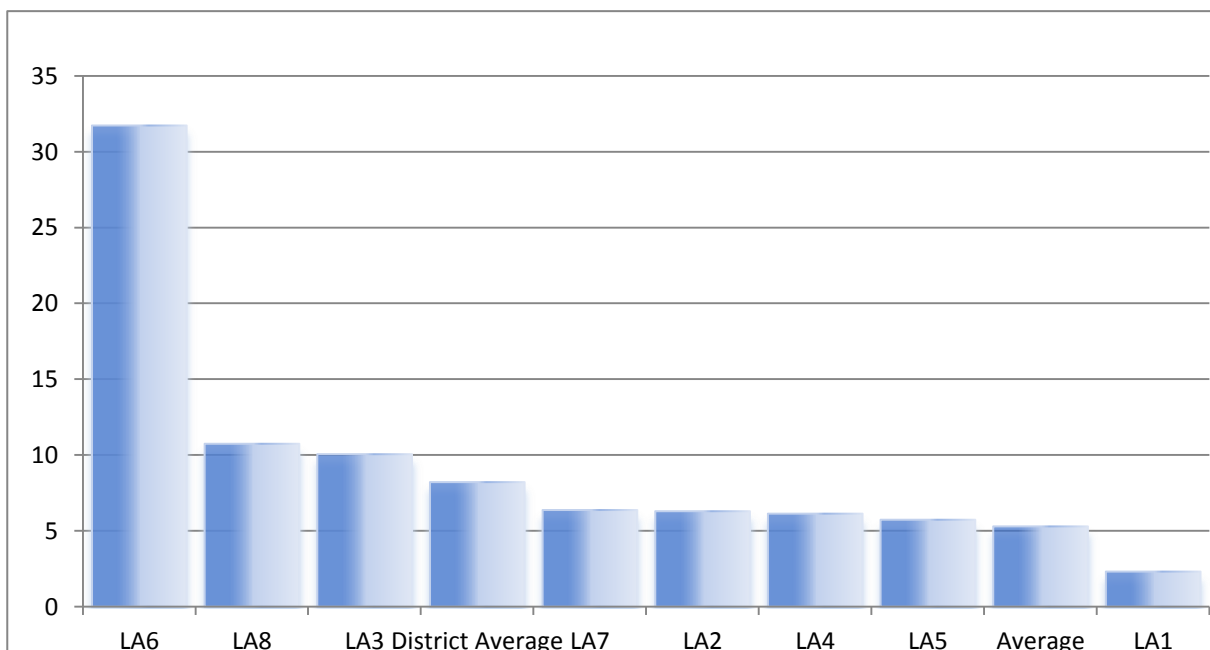
- Executive Decision Making
- Coroners Service
- Banking Contract
- Lancashire Waste Partnership
- Coastal Communities Fund
- Payroll
- Care Act: Deferred Payments
- Framework-I – Non-Residential Payments
- Highways
- Delivery of Saving Targets
- Early Education Free Entitlement

Details of the scope and final outcome for each of the above audits will be reported to Audit Committee in the Risk Services quarterly report once the fieldwork has been completed and draft report agreed.

The team have participated in a benchmarking exercise with other local authorities in Lancashire, whilst the majority of responders were District Councils as opposed to Unitary Councils and therefore have a reduced remit compared to Blackpool; there were still some interesting findings which can be learned from and will be fed into future service improvement plans. A summary of the findings can be seen in the following charts (for the purpose of identification Blackpool’s code is **LA1**).

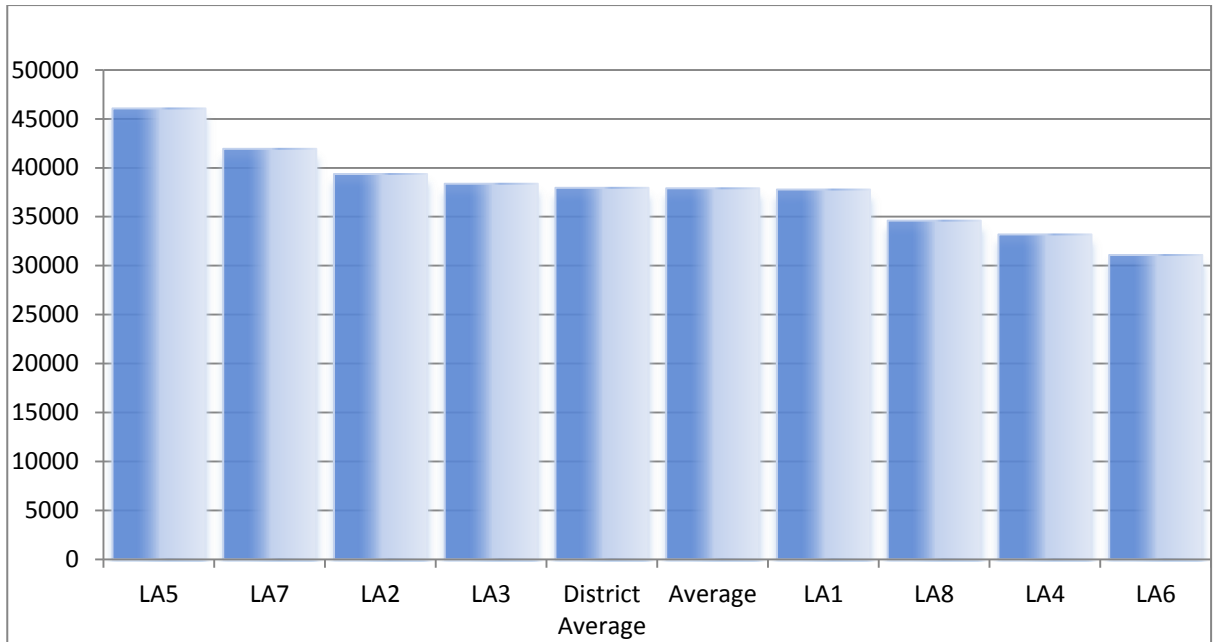
**Summary of Key Financial Data**

**Table 1: Audit Days per Million Turnover 2015/16**

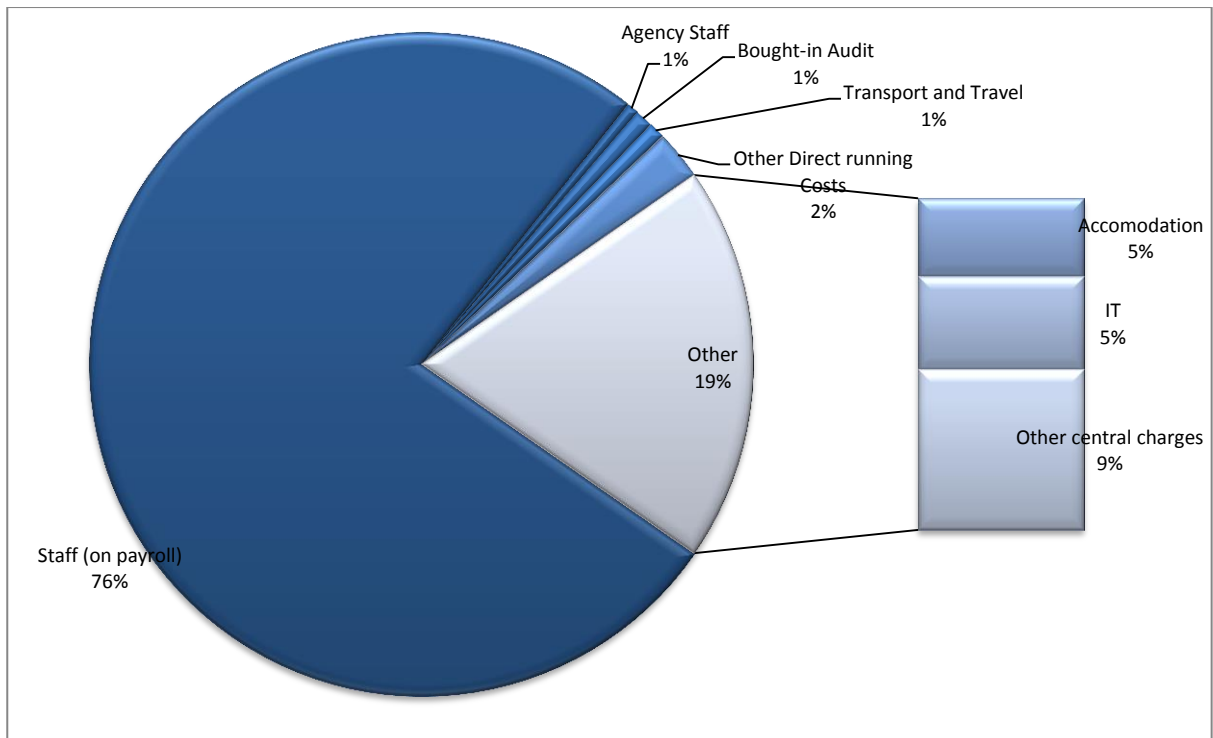


**Risk Services Quarter Three Report – 2015/2016**

**Table 2: Staff Cost per FTE 2015/16**

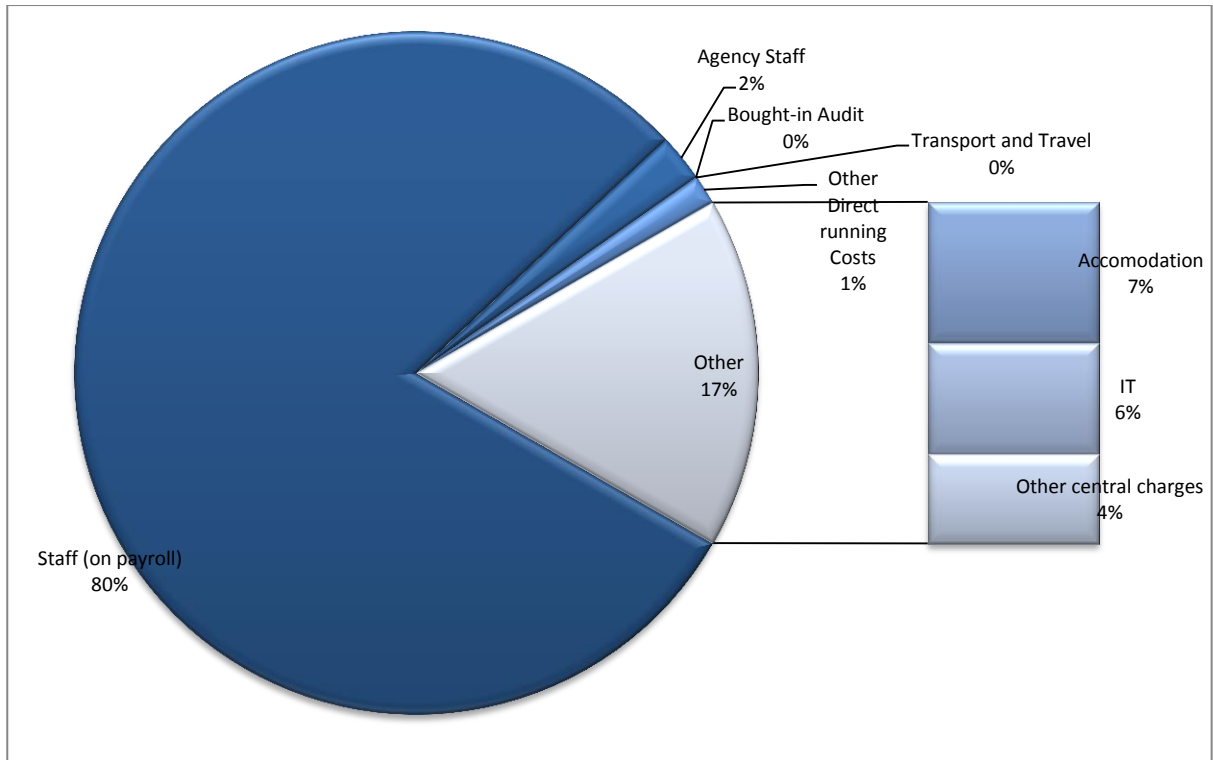


**Table 3: Distribution of Costs (Average) 2015/16**



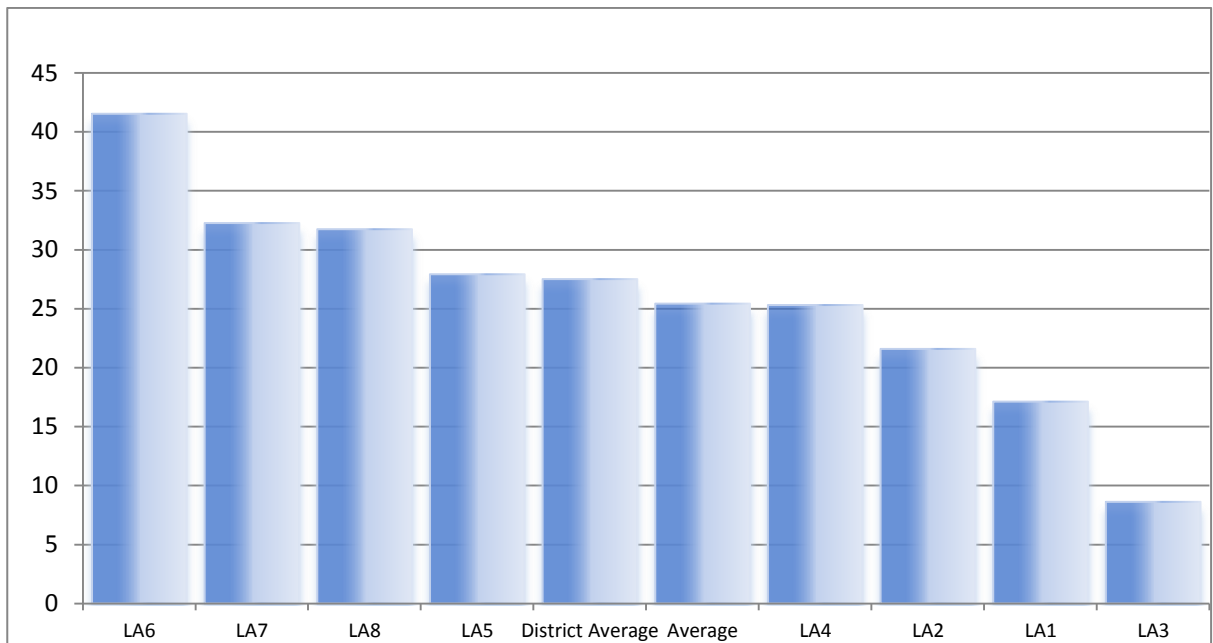
**Risk Services Quarter Three Report – 2015/2016**

**Table 4: Distribution of Costs (Blackpool) 2015/16**



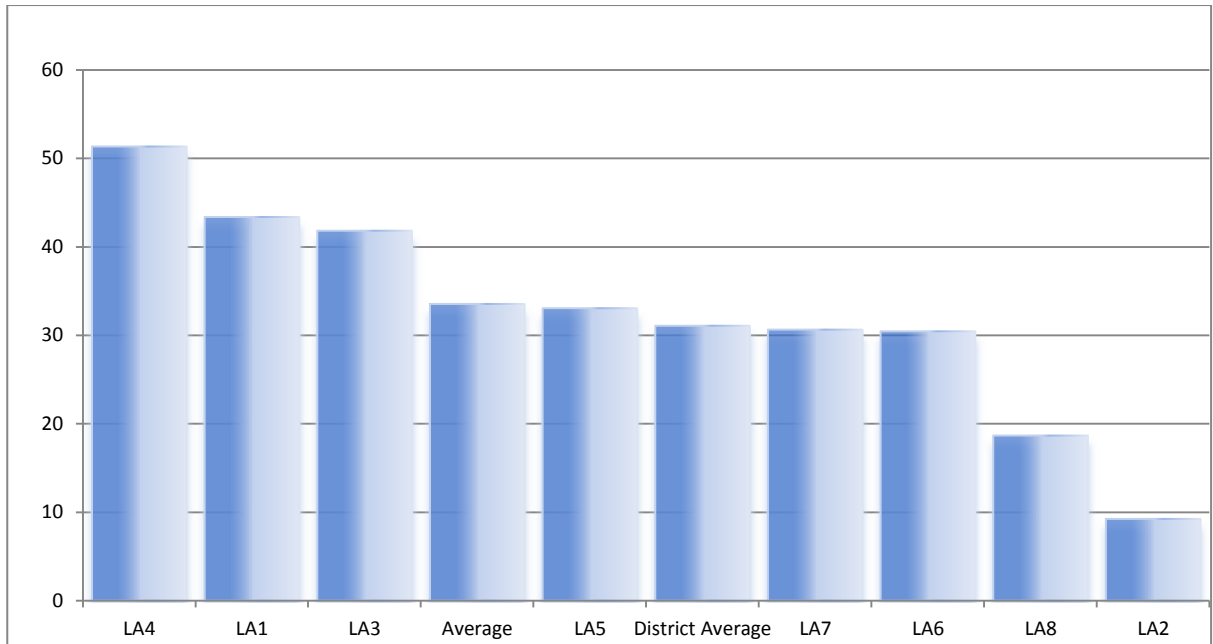
**Summary of Internal Audit Plan Data**

**Table 5: Percentage of Audit Plan - Financial Systems 2015/16**

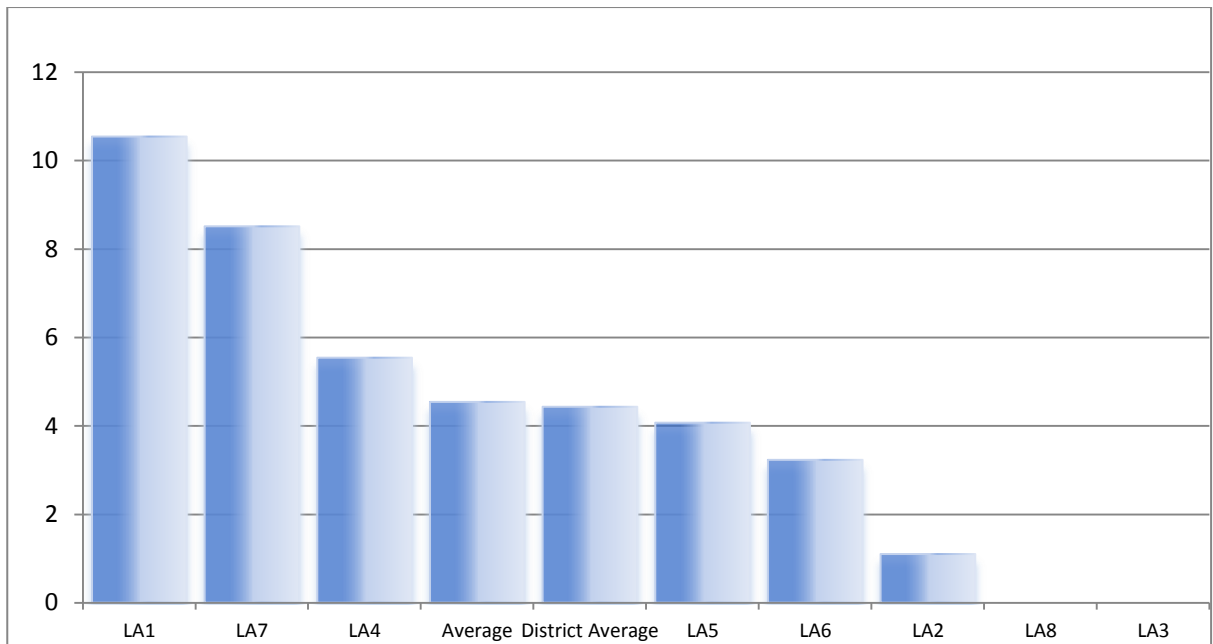


**Risk Services Quarter Three Report – 2015/2016**

**Table 6: Percentage of Audit Plan - Strategic and Operational Risks 2015/16**

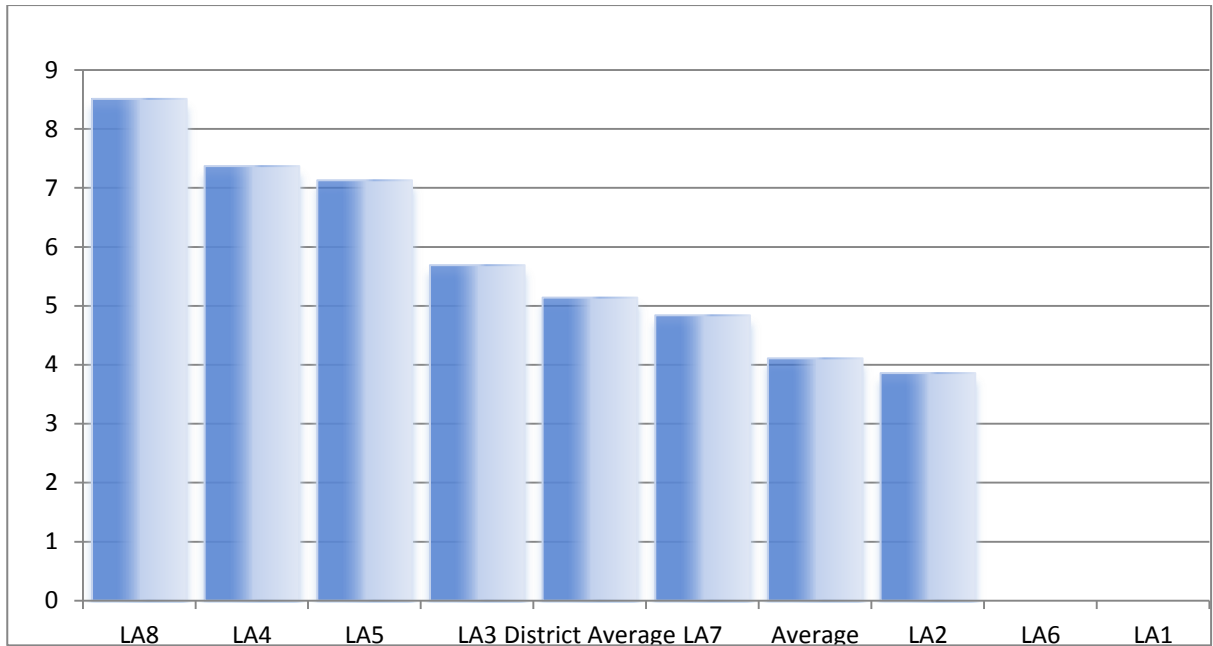


**Table 7: Percentage of Audit Plan – Corporate Governance 2015/16**

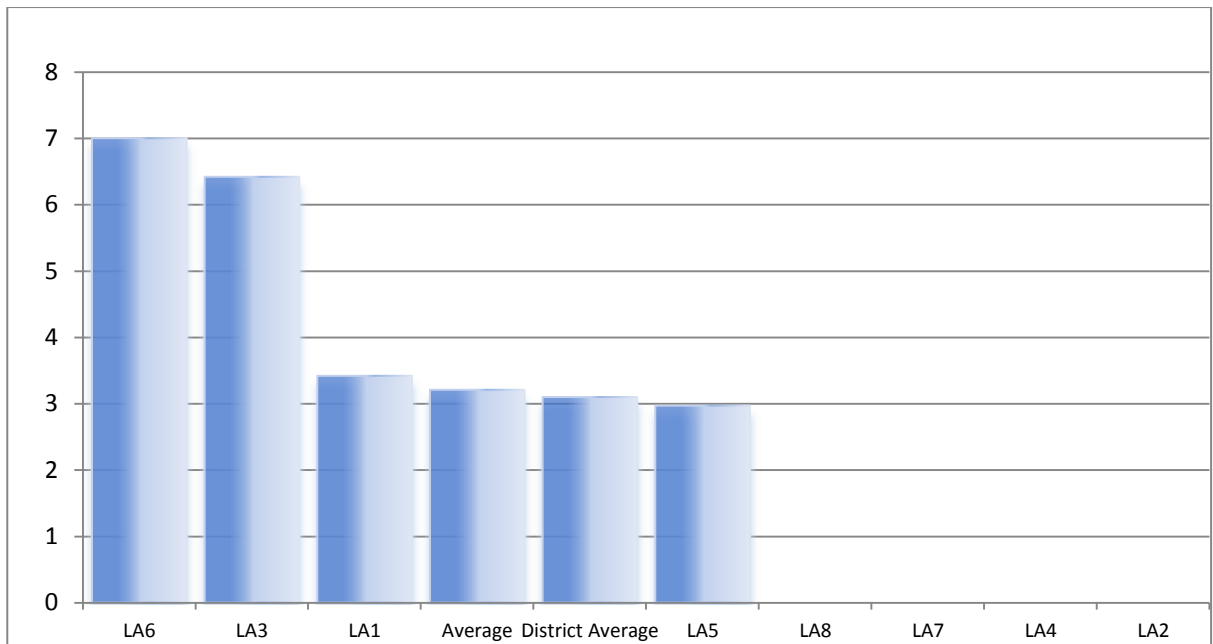


**Risk Services Quarter Three Report – 2015/2016**

**Table 8: Percentage of Audit Plan – IT 2015/16**

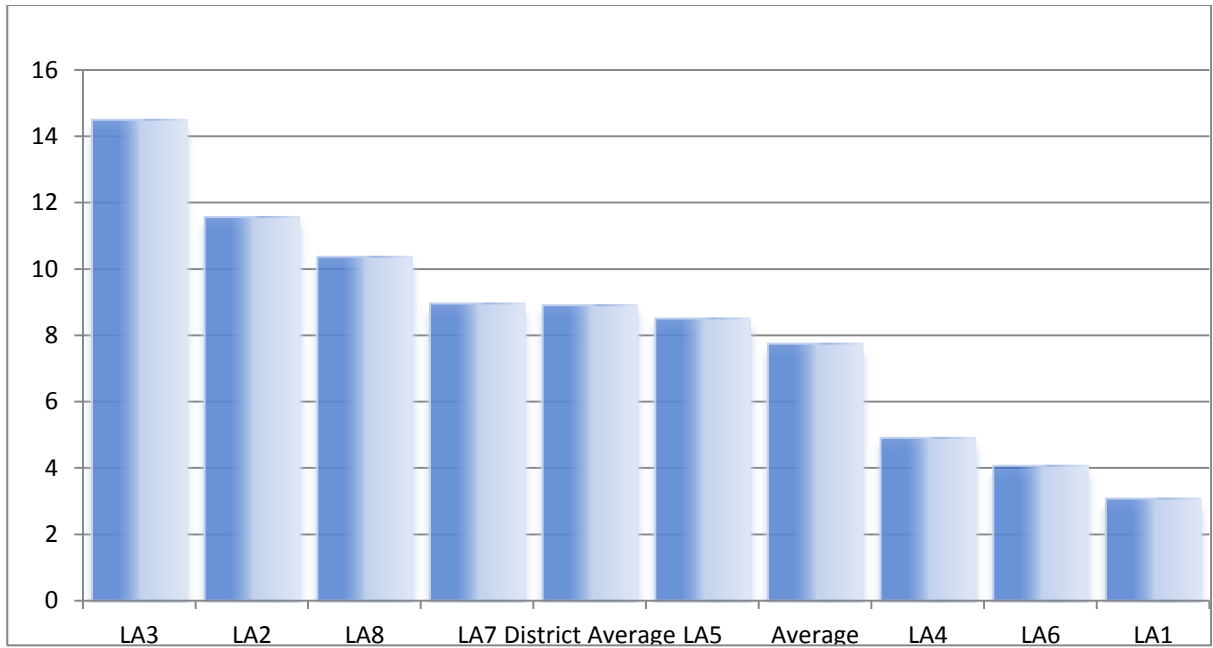


**Table 9: Percentage of Audit Plan – Consultancy and Advice 2015/16**

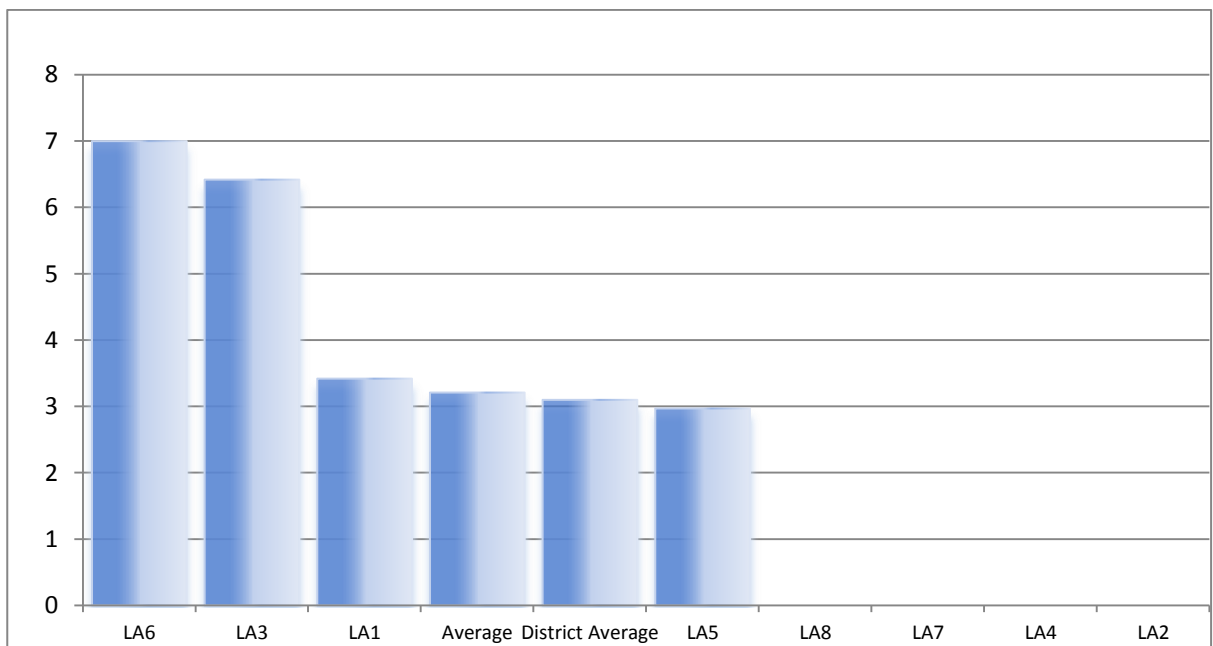


**Risk Services Quarter Three Report – 2015/2016**

**Table 10: Percentage of Audit Plan – Contingency 2015/16**

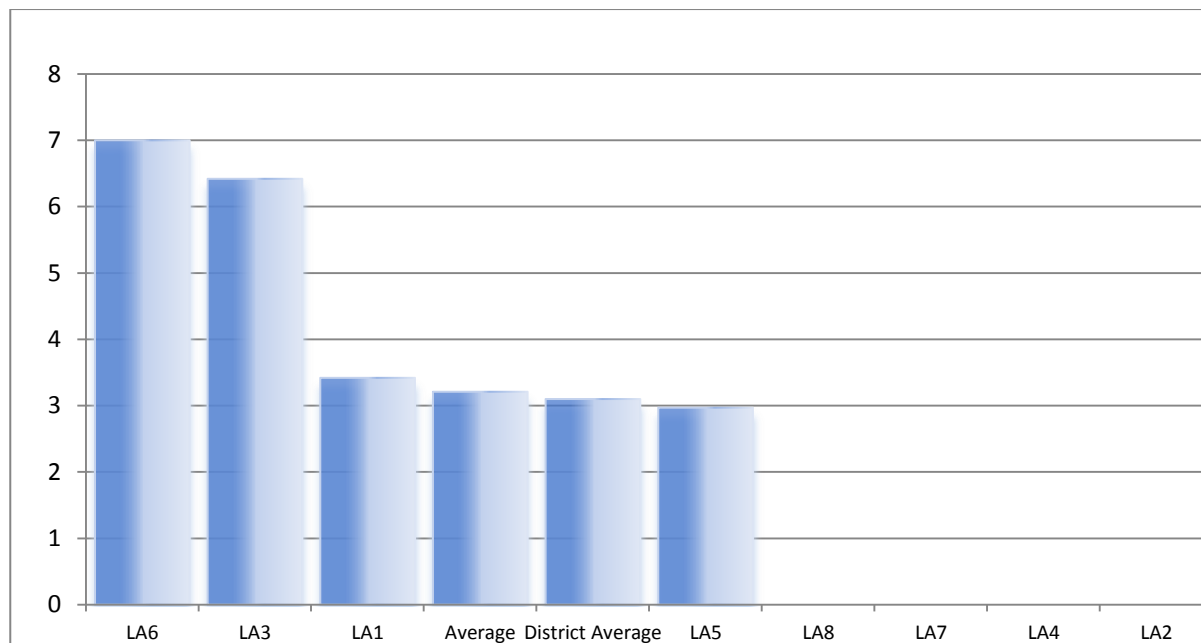


**Table 12: Percentage of Audit Plan – Establishment (Non-Schools) 2015/16**



**Risk Services Quarter Three Report – 2015/2016**

**Table 13: Percentage of Audit Plan – Grant Certification 2015/16**



**1.2 Corporate Fraud**

The Council’s Corporate Fraud Officer resigned in the quarter and approval has been obtained from the Corporate Resourcing Panel to recruit to this post. A recruitment campaign is currently underway with a view to the successful candidate joining the team in quarter four of this financial year.

Chris Cudlip, the new Insurance Fraud Officer, joined the team at the beginning of the quarter and work is underway to develop policies and procedures for tackling insurance fraud. The recruitment of the Insurance Fraud Officer is a spend to save initiative as it is anticipated that the proactive prevention and detection of fraud will help to reduce the overall cost of public liability claims. To aid with this, a visit to Leicester City Council was undertaken as they have been reviewing insurance fraud for some time now and have seen good results. Best practice learned from this visit will be incorporated into the procedures being developed at Blackpool Council.

An i-pool training course on Anti-Money Laundering is being developed by the team and roll out is planned to coincide with the implementation of the new policy and procedure which is being taken to Audit Committee in January 2016 for approval.

The team arranged a training session on the Regulation of Investigatory Powers Act (2000) for staff involved in the governance, authorisation and application of the powers. The training was well received and an additional session is being arranged for March 2016 for staff who were unable to attend. Many lessons were learned from the training and the Corporate RIPA Group is looking at how these can be incorporated at the Council going forward.

*Risk and Resilience*

Kayleigh Stockdale joined the team in the quarter as the Assistant Risk and Resilience Officer replacing the Risk and Resilience Officer who left the Council earlier this year.

A risk management review of the Highways Service has been undertaken by the Council’s claim handlers. The outcome of this was positive and it was recognised that the Council is proactively trying to reduce risk in this area. A number of recommendations were made and an action plan has now been agreed with the Highways Team to implement these.



**Risk Services Quarter Three Report – 2015/2016**

An i-pool training course relating to risk management and business continuity planning is being developed by the team with a view to launch by the end of the financial year. It is hoped that this will provide all employees with the tools they need to effectively manage risk on a day to day basis. The team have also been working alongside Corporate Procurement, Organisational and Workforce Development and the Council’s insurers to arrange a number of training sessions relating to Contracts and Partnerships.

As previously reported a quality review of business continuity plans is currently underway by the team. It has been agreed that this process will also be extended to risk registers to ensure a consistent quality across the Council.

A project is underway with colleagues in ICT and Property Services to explore the potential for moving the Emergency Control Centre to Bickerstaffe House. The new building is more suited to providing a resilient space for such a function and will ensure that it can easily be accessed by key staff in the event of a major incident.

The team have been involved in the various responses to severe weather over the quarter and have arranged mutual aid, where requested, in the form of Emergency Response Group Volunteers and the provision of sandbags.

**2. Performance**

***Risk Services Performance indicators***

<b>Performance Indicator (Description of measure)</b>	<b>2015/16 Target</b>	<b>2015/16 Actual</b>
Professional and technical qualification as a percentage of the total.	85%	71%

***Internal Audit Team performance indicators***

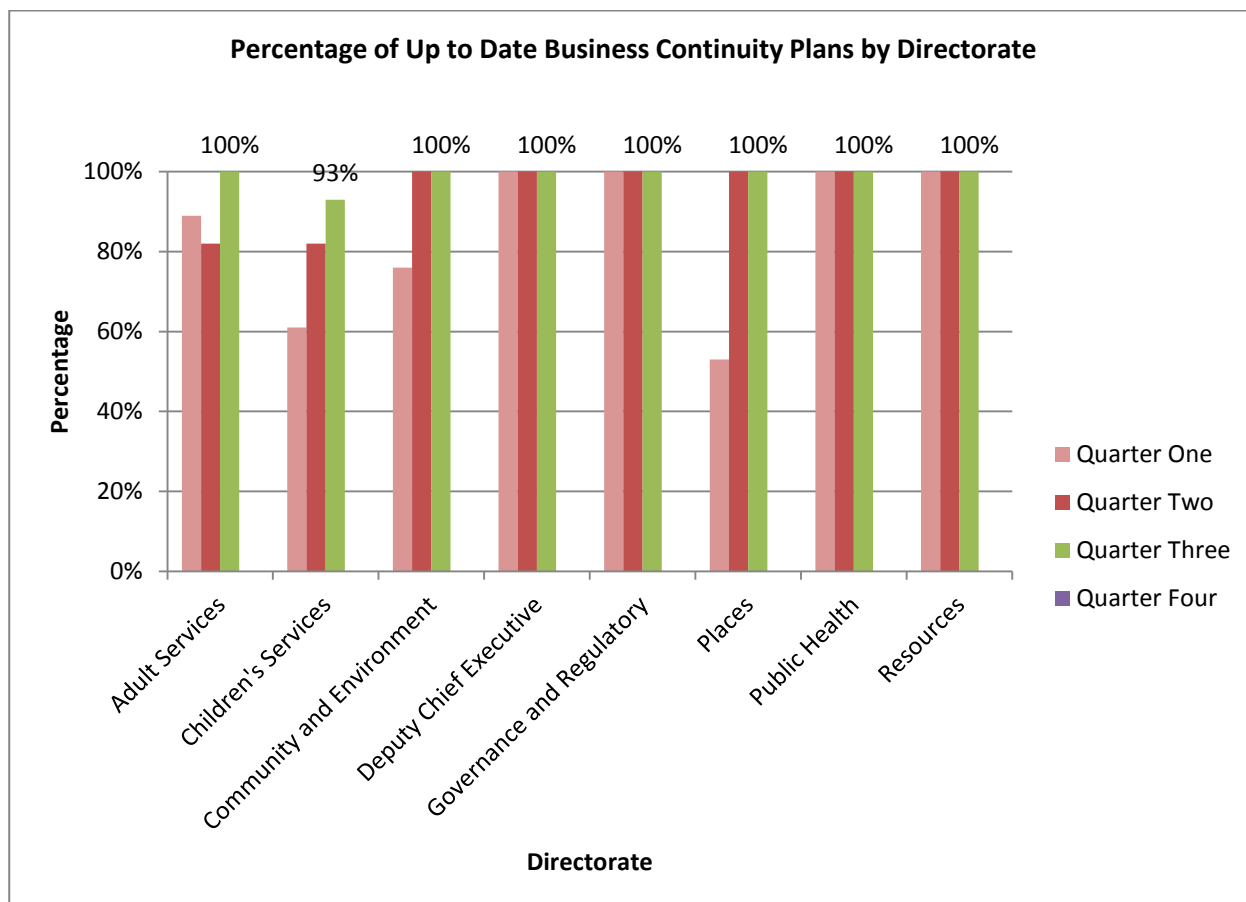
<b>Performance Indicator (Description of measure)</b>	<b>2015/16 Target</b>	<b>2015/16 Actual</b>
Percentage audit plan completed (annual target).	90%	64%
Percentage draft reports issued within deadline.	96%	96%
Percentage audit work within resource budget.	92%	89%
Percentage of positive satisfaction surveys.	85%	88%
Percentage compliance with quality standards for audit reviews.	85%	87%

**Risk Services Quarter Three Report – 2015/2016**

**Risk and Resilience Team performance indicators**

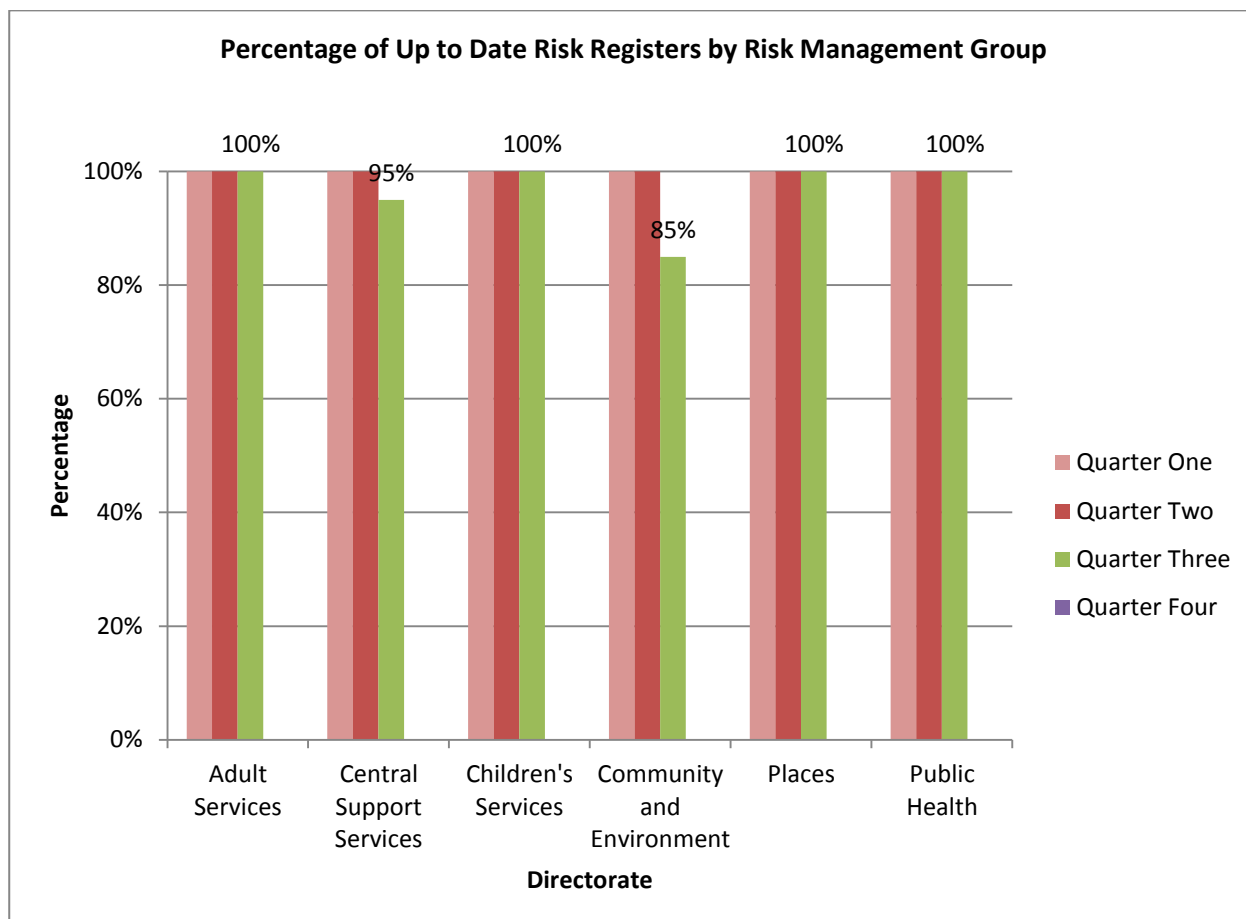
Performance Indicator (Description of measure)	2015/16 Target	2015/16 Actual
Percentage of Council service business continuity plans up to date.	90%	98%
Number of risk and resilience training and exercise sessions held (annual target).	6	5
Number of trained Emergency Response Group Volunteers (for monitoring purposes only – responsibility lies with Adult Social Care)	60	43
Percentage integration into the Lancashire Resilience Forum workstreams.	70%	70%
Percentage of property risk audit programme completed (annual target).	90%	55%
Percentage of risk registers revised and up to date at the end of the quarter.	90%	95%

\*In support of the 98% of business continuity plans up to date by the end of the quarter the following graph shows a breakdown by directorate:



**Risk Services Quarter Three Report – 2015/2016**

\*In support of the 95% of risk registers revised and up to date by the end of the quarter the following graph shows a breakdown by department:



**Corporate Fraud Team performance indicators**

Performance Indicator (Description of measure)	2015/16 Target	2015/16 Actual
Percentage of high risk / recommended National Fraud Initiative matches investigated (annual target).	100%	98%

**Blackpool Council: Risk Services**

**Risk Services Quarter Three Report – 2015/2016**

*Corporate Fraud Team Statistics (Including National Fraud Initiative Findings)*

	Number of Referrals Received	Number of Fraud Proven	Under Investigation	No Fraud	Value of Fraud / Error	Action Taken				
						AP	Pro	Rec	NFA	Disc
<b>Type of Fraud</b>	<b>2015/2016 Cumulative Figure</b>									
Council Tax Discount	15	1	2	12	£1,233.84	0	0	1	12	0
Council Tax Reduction (CTR)	32	2	23	7	£392.41	0	0	2	7	0
Business Rates	0	0	0	0	£0.00	0	0	0	0	0
Procurement	4	0	1	3	£0.00	0	0	0	3	0
Fraudulent Insurance Claims	5	0	5	0	£0.00	0	0	0	0	0
Social Care	0	0	0	0	£0.00	0	0	0	0	0
Economic & Third Sector Support	0	0	0	0	£0.00	0	0	0	0	0
Debt	2	0	1	1	£0.00	0	0	0	1	0
Pension	0	0	0	0	£0.00	0	0	0	0	0
Investment	0	0	0	0	£0.00	0	0	0	0	0
Payroll & Employee contact fulfilment	1	0	1	0	£0.00	0	0	0	0	0
Expenses	0	0	0	0	£0.00	0	0	0	0	0
Abuse of position - financial gain	6	1	2	3	£1,449.99	0	0	0	3	1
Abuse of position - manipulation of financial or non-financial data	2	2	0	0	£0.00	0	0	0	0	2
Fraudulent cashing of housing benefit cheque	2	0	0	2	£0.00	0	0	0	2	0
Disabled parking concessions	1	0	0	1	£0.00	0	0	0	1	0
National Fraud Initiative (high risk)	2,752	6	31	2,715	£56,940.59	0	0	6	2,721	0
<b>Totals:</b>	<b>2,822</b>	<b>12</b>	<b>66</b>	<b>2,744</b>	<b>£60,016.83</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>2,750</b>	<b>3</b>

	October	November	December
Number of Referrals Sent to a Third Party – Not including NFI	2	4	0

**Risk Services Quarter Three Report – 2015/2016**

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

*Internal Audit reports issued in period*

Directorate	Review Title	Assurance Statement
Adult Services	Framework-i – Residential Payments	<p><b><u>Scope:</u></b></p> <p>The scope of our audit was to undertake compliance testing on controls around residential care and nursing care payments through the Framework-i system to assess whether these are operating effectively.</p> <p><b><u>Assurance Statement:</u></b></p> <p>We consider that the current controls are adequate, with some risks identified and assessed and some changes necessary. Significant improvement has been made by the service in relation to authorisation controls and recording of decisions made since our last review.</p>
Children’s Services	Better Start Project	<p><b><u>Scope:</u></b></p> <p>The scope of our audit was to review the effectiveness of the Better Start governance arrangements.</p> <p><b><u>Assurance Statement:</u></b></p> <p>We consider the controls in place around the processes for Better Start governance to be adequate. There were a number of key developments that were work in progress at the commencement of the audit review which have now been addressed. We made a number of recommendations to further strengthen the arrangements.</p>
Children’s Services	Moor Park Primary School	<p><b><u>Scope:</u></b></p> <p>Compliance testing based on a random sample was carried out in the following areas:</p> <ul style="list-style-type: none"> <li>• Purchasing</li> <li>• Procurement</li> <li>• Petty cash and purchase cards</li> <li>• Income</li> <li>• Payroll</li> <li>• Banking</li> </ul> <p><b><u>Assurance Statement:</u></b></p> <p>We consider that the controls in place are adequate with some risks identified and assessed and several changes necessary. Our testing revealed minor lapses in compliance with the controls.</p>

**Risk Services Quarter Three Report – 2015/2016**

Directorate	Review Title	Assurance Statement
Children's Services	St Teresa's Primary School	<p><b><u>Scope:</u></b></p> <p>Compliance testing based on a random sample was carried out in the following areas:</p> <ul style="list-style-type: none"> <li>• Purchasing</li> <li>• Procurement</li> <li>• Petty cash and purchase cards</li> <li>• Income</li> <li>• Payroll</li> <li>• Banking</li> </ul> <p><b><u>Assurance Statement:</u></b></p> <p>We consider that the controls in place are adequate with some risks identified and assessed and several changes necessary. Our testing revealed minor lapses in compliance with the controls.</p>
Children's Services	St Bernadette's Primary School	<p><b><u>Scope:</u></b></p> <p>Compliance testing based on a random sample was carried out in the following areas:</p> <ul style="list-style-type: none"> <li>• Purchasing</li> <li>• Procurement</li> <li>• Petty cash and purchase cards</li> <li>• Income</li> <li>• Payroll</li> <li>• Banking</li> </ul> <p><b><u>Assurance Statement:</u></b></p> <p>We consider that the controls in place are adequate with some risks identified and assessed, several changes necessary. Our testing revealed minor lapses in compliance with the controls.</p>

**Risk Services Quarter Three Report – 2015/2016**

Directorate	Review Title	Assurance Statement
Community and Environment	Leisure Centres Establishment Visit	<p><b><u>Scope:</u></b></p> <p>The scope of the audit was to undertake compliance testing on key financial controls at the following leisure centres:</p> <ul style="list-style-type: none"> <li>• Moor Park Health and Leisure Centre;</li> <li>• Blackpool Sports Centre including High Ropes;</li> <li>• Palatine Leisure Centre;</li> <li>• Gateway Fitness Centre.</li> </ul> <p><b><u>Assurance Statement:</u></b></p> <p>Our compliance testing has identified a number of low and medium priority risks which need addressing to ensure future compliance with key controls in the leisure service. As no high risk areas have been identified and the fact that the leisure centres are dealing with low value transactions we have concluded that overall the controls in place are adequate. However, the recommendations made in the report should be addressed to reduce the risk of inaccurate transactions or low level fraud within the service.</p>

**Risk Services Quarter Three Report – 2015/2016**

Directorate	Review Title	Assurance Statement
Community and Environment	Anchorsholme Coastal Protection Work	<p><b><u>Scope:</u></b></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> <li>• The effectiveness of the governance arrangements;</li> <li>• The effectiveness of the processes in place to manage contract performance and variations;</li> <li>• The arrangements in place to ensure that the project is carried out effectively in co-ordination with United Utilities works and</li> <li>• The effectiveness of engagement and consultation with the public regarding the project.</li> </ul> <p><b><u>Assurance Statement:</u></b></p> <p>We consider that the project governance arrangements in place for the delivery of the Anchorsholme Coast Protection Scheme are adequate with most risks identified and assessed and some control improvements required.</p> <p>The effectiveness of the processes in place to manage contract performance and variations are adequate however we are concerned that payments are being authorised by project assurance without sight of all relevant information and we consider this part of the process to be inadequate.</p> <p>Regular meetings are held with United Utilities to help coordinate the work and whilst there are some issues still to be resolved we consider that adequate steps are being taken to address these and appropriate contingencies have been identified.</p> <p>We consider that an appropriate programme for engagement with local residents has taken place both at the outset and throughout the life of the project.</p>



**Risk Services Quarter Three Report – 2015/2016**

Directorate	Review Title	Assurance Statement
Deputy Chief Executive	Ability to Transform	<p><b><u>Scope:</u></b></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> <li>• Whether the Council is identifying and exploiting opportunities for transformational change to improve service delivery and efficiency;</li> <li>• How well equipped the Council is to achieve successful transformational change going forward; and</li> <li>• Identification and assessment of different models for the provision of central support services to support transformational change.</li> </ul> <p><b><u>Assurance Statement:</u></b></p> <p>The Council has achieved major changes in recent years and has recognised that the only way it can continue to manage services facing increased demands with ever decreasing resources is by further identifying and exploiting opportunities for transformational change. We consider that through the recent CLT discussion paper and the ongoing development of leadership the Council is responding to the further challenges ahead. We consider that the Council is identifying and, to a degree exploiting, opportunities for transformational change to improve service delivery and efficiency and assess this part of the review scope as adequate with some areas for improvement identified.</p> <p>However, at the time of our review the resourcing available, or detailed plans as to how those resources will be made available, to achieve fundamental transformational change were not in place. There remains therefore a significant risk that the Council will not be able to achieve the required level of transformational change.</p>

**Risk Services Quarter Three Report – 2015/2016**

Directorate	Review Title	Assurance Statement
Deputy Chief Executive	Compliance with Corporate Procedures	<p><b><u>Scope:</u></b></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> <li>• The general reasons for non-compliance with corporate procedures and requests for information;</li> <li>• The risks and consequences associated with not complying with corporate procedures;</li> <li>• The level of understanding of the risks associated with non-compliance; and</li> <li>• Sanctions available to address non-compliance.</li> </ul> <p><b><u>Assurance Statement:</u></b></p> <p>We consider that the controls in place to ensure compliance with corporate procedures are currently inadequate, with a number of material risks identified and significant improvement required. Data available on non-compliance with corporate procedures indicates poor compliance levels in some departments in a number of areas.</p>

**Risk Services Quarter Three Report – 2015/2016**

Directorate	Review Title	Assurance Statement
Deputy Chief Executive	Information Management and Data Breaches	<p><b><u>Scope:</u></b></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> <li>• The processes in place for recording and reporting data breaches and near misses and methods in place for ensuring staff awareness of the processes and consequences of breaches.</li> <li>• The measures that services are putting in place as a result of data breaches and near misses to prevent future breaches from happening.</li> <li>• The mitigation of specific perceived high risk areas for information management such as temporary/contract staff, mobile working, administrator accounts and leavers processes.</li> <li>• For services that are still heavily reliant on paper records, whether such reliance could be significantly reduced and how well the services mitigate the risks associated with paper records containing protected or sensitive information.</li> </ul> <p><b><u>Assurance Statement:</u></b></p> <p>We consider that the controls in place are adequate with some risks identified. Implementation of the recommendations should help to address these risks. It is recognised however that the responsibility for preventing data breaches does not solely rest with ICT Services and staff training and awareness throughout the Council is still being developed.</p>

**Risk Services Quarter Three Report – 2015/2016**

Directorate	Review Title	Assurance Statement
Place	Car Parking Income	<p><b><u>Scope:</u></b></p> <p>The scope of this audit was to review:</p> <ul style="list-style-type: none"> <li>• The processes for income collection and cash counting including accounting, monitoring and reconciliation procedures.</li> <li>• The derivation of income targets and whether these provide for an effective and efficient parking service.</li> </ul> <p><b><u>Assurance Statement:</u></b></p> <p>We consider that the controls in place in relation to cash collection and handling are adequate, with some risks identified and assessed and some further control improvements required. Our testing revealed minor lapses in compliance with the cash collection and handling controls.</p> <p>We note that the income targets for the Car Parking service are not based on current or future parking capacity, fee levels or forecast patronage levels and have not been achieved for a number of years. The recent engagement of consultants to review parking provision should help to remedy this situation in future years.</p>

**Risk Services Quarter Three Report – 2015/2016**

Directorate	Review Title	Assurance Statement
Place	Cultural Services	<p><b><u>Scope:</u></b></p> <p>The scope of the audit was to review:</p> <ul style="list-style-type: none"> <li>• Cultural Services engagement with its service users and whether the way it currently engages best serves the residents of Blackpool.</li> <li>• Whether the service is effectively identifying and utilising opportunities to help the Council in delivering its wider priorities.</li> <li>• How the service can plan its business going forward to maximise the outputs and outcomes achieved in light of decreasing resources.</li> </ul> <p><b><u>Assurance Statement:</u></b></p> <p>Cultural Services have demonstrated that they effectively engage with residents through a variety of mechanisms and undertake a wide range of projects to reach a number of different target audiences.</p> <p>The service has also demonstrated how it contributes to a range of Council priorities particularly in relation to public health, school improvement, economic development and adult learning. This is supported by positive feedback from a range of internal stakeholders and evidence of a number of the joint working projects undertaken.</p> <p>Steps are taken to plan for the service and the business plan has been rationalised for 2015/2016 to help focus the service on the delivery of key objectives. The service also demonstrates success in bidding for external funding to widen the Cultural Services offer.</p> <p>Whilst a lot of positive work is being undertaken our audit did identify some inconsistencies in approach between different areas of Cultural Services and feedback from internal stakeholders has also identified some potential areas for further development.</p> <p>We therefore consider that Cultural Services are performing adequately across all areas of the scope of this review but have made some recommendations to help further develop the service offer.</p>

**Risk Services Quarter Three Report – 2015/2016**

Directorate	Review Title	Assurance Statement
Resources	Carbon Reduction Commitment	<p><b><u>Scope:</u></b></p> <p>This compliance based review of the Council’s carbon reduction commitment submission for 2014/2015 was based on guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). There is an annual requirement for an internal audit of the scheme to be carried out and copies of associated audit reports should be provided in the authorities evidence pack. The audit focused on a number of control objectives including that:</p> <ul style="list-style-type: none"> <li>• Information contained in the Annual Report is accurate and timely,</li> <li>• All fuel consumption is accurately reported using correct conversion rates and includes core, residual and other fuel types,</li> <li>• Estimated bills are monitored to ensure at least two meter reads are taken in a six month period (to avoid uplifts in carbon allowance purchases associated with estimated bills),</li> <li>• Issues are logged and updated with outcomes to support the evidence pack,</li> <li>• The cost of carbon allowances is budgeted for and accounted for correctly in the Council's financial system.</li> </ul> <p><b><u>Assurance Statement:</u></b></p> <p>We consider that the controls in place for the Carbon Reduction Commitment Scheme are good. Most risks have been identified and assessed and we consider that only minor control improvements are required. Our testing revealed a satisfactory level of compliance with the controls.</p>

**Risk Services Quarter Three Report – 2015/2016**

Directorate	Review Title	Assurance Statement
Resources	Purchase Cards	<p><b><u>Scope:</u></b></p> <p>The scope of the audit was to:</p> <ul style="list-style-type: none"> <li>• Conduct a post implementation review of the project to assess the effectiveness of the transition to the new purchasing card system and identify any outstanding issues which need to be resolved; and</li> <li>• Ensure that key controls have continued to work effectively since the change to the new supplier has taken place.</li> </ul> <p><b><u>Assurance Statement:</u></b></p> <p>We consider that the controls in place are inadequate, as a number of material risks are identified and significant improvements are required to ensure any outstanding issues from this project are resolved.</p> <p>For the limited controls that are in place our testing has revealed a number of lapses in compliance.</p>

***Progress with Priority 1 audit recommendations***

A review of priority one recommendations was undertaken to confirm the current position. This focused on all priority one recommendations implemented, those where new target dates have been agreed, those where no response has yet been received by the service and those not yet due.

Some priority one recommendations have not been implemented by the agreed target date however steps have been taken with the service to agree revised target dates and these will be followed-up once the new target dates are reached.

***The Regulation of Investigatory Powers Act 2000***

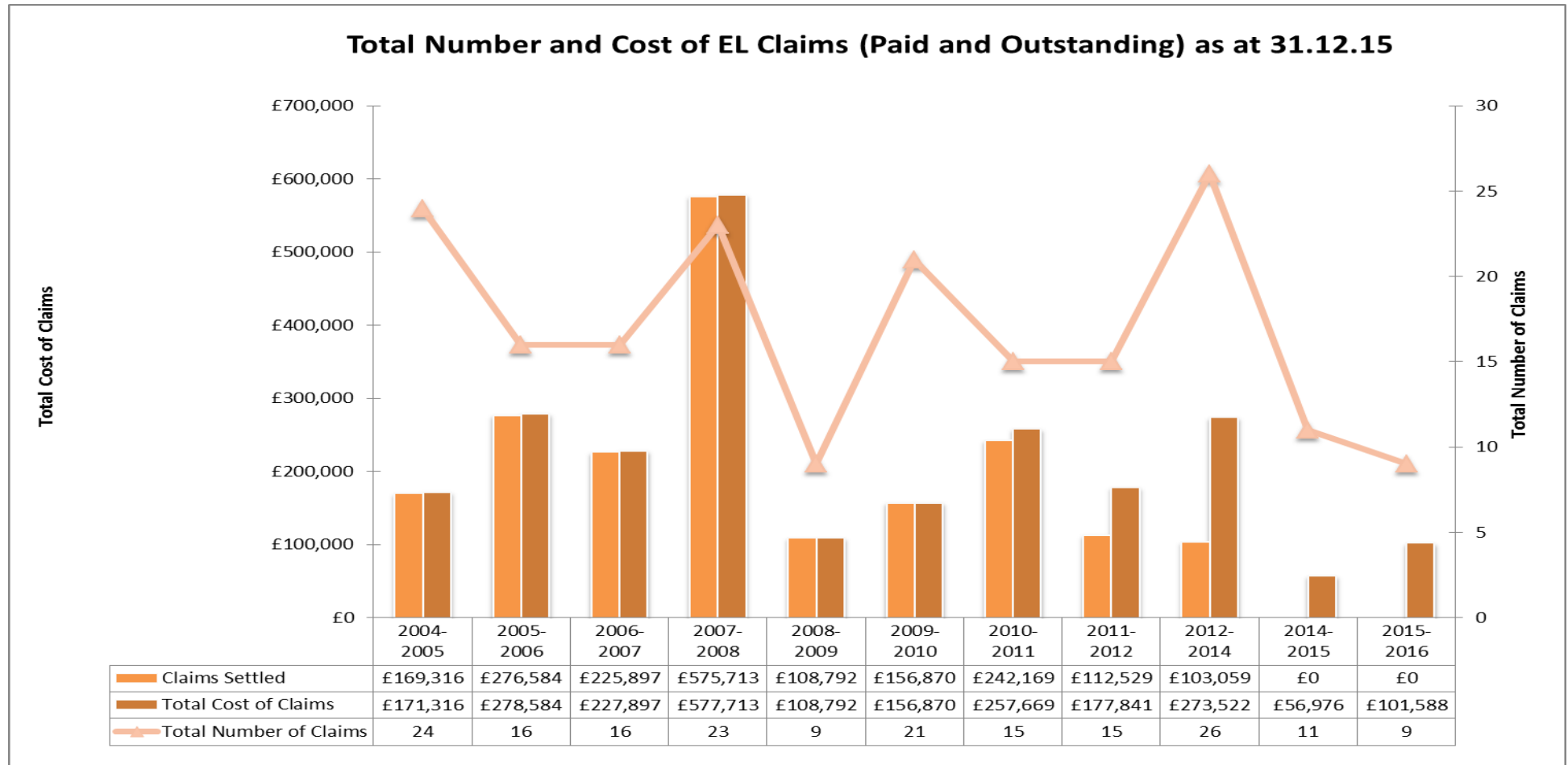
In line with best practice it has been agreed that the Council will report to the Audit Committee the number of RIPA authorisations undertaken each quarter which enables the Council to undertake directed and covert surveillance. Between October and December 2015 the Council authorised one directed surveillance reported to the Governance and Regulatory Service. This was by the Public Protection Team and was related to the sale and distribution of illicit tobacco products.

***Insurance claims data***

Statistics in relation to insurance claims are collated on a quarterly basis and details of the latest information can be seen in **Appendix B** of this report.

**Risk Services Quarter Three Report – 2015/2016**

**4. Appendix B – Insurance Claims Data**



Please note that for the period 2012 to 2014 the policy ran for an 18 month period whilst arrangements were made to align all policy dates to a 1<sup>st</sup> April start in preparation for the procurement exercise.



**Risk Services Quarter Three Report – 2015/2016**

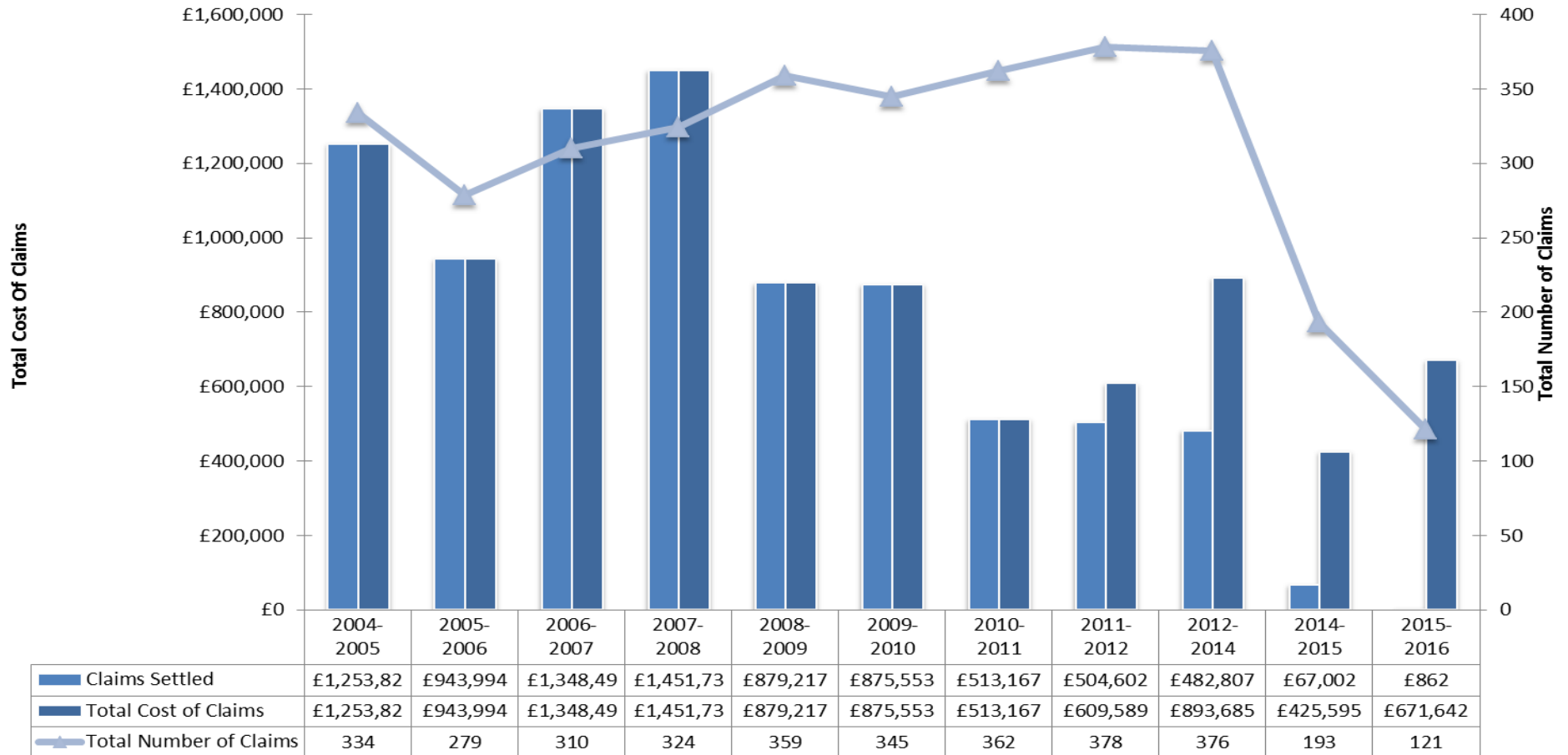
**Total Number and Cost of PL Claims (Paid and Outstanding) as at 31.12.15.**



Please note that for the period 2012 to 2014 the policy ran for an 18 month period whilst arrangements were made to align all policy dates to a 1<sup>st</sup> April start in preparation for the procurement exercise.

**Risk Services Quarter Three Report – 2015/2016**

**Total Number and Cost of PLH Claims (Paid and Outstanding) as at 31.12.15**



Please note that for the period 2012 to 2014 the policy ran for an 18 month period whilst arrangements were made to align all policy dates to a 1<sup>st</sup> April start in preparation for the procurement exercise.