

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 26 MAY 2016

Present:

Councillor Galley (in the Chair)

Councillors

Hobson	O'Hara	Roberts	Scott
Matthews	Owen	Ryan	Singleton

In Attendance:

Mr Neil Jack, Chief Executive

Mr Steve Thompson, Director of Resources

Mr Mark Towers, Director of Governance and Partnerships

Ms Tracy Greenhalgh, Chief Internal Auditor

Mr Iain Leviston, Manager, KPMG

Mr Chris Kelly, Senior Democratic Governance Adviser (Scrutiny)

1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

2 MINUTES OF THE LAST MEETING HELD ON 7 APRIL 2016

The Committee agreed that the minutes of the last meeting held on 7 April 2016 be signed by the Chairman as a true and correct record.

3 STRATEGIC RISK REGISTER - SUSTAINABILITY OF THE COUNCIL

The Committee considered a progress report in relation to the individual risks identified on the Strategic Risk Register, specifically in relation to risks regarding Sustainability of the Council. The Committee discussed plans to control and mitigate the risks with the strategic risk owners, Mr Jack, Chief Executive, Mr Towers, Director of Governance and Partnerships and Mr Thompson, Director of Resources.

Mr Thompson reported that nationally there was a general risk over the sustainability of local government in recent years due to the impact of funding cuts. He noted that whilst there was a statutory duty for local authorities to deliver a balanced budget and some specified services, there were a number of services that were currently delivered despite there being no statutory obligation. It was therefore explained to Members that there were budgetary pressures on the ability of the Council to continue delivering non-statutory services.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 26 MAY 2016

Mr Thompson reported that despite the repeated cuts to funding, a consistent level of reserves had been maintained throughout the years of austerity, through prudent financial management. He provided Members with details of plans of how the budget would be managed in future, which included the drafting of a six year Medium Term Financial Strategy that should be in place by September 2016.

Mr Towers provided information to the Committee on the sub risk of 'further devolution of services and increased partnership working'. He explained that as decision-making and funding became more localised through projects such as Better Start and Head Start, as well as the development of the Combined Authority proposal, it was important to ensure appropriate governance structures were in place that enabled a sufficient level of scrutiny.

Mr Towers provided Members with examples of the services currently shared with Fylde Council, which included Human Resources and Civic Support. He also provided the Committee with details of the partnership working arrangements that were in place with the Blackpool Teaching Hospitals Trust and noted the role of the Public Services Board in ensuring that public services were shared where possible, in order to deliver the best value for public money.

Mr Jack provided the Committee with information relating to the sub risk of there being 'insufficient Central Government funding for Care Act reforms in addition to current constraints on cash limited budgets'. Mr Jack reported that the Government had since deferred the introduction of the policy to cap the costs of care.

The Committee was also provided with details of the implications of the implementation of the living wage on the Adult Social Care budget. Mr Jack advised that the Adult Social Care budgets in northern areas had been adversely impacted by the introduction of the living wage, compared to the impact in southern areas. He provided Members with details of the shortfall between the additional funding received through the Adult Social Care precept and the actual cost of implementing the living wage. He noted that rises to the living wage above inflation would be factored into the Medium Term Financial Plan.

Members noted that a control for the risk was 'to challenge government assumptions and support lobbying for resource' and raised questions relating to the form of lobbying for resources that was employed. Mr Jack advised that it would depend upon for which service the lobbying was on behalf of and advised Members that the Leader of the Council had a role on the Local Government Association, which had a potential to make a big impact in relation to lobbying government. Mr Jack noted the requirement to work alongside other public sector partners, for instance those in the Health sector, in order for lobbying on behalf of the local area to have a greater impact. Mr Jack also advised that regular meetings were held with both of the MPs representing Blackpool in order to lobby the Government on a number of issues.

Members raised questions relating to budget overspends and Mr Thompson advised that in areas such as Children and Adult services, budgets were subject to volatile levels of demand, with the result that there was a greater potential for there being overspends within the budgets for those services.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 26 MAY 2016

Members discussed the impact upon services from cuts to local authority funding and Mr Jack advised that savings would become harder to find in future and there would be a requirement to consider which services were the most essential for residents.

Background papers: None.

4 STRATEGIC RISK REGISTER - INEFFECTIVE GOVERNANCE

The Committee considered a progress report in relation to the individual risks identified on the Strategic Risk Register, specifically in relation to risks regarding Ineffective Governance. The Committee discussed plans to control and mitigate the risks with the strategic risk owners, Mr Jack, Chief Executive, Mr Towers, Director of Governance and Partnerships and Mr Thompson, Director of Resources.

Mr Towers provided the Committee with an overview of the sub risk of 'non-compliance with statutory requirements and internal procedures' and the controls that were undertaken to mitigate the risk. He provided details of the work undertaken to raise awareness of the standards of governance required and of the consequences of failure to meet governance standards. He reported to the Committee that an Executive Decisions Toolkit had been developed to ensure managers across the Council were aware of the requirements of governance and decision-making arrangements.

Mr Jack advised Members of some of the control mechanisms in place to mitigate against the quality of services being compromised or Health and Safety being compromised as a result of non-compliance with statutory requirements and internal procedures. He noted that the control mechanisms were appropriately varied and that, as a developing control he would be ensuring that there was a consistent use of Human Resources policies across the Council.

Upon questioning from Members, Ms Greenhalgh explained that the Risk Management Framework set out the requirements for risk registers and the Risk Management Toolkit provided practical advice for managers on how to prepare and use a risk register.

Members also raised questions in relation to the sub risk of an 'increased risk of fraud' and Mr Thompson advised that the increased risk was due to a combination of factors, which included less resource to tackle fraud, as well as other factors prevalent in the current economic climate that made people more likely to attempt to commit fraud.

Background papers: None.

5 RISK SERVICES QUARTER FOUR REPORT - 2015/2016

Ms Greenhalgh, Chief Internal Auditor, presented the Committee with an overview of the Risk Services Report for the fourth quarter of 2015-2016.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 26 MAY 2016

Ms Greenhalgh provided the Committee with a summary of the key points contained within the report and advised Members that a major incident exercise had been undertaken on 19 January 2016, which had involved a wide range of services. It was reported that the outcome of the exercise had been collated and would help with future learning, especially in relation to Property Management and the development of the Major Emergency Plan.

Ms Greenhalgh reported on the Key Performance Indicators for the service. It was noted that the percentage of professional and technical qualifications held was lower than the target and, upon questioning from Members, Ms Greenhalgh explained that the reason was due to two members of staff with professional qualifications having left the Service. She advised that as a result, junior members of the team were being afforded more opportunities and training.

Members also raised questions relating to the number of trained Emergency Response Group Volunteers and it was reported that plans to increase resilience through employing joint arrangements with Lancashire County Council and Blackburn with Darwen Council, were being investigated. Members were also advised that the possibility of providing incentives for volunteers was also being explored. Mr Jack noted that the volunteers were only required for emergencies occurring outside of office hours and that there would be appropriate numbers of staff to be able to deal with emergencies during office hours.

Members noted that the percentage of risk registers revised and up to date at the end of the quarter was slightly below target and were assured that the indicator was expected to be on target by the end of the Risk Services Quarter One Report 2016/2017.

Members also raised questions in relation to the Corporate Fraud Statistics and were advised that the National Fraud Initiative was a national exercise on data matching. Ms Greenhalgh explained that of the 2,752 referrals that Blackpool had received, 553 had resulted in an investigation of some form. Ms Greenhalgh advised that a risk assessment was completed on every referral received, upon which any further investigation depended. She noted that the Corporate Fraud Team would record if no further action was taken on a referral. The Committee requested that an additional column be inserted into the table of Corporate Fraud Statistics, indicating the number of referrals received, but that no further action had been taken.

Ms Greenhalgh provided the Committee with an overview of the Internal Audit reports issued during Quarter Four, with particular reference to the inadequate statements that had been issued.

The Committee considered the Internal Audit report of the Coastal Communities Fund, for which the controls in place had been assessed as being inadequate due to the lack of a robust income stream that left the project at risk of being unsustainable. It was also noted that there were concerns that the project did not follow a formal project management methodology and key documents, such as project plans and actions plans were not in place. Members noted that it was a three year project with an aim to become self-sufficient in the future, but raised concerns that there was still not a project plan in place after the first year.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 26 MAY 2016

The Committee discussed plans for income generation for the project and requested that the relevant officer be invited to the next meeting of the Committee to provide an explanation for controls being inadequate and to provide a progress report detailing how the concerns of the audit had been mitigated.

The Committee also considered insurance claims data and Ms Greenhalgh advised that there had been a reduction in the number of tripping claims. It was considered that the reduction in claims was due to a number of factors, which included the impact of Project 30, although at a slower rate than had initially been anticipated, and the Jackson reforms, which had arisen following a review of civil litigation costs. Ms Greenhalgh reported that it was expected that the Highways Road Asset Management Strategy would continue to have an impact in reducing claims further. Members questioned whether Project 30 would deliver the savings that had initially been targeted and were advised that initial targets had been aspirational and there remained a gap between the savings currently achieved and the savings initially forecast.

The Committee agreed:

- 1) To note the report.
- 2) To request that an additional column be inserted into the table of Corporate Fraud Statistics, indicating the number of referrals received but that no further action had been taken.
- 3) To request that the Director of Place be invited to attend the next meeting of the Committee in order to provide an explanation for controls being inadequate in relation to the Coastal Communities Fund internal audit review and to provide a progress report detailing how the concerns of the audit had been mitigated.

Background papers: None.

6 ANNUAL INTERNAL AUDIT OPINION AND QUALITY IMPROVEMENT PROGRAMME

Ms Greenhalgh presented a report to the Committee, which provided Members with details of the Chief Internal Auditor's Annual Opinion on the Council's control environment and details of the Quality Improvement Programme, which the audit team was working towards in line with the Public Sector Internal Audit Standards.

Ms Greenhalgh summarised the key points from the report to Members, advising that she was satisfied that sufficient assurance work had been undertaken in 2015/2016 to allow the provision of a reasonable conclusion on the adequacy and effectiveness of the Council's internal control environment and that her opinion was that the overall control environment of the Council was adequate.

The Committee was provided with details of the planned internal audit reviews that had not been undertaken and the reason for their deferment. The planned reviews had included Housing Benefit Risk Based Verification, which had been deferred until early 2017/2018 for the scheme to be embedded; Public Health Commissioning, which had been deferred until

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 26 MAY 2016

2017/2018 due to potential changes to the model used to provide commissioning services; Governance Arrangements of Boards and Panels, which had been deferred until 2016/2017 to provide assurance that the new arrangements were working effectively; and Identification of Carers, Care and Support, which had been a requirement of the Care Act, however given the delays in the implementation there would be little value in undertaking the review in 2015/2016.

Ms Greenhalgh reported to Members that she was of the opinion that in all material respects the Internal Audit Team conformed to the definition of internal audit, the Code of Ethics and the Public Sector Internal Audit Standards.

The Committee was also presented with the Quality Assurance Improvement Programme Action Plan.

The Committee agreed to note the findings from the Annual Internal Audit Opinion and Quality Improvement Programme.

Background papers: None.

7 AUDIT COMMITTEE TRAINING PROGRAMME 2016/17

The Committee considered the proposed modular training programme for Audit Committee Members.

Members requested that the training on the 'Role of the Audit Committee' was open to all Councillors.

The Committee agreed:

- 1) To approve the Audit Committee training programme.
- 2) To request that the 'Role of the Audit Committee' training was open to all Councillors.

Background papers: None

8 ANNUAL AUDIT FEE 2016/2017

The Committee considered the external auditor's Annual Audit Fee Letter 2016/2017.

Mr Leviston, Manager, KPMG, summarised the annual audit fee letter, which detailed the audit work and fee proposed for the 2016/2017 financial year. He explained that the proposals were based upon the risk-based approach to audit planning as set out in the Code of Audit Practice and Public Sector Audit Appointment's published work programme and fee scales.

The Committee agreed to note the external auditor's Annual Audit Fee Letter 2016/2017.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 26 MAY 2016

Background papers: None

9 DATE OF NEXT MEETING

The Committee noted the time and date of the next meeting as 6pm on Thursday 30 June 2016 at Town Hall, Blackpool.

Chairman

(The meeting ended at 7.49 pm)

Any queries regarding these minutes, please contact:
Chris Kelly, Senior Democratic Governance Adviser
Tel: 01253 477164
E-mail: chris.kelly@blackpool.gov.uk