

## MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 22 SEPTEMBER 2016

### Present:

Councillor Galley (in the Chair)

Councillors

Benson	Hobson	Maycock
Cox	Hunter	O'Hara

### In Attendance:

Mr Neil Jack, Chief Executive  
Mr Steve Thompson, Director of Resources  
Mrs Delyth Curtis, Director of People  
Mr Gary Smith, Audit Manager  
Mr Trevor Rees, Partner, KPMG  
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 30 JUNE 2016

The Committee agreed that the minutes of the last meeting held on 30 June 2016 be signed by the Chairman as a true and correct record.

### 3 STRATEGIC RISK REGISTER - LACK OF RESILIENCE

The Committee considered a progress report in relation to the individual risks identified on the Strategic Risk Register, specifically in relation to risks regarding 'Lack of Resilience'. The Committee discussed plans to control and mitigate the risks with the strategic risk owners, Mr Jack, Chief Executive and Mrs Curtis, Director of People.

Mr Jack discussed the sub-risk of 'lack of individual resilience to work in a changing environment'. The Committee was advised of the staffing issues, noting that in 2011 there were 2,800 staff compared to 2,100 now, despite additional services now being provided. Mr Jack explained that the reduction in staffing levels inevitably resulted in an increased pressure on staff and he advised the Committee how the risks were being mitigated, which included promoting access to the Employee Assistance Programme and training courses to improve resilience skills.

With regards to the sub-risk of 'Lack of Capacity to deliver Council Services', Mr Jack advised the Committee of the development programmes that had been implemented, for instance

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coaching and mentoring aspiring managers. He also explained the steps taken to improve employee commitment, which involved providing incentives for staff, for example offers on events being held at the Winter Gardens.

Mrs Curtis, Director of People, advised the Committee of the recruitment programmes for specific areas of service, such as social care and teaching, which were particularly problematic posts to fill. She noted that a recruitment tool had been developed in conjunction with schools and the Blackpool Teaching Hospitals NHS Foundation Trust and also provided details of the workplace development steps that were taken to train new employees so they were appropriately skilled for the future.

Mr Jack also advised the Committee that work was being undertaken to help support residents of the town to improve their resilience and reduce the dependency on Council services, noting that building resilience was a priority in the Council Plan. Mr Jack provided details of the additional resources that had been secured to support helping people to be better parents, to find employment and to improve the education of children and young people, such as Better Start, Head Start and Fulfilling Lives.

The Committee questioned the level of acceptable risk for the risk register item and Mr Jack advised that whilst it would be preferable for the net risk scores to be reduced, there remained a requirement for appropriate attention to be constantly given to the indicators, especially in the current financial climate. Mr Jack advised that with the work that was being undertaken to mitigate and control the risk, he considered that the net risk scores could be reduced to 12 in future.

The Committee raised further questions relating to the funding settlement and the services received by Council Tax payers. Mrs Curtis advised that in terms of people's access to social care, there was a national threshold from which Adult Services could not waiver. She reported that a mixed model of care provision was now provided, which was cost efficient. However, it was noted that there were some issues relating to demand due to growth in population. Mr Jack explained that communication could be improved regarding how Council Tax payer's money was spent and that there was also a requirement to remind people and businesses that everyone had responsibilities towards their communities.

Background papers: None.

### **4 RISK SERVICES QUARTER ONE REPORT - 2016/2017**

Mr Smith, Audit Manager, presented the Committee with the Risk Services Quarter One Report 2016/2017.

Mr Smith reported on the key internal audits that had been scoped in the first quarter and for which preparatory work had commenced. Members were advised that the Internal Audit Team had been externally assessed against the Public Sector Internal Audit Standards. The verbal feedback received was positive with some recommendations to be considered. Mr

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Smith noted that once the final report had been received it would be presented to the Committee.

Members were also provided with details of service developments with regards to Corporate Fraud, notably that proactive counter fraud work was underway in a number of areas with the focus for quarter one being on purchase cards, insurance fraud and blue badges.

Mr Smith reported on the Key Performance Indicators for the service. He advised that there was a degree of volatility to the indicators due to only being at Quarter One, however the figures were approximately what would be expected. Responding to Members' questions, Mr Smith advised how the indicator of 'Percentage compliance with quality standards for audit reviews' was calculated and noted that achieving over the target was good.

Members questioned the reasons for only 78% of the Resource directorate business continuity plans being completed. Mr Smith advised that the reason had been due to business continuity plans for accountancy not being in place by the time of the report publication. However, Members were advised that the business continuity plans had since been submitted.

Members raised further questions with regards to the low percentage of employees completing the i-pool fraud awareness course. Mr Smith advised that it was not currently a mandatory course and Mr Jack explained that there was a requirement to push the course to all appropriate employees. However, he considered that it would not be appropriate to be mandatory as it would not be relevant for some employees. It was also noted that there were already a significant number of mandatory i-pool modules which staff had to complete. Upon challenge from Members regarding the target figure, Mr Jack provided assurances that in twelve months the 50% target would be met.

The Committee noted the information relating to Whistleblowing and considered that it would be useful for Members to have access to training on the Whistleblowing policy. It was agreed that the Committee should make a recommendation to the Member Training Panel to consider offering a training course on the Whistleblowing policy.

Members noted the positive Corporate Fraud statistics and questioned officers on whether they considered the figures to be a true reflection. Mr Smith advised Members that Risk Services was building up capacity to undertake proactive work to find incidents of corporate fraud, following the transfer of some responsibilities to the Department of Work and Pensions.

The Committee considered the Internal Audit reports that had been issued during the quarter. Members discussed the internal audit review of Selective Licensing, which focused on the expenditure attributed to the scheme to ensure each transaction was appropriate and the apportionment of time spent on the scheme by staff had been properly accounted for. Mr Smith reported that the review identified that the expenditure incurred by the scheme was reasonable and in line with the delivery of the scheme. However, it was noted that there should have been more robust budget management by the service to ensure that

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budgets for schemes reflected actual expenditure and that the focus of the service had been on outcomes rather than monitoring resources. The Committee considered that the Director of Community and Environmental Services should be invited to discuss the internal audit report in more detail, the lessons learned and the action plan following the audit recommendations, at the next meeting of the Committee.

Members raised questions with regards to the internal audit entitled 'Financial Control Assurance Testing', specifically with regards to duplicate accounts being created. Mr Smith noted that it had been an issue for a significant length of time and Mr Thompson advised that the reason for the errors was due to small derivatives of the same client being entered onto the system due to oversights from individual employees.

The Committee considered the internal audit on 'catalogue prices' and Mr Smith reported that the current controls had been found to be inadequate with a number of risks identified and changes necessary. Upon questioning from Members, Mr Thompson considered that the findings of the review had been disappointing, but that action was now being taken to ensure internal controls were appropriate. Mr Smith advised that an action plan had been devised making recommendations for how to resolve the issues and internal audit would be undertaking follow up work to ensure there were improvements.

Members noted that some priority one recommendations had not been implemented by the agreed target date. Mr Smith reported that often the recommendations were not able to be implemented immediately and in such cases steps had been taken with the services to agree revised target dates. He assured Members that internal audit did follow up on their recommendations and the Committee noted that it could invite officers to the Committee to provide an explanation for recommendations not being implemented.

The Committee agreed:

- 1) To note the report.
- 2) To recommend that the Members Training Panel consider offering a training course for Members on the Whistleblowing policy.
- 3) To request that the Director of Community and Environmental Services be invited to attend the next meeting of the Committee in order to discuss the Selective Licensing internal audit report in more detail, the lessons learned and the action plan following the audit recommendations.

Background papers: None.

### **5 EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) AND STATEMENT OF ACCOUNTS 2015-2016**

The Committee considered KPMG's Governance Report and the audited Statement of Accounts for 2015-2016.

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Mr Thompson, Director of Resources, summarised the key aspects of the Statement of Accounts and advised that there had been approximately a £500,000 overspend, but that figure should be considered alongside an overall budget of £128,687,000.

Upon questioning from Members, Mr Thompson explained that the main reason for the net service overspend was the overspend in Children's Services, as a result of the high cost of Looked After Children due to both increased numbers and placement mix.

Mr Thompson provided the Committee with an overview of the statement of accounts and responded to Members' questions, advising that the removal of concessionary fares for customers outside of Blackpool had saved a significant amount and that increased patronage should be considered a success. Responding to a question relating to the Local Authority Mortgage Scheme, Mr Thompson advised that nobody had defaulted on their loan.

Members questioned what the impact upon the accounts was in relation to priority one recommendations that had been made by internal audit, with particular reference to the Lightpool project. Mr Thompson advised that the initial risks around Lightpool had related to governance, but that reserves were continuously reviewed in light of audit reviews on projects since the findings could impact on funding.

The Committee noted the potential concerns regarding the financial implications relating to the Highfield Humanities College PFI scheme that had been made by Members when considering the 2014-2015 Statement of Accounts and queried the current position. Mr Thompson advised that the responsibility would go to the academy, but it had still needed to be accounted for in the 2015-2016 Statement of Accounts. Mrs Curtis explained that as the Academy was no longer a Local Education Authority school, there would be no contribution in next year's accounts.

The Committee discussed the risk to the Pension fund in light of the current economic climate. Mr Thompson explained that whilst there was a risk, it was not a risk that would be attributable to the Council's risk register.

Mr Rees, Partner, KPMG, presented the External Auditor's Report to those Charged with Governance and commented that the financial reports had been of a high quality and thanked Council officers for their help and co-operation throughout the audit process.

Mr Leviston explained that the External Auditor's report had summarised the key findings from two areas, namely the audit work in relation to the Council's financial statements for 2015-2016 and its arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

The Committee was advised that KPMG had issued an unqualified audit opinion on the Authority's financial statements and that the Value for Money conclusion would be issued by 30 September 2016.

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The Committee discussed value for money with regards to the costs of Children's Services. Mr Rees considered that Children's Services appeared to secure cost-efficient placements on a case by case basis when compared to other local authorities, the issue that faced the authority was the exceptionally high number of Looked After Children. The Committee discussed the cost of placements for complex cases and it was considered that the high costs reflected the current market rates.

The Committee agreed to approve the audited Statement of Accounts for 2015-2016.

Background papers: None.

### **6 DATE OF NEXT MEETING**

The Committee noted the time and date of the next meeting as 6pm on Thursday 20 October 2016 at Town Hall, Blackpool.

### **Chairman**

(The meeting ended at 7.50 pm)

Any queries regarding these minutes, please contact:  
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