

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 22 JUNE 2017

Present:

Councillor Galley (in the Chair)

Councillors

Cox	Hunter	O'Hara
Elmes	Mitchell	L Taylor

In Attendance:

Mr Neil Jack, Chief Executive
Ms Diane Booth, Director of Children's Services
Ms Karen Smith, Director of Adult Services
Mr Steve Thompson, Director of Resources
Mr Mark Towers, Director of Governance and Partnerships
Ms Tracy Greenhalgh, Chief Internal Auditor
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 20 APRIL 2017

The Committee agreed that the minutes of the last meeting held on 20 April 2017 be signed by the Chairman as a true and correct record.

3 STRATEGIC RISK REGISTER

Ms Greenhalgh, Chief Internal Auditor, presented the Council's revised Strategic Risk Register. She explained that the Strategic Risk Register was last considered by the Audit Committee on 30 June 2016 and the revised version contained the same nine key risks as it had done previously, but that there had been amendments to the sub-risks, controls and nett risk scores.

Upon questioning from the Committee, Ms Greenhalgh confirmed that she would include training on the new layout of the Strategic Risk Register in the Committee's training programme and Mr Thompson, Director of Resources assured Members that the revised register supported the delivery of the Council's financial planning.

The Committee agreed:

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- 1) To note the revised Strategic Risk Register.
- 2) To continue to call risk owners to future meetings to discuss progress against addressing each risk.

4 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 Thompson, Director of Resources, Ms Diane Booth, Director of Children's Services, Ms Karen Smith, Director of Adults Services and Mr Mark Towers, Director of Governance and Partnerships.

Mr Thompson discussed the sub-risk of there being insufficient funding to deliver services, advising Members of the consequences of the sub-risk and the controls and mitigations in place to prevent it. He explained that as at March 2017, there remained over £40 million of reserves, including earmarked reserves and when reserves had been used, they had been used appropriately to mitigate against budget constraints. Mr Thompson reported that a rise in interest rates would pose a significant risk, given that that Council had £185 million worth of debt, a significant proportion of which was in the form of temporary borrowing. However, upon questioning from Members he advised that he did not foresee interest rates rising dramatically in the near future to the extent to which the rise would prove critical for the Council.

Members were advised that a further control was the six year Financial Sustainability Strategy that was in place and that the Council was only one of two local authorities in the country to have in place such a long term financial strategy. Mr Thompson also reported that there was an increased risk inherent with the significant increase to the Business Loans Fund. He explained the controls for the risk that included a Business Loan Fund Panel and a robust due diligence process. Upon further questioning from Members, he explained that a rise in interest rates would not affect existing business loans that had fixed rates, but that there would be an impact on future loans.

Ms Diane Booth, Director of Children's Services, advised the Committee of the sub-risk of an increasing number of looked after children. She explained that a robust demand management strategy was to be put into place with partners to reduce the demand at the front door. She advised that work would also be undertaken to improve efficiency when dealing with cases to prevent drift and delay.

Upon questioning from Members relating to how demand could be reduced, Ms Booth advised that the Blackpool Safeguarding Children's Board had recently approved a revised set of Thresholds criteria and more user-friendly documentation for referrals. She advised that further work was required with partners to better understand need and risk.

Members also noted the relatively high net risk score and queried what the impact on the score would be in the long term, following the implementation of the demand management

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strategy. Ms Booth explained that such an assessment could not currently be made as there were impending national changes to children's social care, for which the guidance was not yet available. She advised that she hoped to be able to provide an assessment later in the year. Responding to further questions from Members, Ms Booth reported that staff were positive in relation to the changes she was implementing and she also noted the work being done in order to address better levels of staff retention.

Ms Karen Smith, Director of Adult Services, advised the Committee of the sub-risk of insufficient central government funding for new burdens in Adult Social Care in addition to current constraints on cash limited budgets. Ms Smith summarised that the Care Act had placed additional responsibilities on Adult Services that increased the levels of work and required more in depth assessments, which presented a funding challenge. In addition to the Care Act changes, Ms Smith also noted that the impact of the national living wage being increased provided further budgetary pressures on the service.

The Committee was advised of the steps taken to control and mitigate the sub-risk, which included active budget monitoring and exploring all potential funding opportunities available to the service. Upon questioning from Members, Ms Smith provided details of the work being undertaken in system transformation planning with the Health service and noted that there were effective working relationships between service providers across the Fylde coast and a recognition between partners of shared mutual interests.

Mr Mark Towers, Director of Governance and Partnerships, advised the Committee of the sub-risks involved with further devolution of services and increased partnership working, reporting that it was important to ensure that robust governance structures were in place for new working arrangements, which at the same time did not inhibit the delivery of services.

Ms Booth discussed the sub-risk of unmanageable level of insurance claims relating to historic abuse / negligence in children's social care, advising that the sub-risk arose from inappropriate practice and failures to make a timely intervention. She explained that managing demand in the service should help to mitigate the sub-risk and that every case from when a child was put onto a protection plan would be tracked to ensure appropriate decision-making. Responding to questions from the Committee, Ms Booth advised that she did not have bench making data with other local authorities relating to the claims, but that anecdotally Blackpool compared favourably with Lancashire County Council.

5 ANNUAL GOVERNANCE STATEMENT 2016/2017

Mr Towers presented the Committee with the Annual Governance Statement for 2016/2017.

The Committee was provided with a summary of the key elements of the structures and processes that comprised the governance arrangements of the authority and was advised that last year, a mid-year review of progress against actions outlined in the Annual Governance Statement was undertaken and considered by the Committee.

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The Committee was advised that a Good Governance Group had been established in October 2016, which had led on the review of effectiveness and the production of the Annual Governance Statement.

Members raised questions in relation to the Whistleblowing Policy and Ms Greenhalgh advised that a revised policy was due to be considered by the Standards Committee and would then be rolled out, with training provided on the new policy for officers and Members.

The Committee also raised questions in relation to the Performance Management Framework and Mr Jack, Chief Executive, advised that the different performance management teams from across the range of services provided by the Council had been brought together, which had helped to make the system more effective and provided an opportunity for focused improvements in performance management in the various Council departments. He reported that currently, there was a particular focus on Children's Services to compliment the planned improvements of the newly appointed Director of Children's Services.

The Committee also discussed the Leadership Charter survey and Mr Jack advised that the survey was currently open for employees, who were being encouraged to complete it by the end of June 2017. He advised that the results of the survey would be built into the half year review.

The Committee agreed:

- 1) To approve the Annual Governance Statement for 2016/2017.
- 2) To undertake a mid-year review of progress against the actions outlined in the Annual Governance Statement.

6 ANNUAL AUDIT OPINION 2016/2017

Ms Greenhalgh presented a report to the Committee, which provided Members with details of individual and collective audit reviews undertaken in the year ended 31 March 2017. The report also provided the Chief Internal Auditor's Annual Opinion on the Council's control environment.

Ms Greenhalgh summarised the key points from the report to Members, advising that she was satisfied that sufficient assurance work had been undertaken in 2016/2017 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, although it recognised the financial pressures faced by Children's Services that needed to be addressed.

The Committee noted that the Assurance Statement contained five reviews that had been inadequate and questioned the measures to improve. Ms Greenhalgh advised that all of the

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reviews that had resulted in an inadequate assurance statement had priority one recommendations that were followed up by the Chief Internal Auditor. She advised that where there was failure to implement recommendations, updates would be provided to Corporate Leadership Team and to the Audit Committee.

The Committee noted the coverage of audit plan work completed by directorate and questioned whether appropriate focus was given to Children's Services, given its demand and financial pressures. Ms Greenhalgh advised that there would be a higher level of engagement with Children's Services in the 2017/2018 audit plan, so the Committee should expect to see an increase in the coverage in next year's statement.

The Committee agreed to note the findings from the Annual Internal Audit Opinion.

7 RISK SERVICES QUARTER FOUR REPORT - 2016/2017

Ms Greenhalgh, Chief Internal Auditor, presented the Committee with an overview of the Risk Services Report for the fourth quarter of 2016-2017.

Ms Greenhalgh provided the Committee with a summary of the key points contained within the report and advised Members of the work being undertaken in relation to coordinating the delivery of the National Fraud Initiative and to raise awareness of the Fraud Awareness training. Members queried the steps being taken to raise the profile of the training course and Ms Greenhalgh advised the Committee of the work being undertaken and explained that staff would be identified for whom the training would be mandatory. The Committee also raised questions regarding anti-fraud work and Ms Greenhalgh explained that work was being undertaken to focus on fraud in relation to council tax and blue badges.

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 a turnover of staff members with professional qualifications. 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 percentages of draft reports issues within deadline and audit work within resource budget, noting that they were below the target level for 2016/2017. Ms Greenhalgh advised that the reason for the targets not being met was that there she had wanted to appropriately focus on the quality of the reports and that in terms of actual numbers, it was only two or three audit reports not being issued within the deadline.

The Committee considered the percentage of business continuity plans updated in line with the quality review reports and questioned the reason for the Governance and Partnerships directorate not being up to date. Ms Greenhalgh advised that the directorate only had three business continuity plans and that only the legal services plan was outstanding, but that it was currently being updated to reflect the new arrangements in the service.

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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 Blackpool Museum Project and noted that there was a potential funding gap of £10 million for the delivery phase of the project. Mr Jack advised the Committee of the potential funding streams for the project and assured Members that a final bid would not be submitted until the uncertainty had been resolved and that business plans for the project had been tested as part of a requirement of the Heritage Lottery Fund.

The Committee also considered public liability claims data and Ms Greenhalgh advised that payouts for current claims would include incidents in previous years and that there was a downward trend in the number and cost of payouts as a result of the Project 30 work.

The Committee agreed to note the report.

8 AUDIT COMMITTEE SELF-EVALUATION

Tracy Greenhalgh, Chief Internal Auditor presented the feedback from the self-evaluation exercise undertaken by the Audit Committee and senior officers who engaged with the Committee on a regular basis.

Ms Greenhalgh reported that a benchmarking exercise had been undertaken with the results received from 12 months ago and the Committee considered that overall improvements had been made.

The Committee discussed whether the role and purpose of the Audit Committee were understood and accepted across the authority, noting that it was well understood at senior management level but that as the seniority of officers decreased across the authority, so did the level of understanding of the role of the Audit Committee. Members suggested that Directors considered inviting senior managers from within their directorates to Audit Committee meetings, in order for them to gain experience of how the Committee worked and to enable efficient succession planning.

The Committee noted that the self-evaluation exercise had helped to inform the training programme for the Committee for the year.

The Committee agreed:

- 1) To note the outcome of the self-evaluation exercise.
- 2) To approve the training programme for 2017/2018.

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9 INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME 2017/2018

Ms Greenhalgh presented a report to the Committee on the Quality Assurance and Improvement Programme which was to be implemented for the internal audit team, as required by the Public Sector Internal Audit Standards.

The Committee was advised that members of the internal audit team had attended a service improvement day to contribute to the development of the document and to consider the findings from the external assessment of the service. Members noted the areas to improve that were contained within the report and the action plan that had been developed.

The Committee agreed to approve the Quality Assurance and Improvement Programme for the internal audit service for 2017/2018.

10 DATE OF NEXT MEETING

The Committee noted the time and date of the next meeting as 6pm on Thursday, 14 September 2017.

Chairman

(The meeting ended at 7.45 pm)

Any queries regarding these minutes, please contact:

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