

Public Document Pack

Blackpool Council

17 November 2015

To: Councillors Benson, Cox, Cross, Galley, Hunter, Matthews, O'Hara, Owen and Roberts

The above members are requested to attend the:

AUDIT COMMITTEE

Thursday, 26 November 2015 at 6.00 pm
in Committee Room A, Town Hall, Blackpool

A G E N D A

1 DECLARATIONS OF INTEREST

Members are asked to declare any interests in the items under consideration and in doing so state:

- (1) the type of interest concerned; and
- (2) the nature of the interest concerned

If any member requires advice on declarations of interests, they are advised to contact the Head of Democratic Governance in advance of the meeting.

2 MINUTES OF THE LAST MEETING HELD ON 22 OCTOBER 2015 (Pages 1 - 4)

To agree the minutes of the last meeting of the Audit Committee held on 22 October 2015 as a true and correct record.

3 RISK SERVICES QUARTER TWO REPORT - 2015/2016 (Pages 5 - 24)

To provide to the Audit Committee with a summary of the work completed by Risk Services in quarter two of the 2015/2016 financial year.

4 STRATEGIC RISK REGISTER - LACK OF RESILIENCE (Pages 25 - 28)

To consider a progress report on individual risks identified in the Council's Strategic Risk Register.

5 STRATEGIC RISK REGISTER - SERVICE FAILURE (Pages 29 - 32)

To consider a progress report on individual risks identified in the Council's Strategic Risk Register.

6 APPOINTING THE COUNCIL'S EXTERNAL AUDITOR (Pages 33 - 44)

To consider the report on the appointment of external auditors.

7 DATE OF NEXT MEETING

To note the date and time of the next meeting of the Committee as Thursday, 28 January 2016 commencing at 6pm.

Venue information:

First floor meeting room (lift available), accessible toilets (ground floor), no-smoking building.

Other information:

For queries regarding this agenda please contact Chris Kelly, Senior Democratic Governance Adviser, Tel: 01253 477164, e-mail chris.kelly@blackpool.gov.uk

Copies of agendas and minutes of Council and committee meetings are available on the Council's website at www.blackpool.gov.uk.

Present:

Councillor Galley

Councillors

Benson
Cox

Cross
O'Hara

Owen
Hunter

Matthews

In Attendance:

Mr Neil Jack, Chief Executive

Mr Steve Thompson, Director of Resources

Mr Alan Cavill, Director of Place

Mr John Blackledge, Director of Community and Environmental Services

Mr Iain Leviston, Manager, KPMG

Ms Tracy Greenhalgh, Chief Internal Auditor

Mrs Lorraine Hurst, Head of Democratic Governance

Mr Chris Kelly, Senior Democratic Governance Adviser (Scrutiny)

1 DECLARATIONS OF INTEREST

Councillor Hunter declared a personal interest with regard to item 3, 'Strategic Risk Register – Unsustainable Local Economy / Increased Deprivation', the nature of the interest being that he was a Board Member of Blackpool Housing Company.

2 MINUTES OF THE LAST MEETING HELD ON 24 SEPTEMBER 2015

The Committee agreed that the minutes of the last meeting held on 24th September 2015 be signed by the Chairman as a correct record.

3 STRATEGIC RISK REGISTER - UNSUSTAINABLE LOCAL ECONOMY / INCREASED DEPRIVATION

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 an unsustainable local economy / increased deprivation. The Committee discussed plans to control and mitigate those risks with the strategic risk owners, Mr Cavill, Director of Place, John Blackledge, Director of Communities and Environment and Steve Thompson, Director of Resources.

The Committee raised questions regarding the sub-risk of lack of affordable housing, with specific reference to the controls in place relating to embedding the new Housing Regeneration Company. Mr Cavill advised that it was expected it would be a few years before the Housing Company started to have an impact in the private sector rental market and could be five years until that impact became significant. It was reported that the objective behind establishing the Housing Regeneration Company had been to help to stabilise communities and reduce demand on other Council services.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 22 OCTOBER 2015

The Committee was advised that in terms of monitoring the progress of the Housing Company, a Shareholders Panel had been established. Upon further questioning it was reported that the Housing Company would be appointing a different external auditor to the Council but that it would not be detrimental to the Council's audit process and that the Housing Company would still be subjected to the Council's internal audit service.

Members questioned the introduction of the living wage and Mr Cavill confirmed that the current focus was on implementing the living wage according to the recommendations of the Joseph Rowntree Foundation, rather than the lower figure relating to the Government's new National Living wage.

The Committee raised questions regarding the gross and net risk scores that were included within the report. Members were advised that once the controls and mitigations of those risks had been implemented, such as improving the housing stock and establishing the Housing Regeneration Company, they would pose lower risk scores. Mr Cavill noted that the sub-risk should be 'lack of good quality affordable housing' rather than simply 'lack of affordable housing'.

The Committee also considered the sub-risk of there being a lack of appropriate transport infrastructure and Mr Blackledge, Director of Community and Environment, advised that the Highways Management system currently in operation, was considered by the Government an example of good practice. He reported that the Highways Asset Management Strategy and Plan were being produced and were on course to be launched in 2016.

Background papers: None

4 ANNUAL AUDIT LETTER 2014/2015

Mr Leviston, Manager, KPMG, presented the External Auditor's Annual Audit Letter 2014/2015 to the Committee. He explained that the External Auditor's Annual Audit Letter summarised the key issues arising from the 2014/15 external audit of Blackpool Council.

He advised the Committee that the external auditor had issued an unqualified conclusion on the Authority's arrangements to secure value for money for 2014/2015 and an unqualified opinion on the Authority's financial statements. He also advised that the Authority's Annual Governance Statement had been reviewed and the external auditor had considered that it was consistent with its understanding.

The Committee raised questions regarding the risks identified by the external auditor and queried whether the Audit Committee should have concerns relating to any of those identified risks. Mr Leviston reported that the risks identified were standard risks that the external auditor had to consider and that upon completion of its work, the external auditor found no significant issues.

The Committee agreed to note the External Auditor's Annual Audit Letter 2014/2015.

Background papers: None

5 PROTECTING THE ENGLISH PUBLIC PURSE

Ms Greenhalgh presented a report that provided a summary of the key information identified in the first Protecting the English Public Purse report issued by the European Institute for Combatting Corruption and Fraud.

Ms Greenhalgh informed Members that the report identified the top five issues faced by councils in tackling fraud and those included:

- Capacity (sufficient counter fraud resource).
- Better data sharing.
- Effective fraud risk management.
- Capability (having appropriate counter fraud skill sets).
- Corporate appreciation of the financial benefits of tackling fraud.

Ms Greenhalgh advised that the report contained a number of recommendations for local authorities to consider and she summarised those for the Committee.

Ms Greenhalgh also informed Members of two emerging fraud risks that had been identified in the report. Those risks were Right to Buy Fraud and No Recourse to Public Funds fraud. It was considered that those risks were more of an issue for London boroughs, but that they were issues for which the Authority must be aware. In terms of Right to Buy fraud, Ms Greenhalgh advised that there were a number of controls in place with Blackpool Coastal Housing and through the National Fraud Initiative.

The Committee raised questions relating to the risk to the Authority in relation to contracted workers using fraudulent documentation. It was explained that the responsibility in that situation would be on the contractor to check its workers' documentation.

Members questioned which issues within the report posed the most significant risks to the Authority. Ms Greenhalgh advised that there were a number of risks identified in the report that were particularly relevant to Blackpool and those included:

- Council Tax discount fraud, including single person discount.
- Housing benefit fraud
- Fraud relating to procurement, although it was considered that robust procedures were in place to mitigate the risk.
- Fraud in relation to payroll, although Ms Greenhalgh reported that checks were undertaken on a monthly basis.
- Abuse of the Blue Badge (disabled concessions) fraud, although this was noted to be only low level fraud.

The Committee raised questions regarding whether any risks were posed as a result of anticipated arrivals of refugees, in relation to staffing pressures. Mr Jack advised that there would be funding available from the Government to assist with the transition of those refugees. However, the numbers of refugees likely to arrive in Blackpool would be relatively small, especially in comparison to the numbers of people moving to the town from other parts of the UK each year.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 22 OCTOBER 2015

Members raised further questions and Ms Greenhalgh advised that her team was very proactive in terms of obtaining and sharing knowledge with other authorities in relation to fraud prevention. Ms Greenhalgh noted that the Council was represented on the North-West Local Authorities Fraud Group and the National Anti-Fraud Network.

The Committee agreed to note the report.

Background papers: None

6 DATE OF NEXT MEETING

The Committee noted the date of the next meeting as 6pm on Thursday 26 November 2015 at Town Hall, Blackpool.

Chairman

(The meeting ended at 6.50 pm)

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

Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh- Chief Internal Auditor
Date of Meeting	26 November 2015

RISK SERVICES QUARTER TWO REPORT - 2015/2016

1.0 Purpose of the report:

1.1 To provide to the Audit Committee with a summary of the work completed by Risk Services in quarter two of the 2015/2016 financial year.

2.0 Recommendation(s):

2.1 To consider and note the findings from the Risk Services Quarterly report.

3.0 Reasons for recommendation(s):

3.1 The report covers areas relevant to the work of the Committee in terms of internal audit, corporate fraud, risk and resilience.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

None.

4.0 Council Priority:

4.1 The relevant Council Priorities are:

- Safeguard and protect the most vulnerable
- Create safer communities and reduce crime and anti-social behaviour
- Deliver quality services through a professional, well-rewarded and motivated workforce

5.0 Background Information

5.1 Each quarter the Chief Internal Auditor produces a report summarising the work of Risk Services and this includes the overall assurance statements for all audit reviews completed in the quarter.

Does the information submitted include any exempt information? No

List of Appendices:

Risk Services Quarter Two Report

6.0 Legal considerations:

6.1 All work undertaken by Risk Services is in line with relevant legislation. This is particularly important when undertaking fraud investigations where a number of regulations need to be adhered to.

7.0 Human Resources considerations:

7.1 None.

8.0 Equalities considerations:

8.1 None.

9.0 Financial considerations:

9.1 All work has been delivered within the agreed budget for Risk Services.

10.0 Risk management considerations:

10.1 The primary role of Risk Services is to provide assurance that the Council is effectively managing its risks and provide support to all services in relation to risk and control. Risks that have been identified in the quarter are reported in the summary report.

11.0 Ethical considerations:

11.1 None.

12.0 Internal/ External Consultation undertaken:

12.1 The Risk Services Quarterly Report was presented to the Corporate Leadership Team on the 27 October 2015.

13.0 Background papers:

13.1 None.

Risk Services Quarterly Report
1st July to 30th September 2015

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Risk Services Quarter Two Report – 2015/2016

1. Second Quarter Summary

Service Developments

1.1 *Internal Audit*

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

- Anchorsholme Sea Defence Work
- Cultural Services and Libraries
- Executive Decision Making
- Better Start Project
- Carbon Reduction Scheme compliance
- Car Parking Income
- Coroners Service
- Banking Contract
- Leisure Centres
- Purchase Cards
- Information Management and Data Breaches
- Compliance with Corporate Contracts
- Ability to Transform
- Lancashire Waste Partnership
- Coastal Communities Fund
- Payroll
- Care Act: Deferred Payments
- Framework-I – Residential Payments
- Framework-I – Non-Residential Payments

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.

1.2 *Corporate Fraud*

The National Fraud Initiative (NFI) data matches for 2015 are currently being investigated with the focus being on those that are high risk.

Steps are being taken to raise awareness of the Fraud Awareness training which is available on i-pool. Notification has been sent out to the Senior Leadership Team encouraging all staff to complete the course and plans are in place to follow this up, particularly in areas where the risk of fraud is high.

Steps are being taken to review the Council's fraud risk register to take account of the latest trends in local government fraud and to assess whether further action needs to be taken. However, the ability for the team to deliver proactive work is limited by the small size of the team and the need to investigate frauds reactively when they are reported.

Risk and Resilience

The team provided the tactical response for the boiled water notice being implemented for a four week period due to contamination in the water supply. An internal debrief is scheduled to take place in October to discuss how the incident was managed and to determine whether any lessons can be learned. The Council's position will then feed into the Lancashire Resilience Forum's debrief that will assess the response Lancashire wide.

Risk Services Quarter Two Report – 2015/2016

The team continues to contribute to the work of the Lancashire Resilience Forum including attending meetings, facilitating exercises, conducting reviews and contributing to the various work streams.

The Corporate Business Continuity Plan and Critical Activities List have been approved by the Corporate Leadership Team and circulated to senior officers. Significant progress has been made in terms of service level business continuity plans being prepared however the quality of the content is variable. Over the coming months the Risk and Resilience Team will review each of the plans received and make recommendations on how this could be strengthened going forward. The results of these reviews will be reported to the Departmental Risk Management Groups for action. Work has started on the development of two thematic business continuity plans (property and ICT) however this is still very much in the planning stage and discussions are being held to agree what format these will take.

Preparations are being made for the insurance renewals as new policies need to be in place by April 2016. This will be the last year of the current long term agreements however there is an option to extend these for another two years which is likely to be taken as the current policies are providing value for money.

2. Performance

Risk Services Performance indicators

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

Internal Audit Team performance indicators

Performance Indicator (Description of measure)	2015/16 Target	2015/16 Actual
Percentage audit plan completed (annual target).	90%	41%
Percentage draft reports issued within deadline.	96%	94%
Percentage audit work within resource budget.	92%	94%
Percentage of positive satisfaction surveys.	85%	88%
Percentage compliance with quality standards for audit reviews.	85%	89%

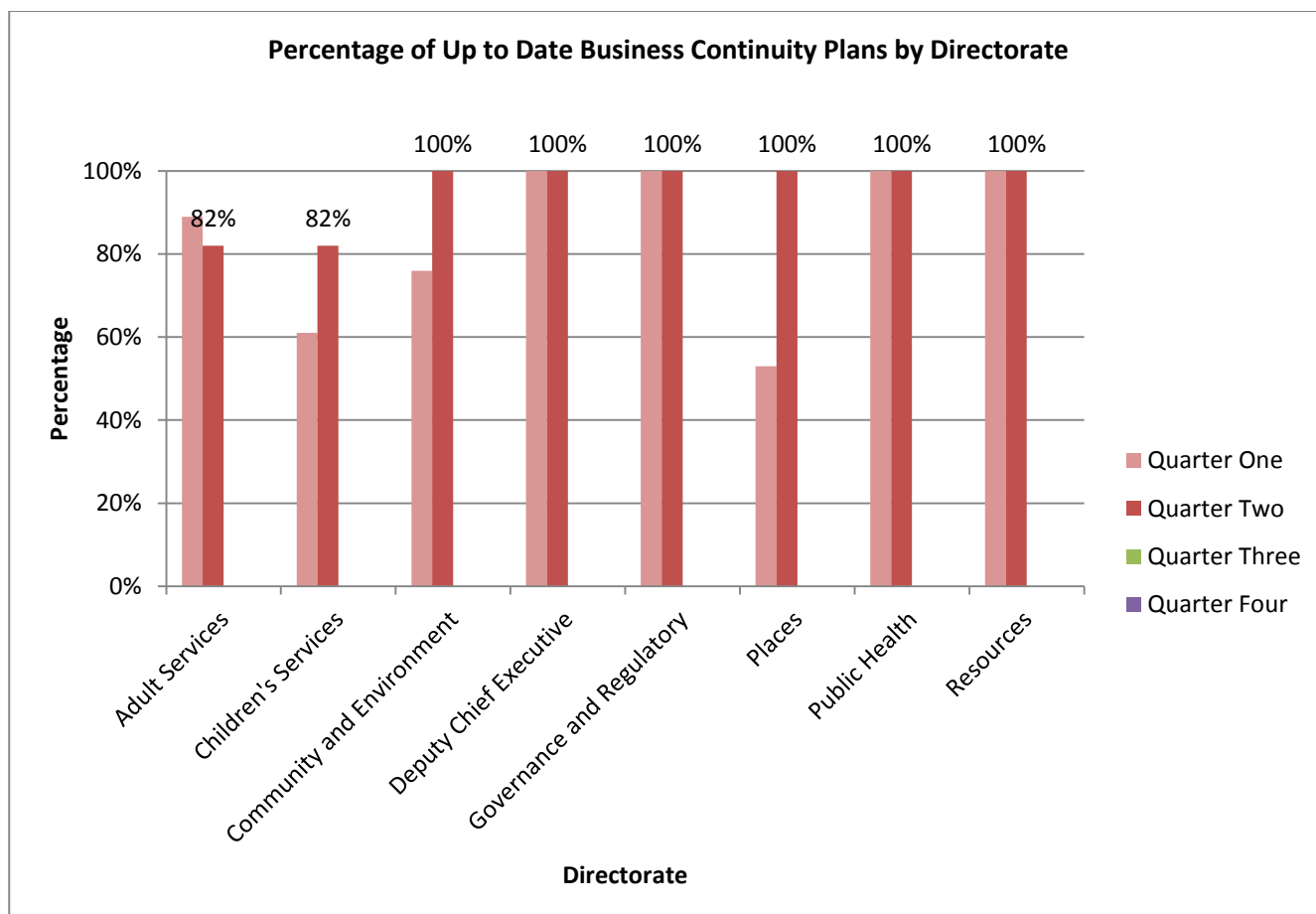
Risk and Resilience Team performance indicators

Performance Indicator (Description of measure)	2015/16 Target	2015/16 Actual
Percentage of Council service business continuity plans up to date.	90%	91%

Risk Services Quarter Two Report – 2015/2016

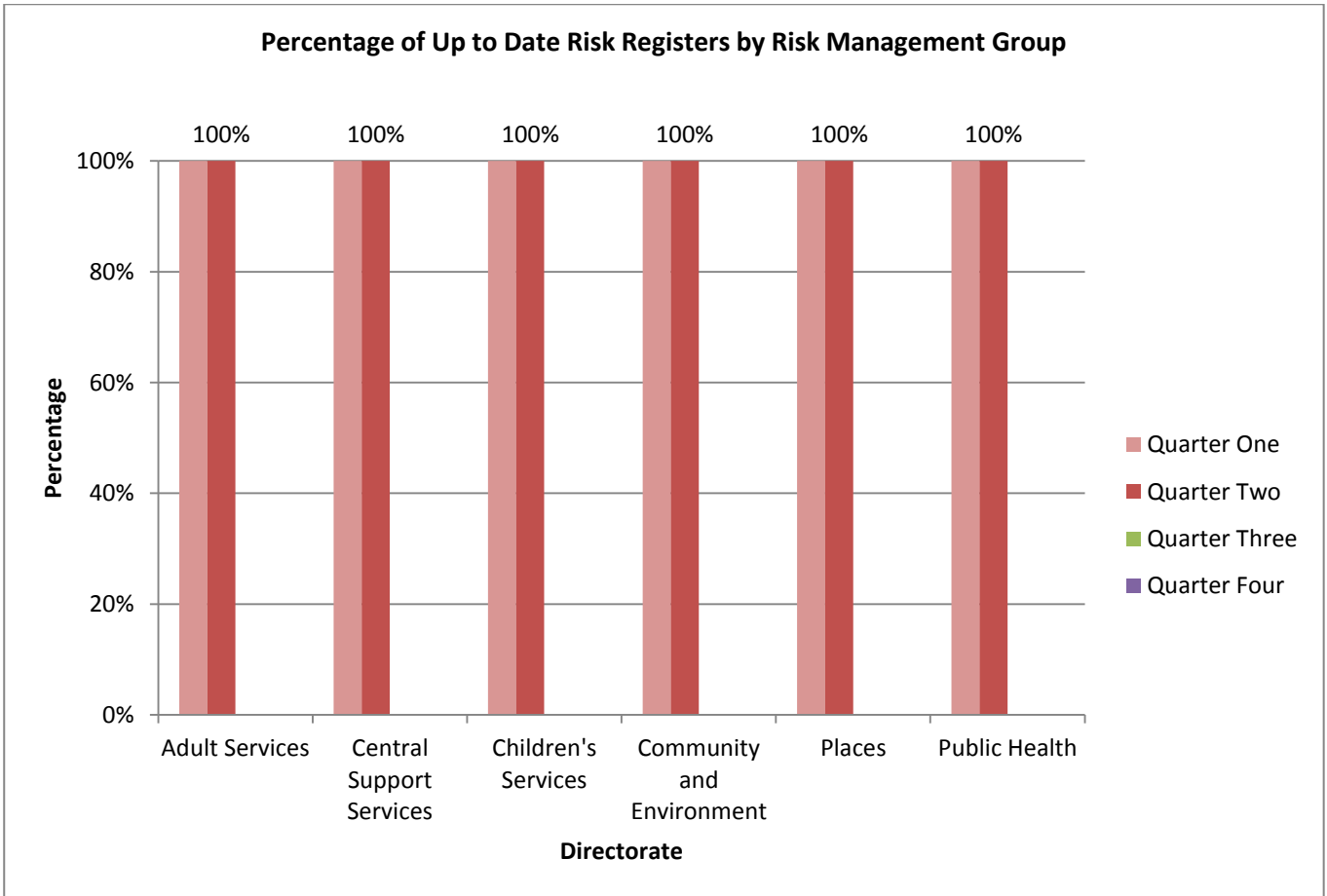
Performance Indicator (Description of measure)	2015/16 Target	2015/16 Actual
Number of risk and resilience training and exercise sessions held (annual target).	6	1
Number of trained Emergency Response Group Volunteers (for monitoring purposes only – responsibility lies with Adult Social Care)	60	44
Percentage integration into the Lancashire Resilience Forum workstreams.	70%	70%
Percentage of property risk audit programme completed (annual target).	90%	22%
Percentage of risk registers revised and up to date at the end of the quarter.	90%	100%

*In support of the 91% of business continuity plans up to date by the end of the quarter the following graph shows a breakdown by directorate:



*In support of the 100% of risk registers revised and up to date by the end of the quarter the following graph shows a breakdown by department:

Risk Services Quarter Two Report – 2015/2016



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%	81%

Risk Services Quarter Two 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	Action Taken				
						AP	Pro	Rec	NFA	Disc
Type of Fraud	2015/2016 Cumulative Figure									
Council Tax Discount	15	1	2	12	£1,233.84	0	0	1	12	0
Council Tax Reduction (CTR)	28	0	26	2	£0.00	0	0	0	2	0
Business Rates	0	0	0	0	£0.00	0	0	0	0	0
Procurement	3	0	0	3	£0.00	0	0	0	3	0
Fraudulent Insurance Claims	0	0	0	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	1	0	0	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	0	0	0	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	5	1	1	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
Disabled parking concessions	0	0	0	0	£0.00	0	0	0	0	0
National Fraud Initiative (high risk)	2,639	6	508	2,125	£55,409	0	0	6	2,125	0
Totals:	2,693	10	537	2,146	£58,092.83	0	0	7	2,146	3

	July	August	September
Number of Referrals Sent to a Third Party (DWP/Planning/other LA)	2	3	4

Risk Services Quarter Two Report – 2015/2016

3. Appendix A: Performance & Summary Tables for Quarter Two

Internal Audit reports issued in period

Directorate	Review Title	Assurance Statement
Adult Services	Social Care Establishment Visits	<p><u>Scope:</u></p> <p>The scope of our audit work was to review two establishments within adult services; Coopers Way Respite Service and Langdale Day Centre, and undertake compliance testing which covered the following areas:</p> <ul style="list-style-type: none"> • Care plans, • Staff rotas, • Training logs, • DBS checks, • Policies and Procedures, • Medication, • Occupational Health and Safety and Risk Assessments, • Purchasing Cards, • Infection Control, • Quality Assurance, • Security, <p>In addition for Coopers Way:</p> <ul style="list-style-type: none"> • Client Monies, • Assets, • External Activities, • Cash Handling, • Respite Payments <p>In addition for Langdale Day Centre:</p> <ul style="list-style-type: none"> • Session Delivery <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are adequate, with most risks identified and assessed and only minor control improvement required.</p> <p>Our testing revealed minor lapses in compliance with the controls.</p>

Risk Services Quarter Two Report – 2015/2016

Directorate	Review Title	Assurance Statement
Adult Services	Contract and Performance of Providers	<p><u>Scope:</u></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> • The contract monitoring arrangements in relation to externalised Adult Social Care Services; • The policy for managing poor performance; • The process for managing provider failure; • Quality Assessment Frameworks and the approach to achieving continuous improvement; and • The impact of the Care Act 2014 on contract monitoring. <p><u>Assurance Statement:</u></p> <p>We consider the controls in place around the processes for the Contract and Performance of Providers to be adequate, however some risks have been identified and assessed, and some changes are required to strengthen the approach in relation to the development of quality accreditation and changes required as a result of the Care Act.</p>
Children’s Services	Boundary Primary School	<p><u>Scope:</u></p> <p>Compliance testing based on a random sample was carried out in the following areas:</p> <ul style="list-style-type: none"> • Purchasing • Procurement • Petty cash and purchase cards • Income • Payroll • Banking <p><u>Assurance Statement:</u></p> <p>Based on the new processes being introduced, we consider that the controls in place are adequate with some risks identified and assessed and several changes necessary.</p> <p>Our testing revealed minor lapses in compliance with the controls.</p>

Risk Services Quarter Two Report – 2015/2016

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

Risk Services Quarter Two Report – 2015/2016

Directorate	Review Title	Assurance Statement
Community and Environment	Physical Activities	<p><u>Scope:</u></p> <p>The scope of the audit was to review:</p> <ul style="list-style-type: none"> • The effectiveness of joint working arrangements between Leisure Services and other Council services that commission or provide physical activity programmes; • The value for money achieved from physical activity programmes commissioned by or provided by Council services; and • Whether commissioning of physical activity services is in line with the Council’s procurement policies and procedures and whether the procurement policies and procedures facilitate effective joint working and value for money for the Council as a whole in respect of physical activity programmes. <p><u>Assurance Statement:</u></p> <p>There are a range of organisations, including Leisure Services, providing physical activity opportunities for residents. Some of this is funded through the generation of income and others through externally commissioned programmes by Public Health. We consider the current approach to be inadequate and believe that better integration between Leisure Services and Public Health could potentially improve the opportunities available to residents and may deliver better value for money.</p>

Risk Services Quarter Two Report – 2015/2016

Directorate	Review Title	Assurance Statement
Corporate	Financial Control Assurance Testing 2014/2015	<p><u>Scope:</u></p> <p>Annual internal audit work is undertaken to test the controls over the key financial systems across the Council. The systems covered are:</p> <ul style="list-style-type: none"> • Business Rates • Capital Accounting / Asset Management • Council Tax • Creditor Payments (general, e-procurement and recurring payments) • Sundry Debtors • Housing Benefits • Housing Rents • Payroll • Trading Services <p><u>Assurance Statement:</u></p> <p>Overall, for 2014/2015 we have assessed the key financial controls in place for business rates, council tax, creditor payments, capital accounting, housing benefits, housing rents, traded services and payroll/HR to be satisfactory.</p> <p>We continue to identify recurring issues with the sundry debtors system and these relate to duplicate accounts being created, incomplete information being recorded on the customer file, the timeliness of issue of invoices and the completeness/quality of information contained on the invoices. As the sundry debtors system is used by practitioners across the Council the results of this testing will continue to be reported to the Income Management Group to drive further improvements.</p>

Risk Services Quarter Two Report – 2015/2016

Directorate	Review Title	Assurance Statement
Governance and Regulatory	Ward Funding	<p><u>Scope:</u></p> <p>The scope of the audit was to review:</p> <ul style="list-style-type: none"> • The policies and procedures in place for ward funding budgets and assess whether these are effective. • The level of compliance with the policies and procedures in place. <p><u>Assurance Statement:</u></p> <p>We consider that the updated controls are good and should address the control weaknesses identified in the previous year’s audit report.</p> <p>We have been unable to test the compliance with the improved controls due to the updated procedure not being in place in time for the ward funding grants being applied for in 2014/15. Compliance with the new procedure will be tested as part of the 2015/16 internal audit programme.</p>

Risk Services Quarter Two Report – 2015/2016

Directorate	Review Title	Assurance Statement
Governance and Regulatory	Licensing	<p><u>Scope:</u></p> <p>The scope of the audit was to review the following:</p> <ul style="list-style-type: none"> • Document management and the effectiveness of information sharing between the Licensing and Enforcement services and other relevant Council services, particularly in relation to Child Sexual Exploitation (CSE); • The effectiveness of income management processes within the Licensing team; and • The management of various licensing policies and clarity of decisions taken in line with those policies. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are currently inadequate, with a number of material risks identified, for which significant improvement is required. The current processes in relation to document management and information sharing could be strengthened to effectively contribute to the potential identification and prevention of child sexual exploitation. Proactive work is already being undertaken to raise taxi driver awareness of the issues and provide them with the knowledge to report any concerns which they may come across whilst working.</p> <p>The current procedures in relation to income management are also weak and a number of issues have been identified which require attention. Implementation of the recommendations in the report will assist in reducing the risks to an acceptable level.</p> <p>Our testing revealed minor lapses in compliance with the controls, as there was no evidence of authorisation for a number of lower risk licences.</p>

Risk Services Quarter Two Report – 2015/2016

Directorate	Review Title	Assurance Statement
Place	Positive Steps into Work Security Plan	<p><u>Scope:</u></p> <p>The scope of our audit was to:</p> <ul style="list-style-type: none"> • Ensure that the existing security plan has been reviewed by key members of staff within the last 12 months and updated where necessary. • Review outstanding actions from the previous action plan and ensure these have all been addressed. • Perform compliance testing of the physical security aspects of the security plan. <p><u>Assurance Statement:</u></p> <p>We consider that the Security Plan has been fully reviewed and updated as required by the contract between the Council and A4e with the exception of the extension of use of the RSA EnVision system for the storage and retention of log data and there is no specified completion date for this action.</p> <p>Our testing revealed some lapses in compliance with physical security controls.</p>
Place	CCTV Service	<p><u>Scope:</u></p> <p>The scope of the audit was to review:</p> <ul style="list-style-type: none"> • Whether CCTV assets are appropriately recorded; • Whether business continuity plans are in place and regularly reviewed; • Compliance with corporate policies to include Health and Safety; • Potential models of delivery of the CCTV service; • Value for money achieved in the maintenance of the service to include maintenance contacts with external parties; and • Value for money achieved in the procurement of equipment and consumables. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are inadequate with a number of material risks identified and significant improvement required across all of the areas of the scope of this review. Our testing also revealed a number of lapses in compliance with those controls that are in place.</p>

Risk Services Quarter Two Report – 2015/2016

Directorate	Review Title	Assurance Statement
Public Health	Continuing Professional Development	<p><u>Scope:</u></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> • The processes in place for recording and submitting Continuing Professional Development (CPD) returns to the Faculty of Public Health and other professional bodies. • The more general CPD needs of the Public Health team and how effectively these are identified and met through the Individual Performance Appraisal process and other training and development processes in place. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are adequate with some risks identified and some changes necessary.</p>

Progress with Priority 1 audit recommendations

A full 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.

A number of actions have now been implemented and signed off and this includes for the Waste PFI, Area Forum and Ward Budgets, E-invoicing, Advertising, Out of Hours Cover, Framework-I, Bereavement Service, Deferred Payments and Year 7 Savings Accounts.

A number of 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

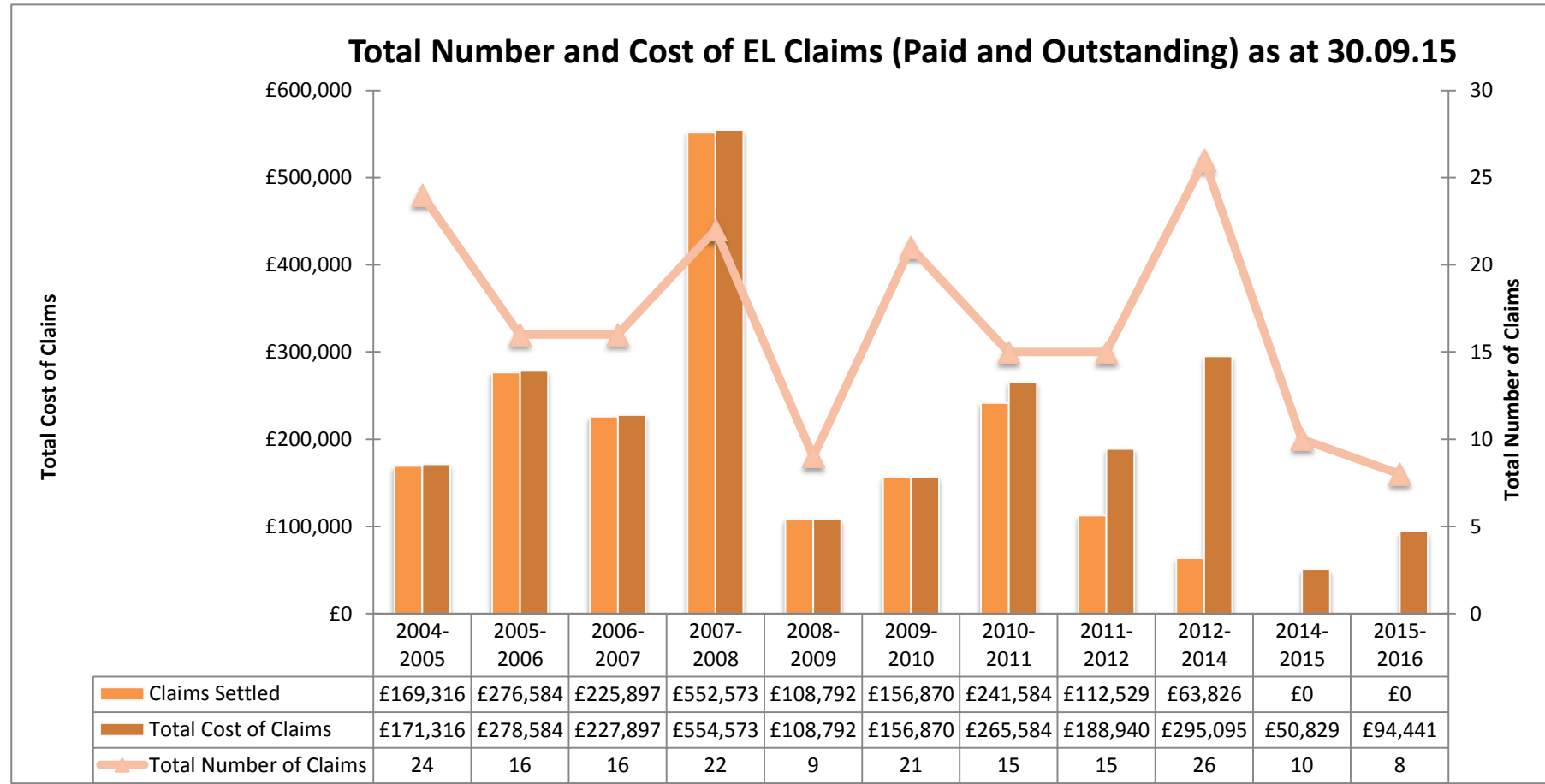
In line with best practice it has been agreed that the Council will report to the Audit Committee the number of RIPA authorisations undertaken each quarter which enables the Council to undertake directed and covert surveillance. Between July and September 2015 the Council authorised no directed surveillance reported to the Governance and Regulatory Service.

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 Two 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 1st April start in preparation for the procurement exercise.

Risk Services Quarter Two Report – 2015/2016

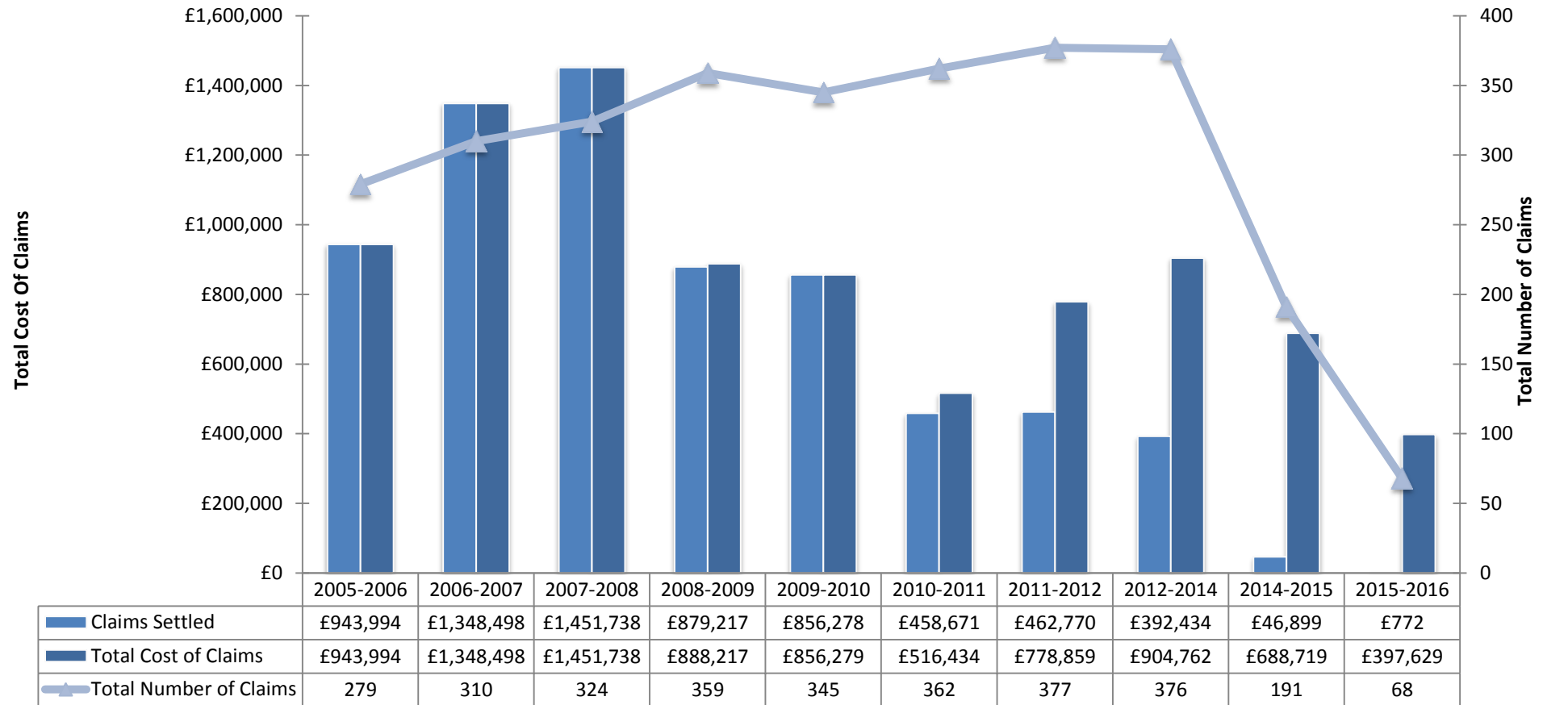
Total Number and Cost of PL Claims (Paid and Outstanding) as at 30.09.15.



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 1st April start in preparation for the procurement exercise.

Risk Services Quarter Two Report – 2015/2016

Total Number and Cost of PLH Claims (Paid and Outstanding) as at 30.09.15



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 1st April start in preparation for the procurement exercise.

Report to:	AUDIT COMMITTEE
Relevant Officers:	Neil Jack, Chief Executive Carmel McKeogh, Deputy Chief Executive
Date of Meeting	26 November 2015

STRATEGIC RISK REGISTER – LACK OF RESILIENCE

1.0 Purpose of the report:

1.1 The Committee to consider a progress report on individual risks identified in the Council’s Strategic Risk Register.

2.0 Recommendation(s):

2.1 Members will have the opportunity to question the Chief Executive and Deputy Chief Executive on identified risks on the Strategic Risk Register in relation to lack of resilience.

3.0 Reasons for recommendation(s):

3.1 To enable the Committee to consider an update and progress report in relation to an individual risk identified on the Strategic Risk Register.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council’s approved budget? Yes

3.3 Other alternative options to be considered:

To not receive an update report, however this would prevent the Committee from monitoring and asking relevant questions of the Strategic Risk Owners in relation to significant risks identified on the Strategic Risk Register.

4.0 Council Priority:

4.1 The relevant Council Priority is:

- Deliver quality services through a professional, well-rewarded and motivated workforce

5.0 Background Information

5.1 At its meeting in September 2015, the Audit Committee agreed to continue to invite Strategic Risk Owners to attend future meetings to provide updates and progress reports in relation to the individual risks identified on the Strategic Risk Register.

Does the information submitted include any exempt information? No

List of Appendices:

Appendix 4(a) - Excerpt from Strategic Risk Register

6.0 Legal considerations:

6.1 None

7.0 Human Resources considerations:

7.1 None

8.0 Equalities considerations:

8.1 None

9.0 Financial considerations:

9.1 None

10.0 Risk management considerations:

10.1 None

11.0 Internal/ External Consultation undertaken:

11.1 None

12.0 Background papers:

12.1 None

Risk	Sub No	Sub Risk	Impact / Consequences	Opportunity	Gross Risk Score			Controls and Mitigation	Net Risk Score			New Developing Controls	Risk Manager	CLT Risk Owner	Target Date	Corporate Priority
					I	L	G S		I	L	N S					
Lack of Resilience	1a	Lack of individual resilience to work in a changing environment	Workplace stress		4	4	16	Attracting external funding through partnership working. And contracts to create more sustainable services.	4	3	12	Corporate marketing support for new business and business development	Head of Corporate Development. Engagement and Communication	Deputy Chief Executive	Ongoing	Deliver quality services
			Decreased staff morale					A range of training courses in place to help build individual resilience skills.								
	1b	Lack of capacity to deliver Council services.	Inability to deliver an effective service.	Employee commitment.	4	5	20	Development programmes implemented such as coaching, mentoring and aspiring managers programme.	4	4	16	Explore the potential of partnership working with, for example, health, to address issues with recruitment	Head of Organisation and Workforce Development	Deputy Chief Executive	Ongoing	Deliver quality services
		Unable to recruit into difficult to recruit roles.	Change organisation form / increase joint working arrangements to deliver				Development programmes for specific areas of recruitment problems such as social care and teaching.				Effective people planning with a view to more generic roles to reduce the burden on key officers	Deputy Chief Executive	Chief Executive			

	1b	Lack of capacity to deliver Council services.	Loss of corporate memory.	services with reduced resource.				Manage relationships with the Trade Unions in order to embrace employee change.				Transformation process to ensure that the Council becomes an agile organisation	Deputy Chief Executive	Chief Executive	Ongoing	Deliver quality services
												Deliver a programme of commissioning / service reviews to explore alternative delivery models	Deputy Chief Executive	Chief Executive		
	1c	Over reliance on public sector services	Unable to deliver core services / statutory duties to residents.	Build a more resilient community to reduce reliance on the public sector.	4	5	20		4	5	20	Development and implementation of Council Plan from 2015 onwards.	Deputy Chief Executive	Chief Executive	Ongoing	Improving health and wellbeing

Report to:	AUDIT COMMITTEE
Relevant Officers:	Neil Jack, Chief Executive Carmel McKeogh, Deputy Chief Executive Steve Thompson, Director of Resources
Date of Meeting	26 November 2015

STRATEGIC RISK REGISTER – SERVICE FAILURE

1.0 Purpose of the report:

1.1 The Committee to consider a progress report on individual risks identified in the Council's Strategic Risk Register.

2.0 Recommendation(s):

2.1 Members will have the opportunity to question the Chief Executive, Deputy Chief Executive and the Director of Resources on identified risks on the Strategic Risk Register in relation to Service Failure.

3.0 Reasons for recommendation(s):

3.1 To enable the Committee to consider an update and progress report in relation to an individual risk identified on the Strategic Risk Register.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

To not receive an update report, however this would prevent the Committee from monitoring and asking relevant questions of the Strategic Risk Owners in relation to significant risks identified on the Strategic Risk Register.

4.0 Council Priority:

4.1 The relevant Council Priority is:

- Deliver quality services through a professional, well-rewarded and motivated workforce

5.0 Background Information

5.1 At its meeting in September 2015, the Audit Committee agreed to continue to invite Strategic Risk Owners to attend future meetings to provide updates and progress reports in relation to the individual risks identified on the Strategic Risk Register.

Does the information submitted include any exempt information?

No

List of Appendices:

Appendix 5(a) - Excerpt from Strategic Risk Register

6.0 Legal considerations:

6.1 None

7.0 Human Resources considerations:

7.1 None

8.0 Equalities considerations:

8.1 None

9.0 Financial considerations:

9.1 None

10.0 Risk management considerations:

10.1 None

11.0 Internal/ External Consultation undertaken:

11.1 None

12.0 Background papers:

12.1 None

Risk	Sub No	Sub Risk	Impact / Consequences	Opportunity	Gross Risk Score			Controls and Mitigation	Net Risk Score			New Developing Controls	Risk Manager	CLT Risk Owner	Target Date	Corporate Priority		
					I	L	G S		I	L	N S							
Service Failure	2a	Failure of a service provider in high risk contracted areas such as social care and waste management	Increased costs		5	4	20	Procurement procedures in place which cover business continuity arrangements.	4	4	16	Ensure adequate business continuity plans are in place with service providers as part of the procurement and contract management process	Head of Procurement and Development	Director of Resources	Ongoing	Deliver quality services		
			Reputational damage to the Council															
	2b	Loss of key infrastructure which results in Council services not being delivered such as ICT and Property.	Inability to deliver critical services.	Build a resilient organisation .	5	4	20	Business continuity programme in place.	4	3	12	Ensure all services have up to date business continuity plans in place.	Director of Resources	Chief Executive	Ongoing	Deliver quality services		
	Revised corporate business continuity plan in place supported by a critical activity list.							Develop a corporate / thematic business continuity plan for property.				Head of Property and Asset Management					Director of Resources	March 2016
								Keep the corporate / business continuity plan for ICT up to date.				Head of ICT Services					Deputy Chief Executive	March 2016
2c	Over reliance on income generation through the delivery of traded services.	Dilution of the effectiveness of internal service provision.	Ability to recruit staff based on the funding received from income generation.	5	4	20	Business cases in place for trading services.	4	3	12	Implementation of a robust performance management framework to ensure adequacy of internal service provision.	Head of Corporate Development, Engagement and Communication	Deputy Chief Executive	March 2016	Deliver quality services			

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Report to:	AUDIT COMMITTEE
Relevant Officer:	Iain Leviston, Manager, KPMG
Date of Meeting	26 November 2015

APPOINTING THE COUNCIL'S EXTERNAL AUDITOR

1.0 Purpose of the report:

1.1 To consider the report on the appointment of external auditors.

2.0 Recommendation(s):

2.1 To consider the report, asking relevant questions and making any recommendations that are considered appropriate.

3.0 Reasons for recommendation(s):

3.1 To inform the Committee of the specific requirements that will need to be complied with when exercising the power to appoint an external auditor from the 2018/19 financial year onwards.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:
None.

4.0 Council Priority:

4.1 The relevant Council Priority is:

- Deliver quality services through a professional, well-rewarded and motivated workforce

5.0 Background Information

5.1 In August 2010 the Secretary of State for Communities and Local Government announced the intention to close the Audit Commission, the body that appointed external auditors to Local Government and NHS organisations (excluding Foundation Trusts). As part of the announcement, it was stated that organisations whose appointments were previously controlled by the Audit Commission would have the freedom to appoint their own external auditors.

5.2 The Audit Commission closed on 31 March 2015. At that time contracts were already in place for local government and NHS external audit appointments that covered audits up to and including the financial year 2016/17. Within these contracts there is an option to extend for a maximum of three further years, i.e. up to and including the financial year 2019/20.

5.3 A consultation exercise with key stakeholder groups has recently been concluded on whether, and if so for how long, to extend these contracts. The Government decided that for local government bodies the contracts will be extended by one year, so incorporating the audit of the 2017/18 financial year.

5.4 This decision means that the Council will now assume the power to appoint its external auditor from the 2018/19 financial year onwards. Whilst there are some different options open regarding approaches to this new power, there is a need to comply with some specific requirements. These requirements are considered in the attached report.

Does the information submitted include any exempt information?

No

List of Appendices:

Appendix 6 (a): Appointing the Council's External Auditor report

6.0 Legal considerations:

6.1 None

7.0 Human Resources considerations:

7.1 None

8.0 Equalities considerations:

8.1 None

9.0 Financial considerations:

9.1 None

10.0 Risk management considerations:

10.1 None

11.0 Ethical considerations:

11.1 None

12.0 Internal/ External Consultation undertaken:

12.1 None

13.0 Background papers:

13.1 None

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Appointing your external auditor

Background

In August 2010 the then Secretary of State for Communities and Local Government, Eric Pickles, announced that he intended to close the Audit Commission, the body that appointed external auditors to Local Government and NHS organisations (excluding Foundation Trusts). As part of this announcement, he also stated that organisations whose appointments were previously controlled by the Audit Commission should have the freedom to appoint their own external auditors.

The Audit Commission closed on 31 March 2015. At that time contracts were already in place for local government and NHS external audit appointments that covered audits up to and including the financial year 2016/17. Within these contracts there is an option to extend for a maximum of three further years, i.e. up to and including the financial year 2019/20.

A consultation exercise with key stakeholder groups has recently been concluded on whether, and if so for how long, to extend these contracts. The Government decided that for local government bodies the contracts will be extended by one year, so incorporating the audit of the 2017/18 financial year. Contracts for NHS bodies will not be extended.

What does this mean for your organisation?

This decision means that you will assume the power to appoint your external auditor from the 2018/19 financial year onwards. This will be the first time you have made such an appointment. External auditors provide an important professional service and play a critical role in the stewardship of public spending, so it is vital that this new decision making power is exercised after careful consideration on how to proceed. Whilst you have different options open to you on how to approach this new power, you will need to comply with some specific requirements.

Appointing your external auditor

What should local authorities be considering?

In deciding what to do there are a number of considerations.

Do your current external auditors provide you with a good service?	If yes, do you need to change? If no, now you have an opportunity to do something about it.
How could we procure an external audit service to ensure we get best value?	You will have a number of options on how and when to procure your external audit service – these are summarised later in this document. Given the range of options it will be important to consider the best approach for your organisation.
What do we need to do before we start a procurement process?	The new regulations require you to have an Audit Panel, which will be responsible for recommending who your external auditor should be. This Panel must include a majority of independent (i.e. not elected) members and an independent chair. It makes sense for the Panel to have links with your audit committee.
When do we need to undertake a procurement exercise?	The regulations require you to have appointed your external auditor by 31 December in the year preceding the year of audit. As 2018/19 is the first year of these new arrangements, you will need to have appointed your auditor by 31 December 2017. You will need to undertake whatever procurement process you follow in good time – sometime between the Spring and Autumn of 2017. And before doing that you will need to have established your Audit Panel – by early 2017 would be sensible.
Who can I appoint to be our external auditor?	You will only be able to appoint an audit firm that has been authorised by the ICAEW to undertake ‘local audit work’. Local government auditing is highly specialised and you will need to ensure that your auditor has the necessary capability, experience and capacity to fulfil the statutory duties of a local government auditor.

Appointing your external auditor

Procurement options

Although local government bodies will all assume the same power to appoint their external auditor, it is likely that various options will be followed on how they go about doing this. The main options are set out below.

Re-appoint incumbent auditor	One option might be to continue with your current audit provider for a short period, say between one and three years. This would delay testing the market, although you could benchmark proposed fees for reasonableness against published data or by comparing to similar bodies. This would provide stability of service in the short term and also avoid the 'rush to market' as large numbers of local authorities undertake procurement exercises within a short period of time, allowing you to procure later in a more settled audit market.
Stand-alone tendering	As with any other service, you could run your own procurement process. This allows complete autonomy over how and when you want this to be done, although you will need to ensure you follow the Regulations and consider any guidance issued by DCLG or other relevant bodies. However, you should consider whether you will have sufficient purchasing power on your own to obtain best value.
Combined procurement	You could join together with one or more neighbouring authorities to undertake a collective procurement exercise. This would enhance your purchasing power, but would diminish your autonomy over the process and you would need to consider how to retain sufficient sovereignty over decision making and whether this might complicate auditor independence considerations.
Existing frameworks	You could use one of the many existing government or public sector frameworks. These list firms who have already been shortlisted and therefore might speed up the process. You will need to ensure that the firms on any framework have been authorised by the ICAEW for local audit work, however.
Sector led procurement	The new audit legislation allows for a sector-led body (referred to as a 'specified person' in the Regulations) to undertake a bulk procurement process. If such an organisation emerges then this option provides an administratively easy route and would most likely have the greatest element of specialist audit procurement expertise. It would also provide good purchasing power, although with less autonomy than some other options, and might afford easier management of potential auditor independence issues than other combined procurements approaches. It will be the most similar option to the current arrangements.

Appointing your external auditor

What other factors should you consider?

When you are deciding who to appoint as your external auditor you will need to consider a range of factors. Key areas to consider are as follows:

- **Quality:** This is a vital consideration and should be appropriately weighted in any scoring methodology for assessing tenders. Relevant considerations include audit methodologies, systems and processes, staff training and expertise, and quality monitoring arrangements.
- **Experience:** Local government auditing is a specialist business and your auditor must have the necessary skills and sector experience. This is not just about understanding local authority financial reporting, but extends into auditors' value for money audit responsibilities and 'challenge' work.
- **Independence:** You will need to consider possible relationships with audit firms via non-audit work such as consultancy and tax advice. Independence is also an important mind-set for auditors to adopt, where you should be satisfied that your future auditor will be sufficiently challenging (and your current auditor should not be constrained in exercising their duties by any tendering process).
- **Organisational fit:** As with any service it is important to consider how the people you see in the audit team fit with your own organisational culture – i.e. can you work with these people.
- **Price:** Like any other out-sourced service you need to obtain good value through a competitive audit fee. However, best value does not mean the cheapest quote. The fee must be sufficient to provide a good quality service taking account of the scale, nature and risk profile of your organisation, and also the requirement for your external auditor to comply with auditing standards and other statutory duties.
- **Other services:** Although ethical standards provide limitations, you should consider what other services you might want your auditor to perform, whether that is other assurance services (e.g. certifying grant claims) or more added-value services.

Appointing your external auditor

What next?

There is still plenty of time before you appoint your external auditor for the first time, but there will be a long lead up to that decision. It is therefore important to think about how your organisation should approach this in good time. We would suggest that you should be developing your procurement strategy and selecting your preferred approach during 2016.

It is likely that further guidance and support will be issued by DCLG, and potentially other organisations such as COPFA, to help you with the decisions you need to make and how you proceed. We will continue to update you on key developments.

If you want to discuss this further please contact your audit Engagement Lead (Tim Cutler) or Manager (Iain Leviston).

Contact



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