

Blackpool Council

27 February 2019

To: Councillors Cox, Elmes, Galley, Hobson, Hunter, Matthews, Mitchell, Roberts and L Taylor

Ms Yvonne Russell, Independent Member

The above members are requested to attend the:

AUDIT COMMITTEE

Thursday, 7 March 2019 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 either a

- (a) personal interest
- (b) prejudicial interest
- (c) disclosable pecuniary interest (DPI)

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 17 JANUARY 2019 (Pages 1 - 6)

To agree the minutes of the last meeting of the Audit Committee held on 17 January 2019 as a true and correct record.

- 3 TRANSITION FROM CHILDREN TO ADULTS AUDIT FOLLOW-UP** (Pages 7 - 12)
- To consider a progress report on the recommendations made in the internal audit report of transition from children to adults issued on 16 March 2018.
- 4 STRATEGIC RISK REGISTER - REPUTATIONAL DAMAGE** (Pages 13 - 18)
- To consider a progress report on individual risks identified in the Council's Strategic Risk Register.
- 5 RISK SERVICES QUARTER THREE REPORT** (Pages 19 - 44)
- To provide to the Audit Committee a summary of the work completed by Risk Services in quarter three of the 2018/2019 financial year.
- 6 INTERNAL AUDIT PLAN 2019/2020** (Pages 45 - 62)
- To obtain approval for the Internal Audit Plan 2019/2020.
- 7 FRAUD PREVENTION CHARTER 2019/2020** (Pages 63 - 86)
- To obtain approval for the Fraud Prevention Charter 2019/2020.
- 8 INTERNAL AUDIT CHARTER 2019/2020** (Pages 87 - 102)
- To present the updated Internal Audit Charter 2019/2020 for approval.
- 9 EXTERNAL AUDIT PLAN 2018/2019** (Pages 103 - 130)
- To consider Deloitte's Audit Plan 2018/2019.
- 10 DATE OF NEXT MEETING**
- To note the date and time of the next meeting of the Committee as 13 June 2019, commencing at 6pm, subject to confirmation at Annual Council.

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 Williams, Democratic Governance Adviser, Tel: 01253 477153, e-mail chris.williams@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 (in the Chair)

Councillors

Elmes	Hunter	Mitchell	
Hobson	Matthews	Roberts	L Taylor

Yvonne Russell, Independent Member

In Attendance:

Alan Cavill, Director of Communications and Regeneration
Tony Doyle, Head of ICT Services
Tracy Greenhalgh, Head of Audit and Risk
Neil Jack, Chief Executive
Chris Pope, Events Manager
Karen Smith, Director of Adult Services
Steve Thompson, Director of Resources
Mr Mark Towers, Director of Governance and Partnerships
Philip Welsh, Head of Tourism and Communications

1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

2 MINUTES OF THE LAST MEETING HELD ON 8 NOVEMBER 2018

The Committee agreed that the minutes of the meeting held on 8 November 2018 be signed by the Chairman as a true and correct record subject to the following amendments:

1. (minute 3) Reference to 'Anchorsholme Park' should read 'East Pines Park'.
2. (minute 4) 'Mrs Mills provided assurance' should be changed to 'Mrs Mills advised'
3. (minute 4) 'However, the Committee was reassured that the scheme was collaborative in nature' should read 'However, the Committee still had cause for concern overall about the level of Public Health integration.'

3 AUDIT FOLLOW-UP: EVENTS RISK MANAGEMENT

The Committee considered the actions being implemented to address the audit recommendations relating to events risk management.

Mr Alan Cavill, Director of Communications and Regeneration, Philip Welsh, Head of Tourism and Communications and Mr Chris Pope, Events Manager presented the report.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 17 JANUARY 2019

Improvements to events management paperwork were reported.

In response to a question from Members about how the Council works with smaller organisations who were not able to meet the standards expected for event organisation, Mr Pope explained that despite only being a small team, where possible, help and advice would be given to such organisations to ensure they continue to be fully compliant with all the relevant legislation and requirements. He added that currently, this was sustainable and allowed for a greater number and diversity of events to be added to the calendar. In answer to a question about standard procedures for events and whether the same paperwork requirements were appropriate for different sized events, it was noted that large events were covered by standard procedures but those were not always relevant to smaller scale events.

Members expressed concerns that a policy on the use of licensing agreements to protect the Council's interests in relation to events held on Council land had yet to be completed. It was reported that contingency planning had already been undertaken to mitigate the risk in the interim and it was anticipated that event sign off processes across the Council would be reviewed by the end of May 2019. Ultimately, Mr Welsh said that the Council would always seek to work with smaller organisations to enable the event to be safe, rather than decline the event immediately.

Mrs Greenhalgh, Head of Audit and Risk, explained that she was satisfied with the measures put in place to address the Priority One recommendations and added that work was currently underway on Priority Two and Three recommendations.

Members asked why there had been a delay in the service reporting progress of the priority one recommendations to the Head of Audit and Risk. Mr Cavill, Director of Communication and Regeneration, explained that the priority had been to focus on the Crowded Places work. Members recommended in cases such as this the service should contact the Head of Audit and Risk to discuss and agree a mutually acceptable approach.

4 ANNUAL GOVERNANCE STATEMENT 2017/2018 HALF-YEAR REVIEW

Mr Mark Towers, Director of Governance and Partnerships, introduced the report and explained that the Annual Governance Statement represented a review of the system of internal control within the Council and a significant part of this was the action plan designed to further enhance the governance framework.

In terms of mid-term progress, it was reported that many actions had either already been implemented or would be fully implemented by the financial year-end. Some of those actions already implemented included updates to the Council's website to increase user traffic, completion of a resident's survey to assess views of the Council and embedding of a new performance management framework with outcome based indicators across the Council.

The Committee discussed the Council's channel shift process designed to improve overall service delivery by better signposting the Council's services via the website and wherever

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 17 JANUARY 2019

possible allowing residents to access those services directly through the website. It was reported that telephone and face to face services continued to be monitored to assess whether efficiencies could be made through a move towards greater online provision. Improvements were noted within the leisure services department where a move to online booking and cancellation of fitness classes and the use of sports facilities had freed up some staff capacity. In addition, regarding the resident's survey, the data collected was in the process of being analysed and the results would influence the budget setting process and resource allocation based on the priorities and concerns of residents.

Given the importance the Council had placed on channel shift, a recommendation was proposed that further consideration about it be undertaken by the Tourism and Economic Resources Scrutiny Committee. Mr Thompson offered to provide a presentation on the topic to members in order to provide a more detailed overview of where the process was up to and what it had achieved so far.

5 COUNCIL SAFEGUARDS AGAINST CYBER RISKS

Mr Tony Doyle, Head of ICT Services, provided the Committee with an annual update in relation to the actions the Council was taking to reduce cyber risks and how it was adapting to the changing threat landscape to protect staff, services and end users.

It was reported that it had been a difficult year so far and cybercrime remained a national priority for the Government. In a 12 month period, the Council had blocked over 21 million attacks on its website and over 15,000 malware attacks. Through regular testing, analysis and innovation, the ICT department continued to work to mitigate cyber risks. Employee awareness of cyber issues had been aided by the roll out of a staff learning programme in December 2018. It was acknowledged that 780 members of staff had so far completed the training and that it was hoped all remaining staff would complete this by 31 January 2019. A test email sent by the ICT department to all staff to test responses to a fake 'scam email' recently had resulted in less than 1 per cent of staff clicking the dummy malicious link which it was believed indicated that the training had anecdotally been very effective. This test had also evidenced the effectiveness of spam email reporting and quarantine procedures.

Following a question about capacity to deal with emerging threats to ICT security, Mr Doyle advised that his team was continually developing their specialist cyber skills and expertise and had recently made appointments to enable more specialism in this area. However, he acknowledged that capacity was always a potential issue but this was somewhat mitigated with the Network and Security Partnership the Council has with TNP (The Network People) when dealing with the volume of threats described. In response to a query about penetration testing and the potential of risk given the importance the Council had placed on General Data Protection Regulation compliance, Mr Doyle reported that in addition to staff GDPR and cyber skills training, the department regularly carried out vulnerability scans and had developed new processes to assess and evaluate data security risks as part of Data Privacy Impact Assessment. This was as well as working regularly with specialist third party penetration testers to assess their compliance with the regulations and to minimise the risk of breaches.

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Mr Doyle concluded by outlining measures for the year ahead that included continuing to scan the horizon for emerging cyber threats, rolling out Windows 10 software across the Council and working with Senior Officers to minimise the risk of cyber threats especially ransomware targeted at those individuals. In addition, the use of cloud based systems would supplement the Council's hard storage facilities and government issued resources would be used to further supplement the Council's own cyber risk response.

6 STRATEGIC RISK REGISTER - SERVICE FAILURE

The Committee considered progress on individual risks identified within the Council's Strategic Risk Register related to service failure.

Sub-Risk: Failure of a service provider in high risk contracted areas such as social care and waste management

Mr Thompson, Director of Resources, reported that in terms of potential service failure specifically related to domestic waste, a number of mitigation measures were in place and the Council continued to work with the contractor to ensure a smooth transition to bring the domestic waste service back under the Council umbrella. So far, a Project Board and Working Group had been set up and tenders had been completed for the Layton depot works. In addition, acquisition of new refuse collection vehicles and supply of ICT software had been completed and TUPE arrangements for staff would commence in April 2019.

In response to questions about the transition of domestic waste collections and associated risks, Mr Thompson advised that the Net Risk score had been reduced as the initial uncertainty over the changes had given way to a smooth and largely uneventful project and it was anticipated that the move would allow for greater control and by extension a reduced risk.

Regarding the risk of Adult Services failure, Mrs Smith, Director of Adults' Services, provided assurances that in-house capacity had been retained especially in high risk service areas. Added to this, it was anticipated that continual horizon scanning of providers would identify future risks suitably early to allow effective mitigation. Prioritisation of team workloads, regular team meetings and individual work plans would ensure effective and in-depth monitoring of regulated and non-regulated care. Support for care businesses, liaison with care providers and development of robust contingency plans were also key mitigation measures.

When asked about why waste collection and adult services had been put together on the risk register, Mrs Greenhalgh, Head of Audit and Risk, advised that the risk related to the potential failure of a high risk service provider and the actions detailed in the risk register were being taken to reduce this risk. Mrs Greenhalgh agreed to consider how this was presented in the risk register.

Sub Risk: Loss of key infrastructure and resource which results in Council services not being delivered.

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In addition to the existing measures in place to mitigate this risk and in particular, the risk associated with the Council's data centres, the Committee was informed that alongside the two data centres currently in operation, discussions with Microsoft to investigate the feasibility of utilising a cloud based storage solution were underway. In response to a question about the data centres as a long term requirement, the Committee noted that the cost and risk associated with using a third party data storage solution would be higher than maintaining an in house asset.

An annual review of planned property maintenance had been initiated and agreed with the Corporate Asset Management Group, it was reported that the Head of Property Services had prioritised backlog maintenance and begun a separate review of leisure sites, prioritising back and front of house urgent repairs. Consolidation of existing buildings, business continuity planning and encouragement of preventative maintenance had also helped to mitigate the risk in this area.

Sub-Risk: Cyber Threats

Whilst most of this had been covered during the discussions at Item 5 on the agenda, Members questioned the reduced Net Risk Score which had been applied. In response, Mr Doyle suggested that as previously noted, many mitigation measures had been adopted but there still remained an element of uncertainty given the constantly changing nature of cyber threats. Despite reassurances that the Council was as prepared as it could be, Mr Doyle accepted that perhaps the Net score could be raised if it was considered that the risk level had increased.

7 DATE OF NEXT MEETING

The date and time of the next meeting of the Committee was noted as 7 March 2019 at 6pm in Committee Room A, Town Hall, Blackpool.

Chairman

(The meeting ended at 7.40 pm)

Any queries regarding these minutes, please contact:

Chris Williams, Democratic Governance Adviser

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Report to:	AUDIT COMMITTEE
Relevant Officers:	Les Marshall – Head of Adult Social Care Philip Thompson – Head of Special Educational Needs and Disability
Date of Meeting	7 March 2019

TRANSITION FROM CHILDREN'S TO ADULTS AUDIT FOLLOW-UP

1.0 Purpose of the report:

- 1.1 To consider a progress report on the recommendations made in the internal audit report of transition from children to adults issued on 16 March 2018.

2.0 Recommendation(s):

- 2.1 To consider the actions being implemented to address the audit recommendations relating to the transition from children's services to adult services.

3.0 Reasons for recommendation(s):

- 3.1 To enable Audit Committee to consider an update and progress report on the audit recommendations.

- 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:

- 3.4 None.

4.0 Council Priority:

- 4.1 The relevant Council priority is organisational resilience.

5.0 Background Information

- 5.1 At its meeting in June 2018, the Audit Committee agreed to invite Heads of Service to the meeting to provide an update in relation to internal audit recommendation implementation.

The report being considered at this meeting relates to the transition from children's to adult services with the scope and assurance statement as follows:

Scope

The scope of the audit was to review the processes and procedures in place for the transition of service users from Children's Services to Adult Services to assess the impact that they are having and identify any areas that need to be further addressed.

Overall Opinion and Assurance Statement

Pathways for transitions, other than for young persons with complex needs, are currently unclear. Work to address ownership and control of the transition process is ongoing across the relevant services. We therefore consider that the controls in place are currently inadequate with material risk to the effective operation of the transition arrangements identified and significant improvement required.

Does the information submitted include any exempt information?

No

5.2 List of Appendices:

Appendix 3(a): Internal Audit Recommendations and Agreed Actions.

6.0 Legal considerations:

6.1 Risks need to be effectively managed in order to comply with relevant legislation.

7.0 Human Resources considerations:

7.1 The controls being implemented will be undertaken by current employees.

8.0 Equalities considerations:

8.1 None.

9.0 Financial considerations:

9.1 The controls being implemented will be done so within current budget constraints.

10.0 Risk management considerations:

10.1 To enable the Audit Committee to gain assurance that risks are being effectively managed.

11.0 Internal/ External Consultation undertaken:

11.1 The progress report has been prepared in conjunction with the relevant Heads of Service and Chief Officers.

12.0 Background papers:

12.1 None.

Appendix 3(a) - Agreed Action Plan

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
<i>R1</i>	Consideration should be given as to the correct ownership of the Transitions Policy, and how it can be updated in order to provide a more collaborative approach. It should be ensured that the updated version contains clear guidance on the Care Act and pathways available for transition (including a simple flowchart) and that it is made available as appropriate for both Children's and Adult Services staff.	2	Agreed. This will be discussed with the Head of SEND.	Director of Children's Services/ Director of Adult Services/ Head of SEND	30th June 2018	Implemented – It has been agreed that ownership of the Transition Policy is with the SEND service. The policy has now been redrafted and references to the Care Act and pathways available for transition have been included.

Recommendation		Priority	Agreed Action	Responsible officer	Target Date	Progress
R2	Consideration should be given as to how overall responsibility for the transition process can be achieved and who is best placed to take responsibility for facilitating the Transitions Steering Group and Operations Group should be determined. Meeting documentation for the two groups should be controlled and stored effectively. The representation at both groups should be examined and extended where appropriate to ensure that there is better attendance from Children's Services representatives (including LAC management).	1	Agreed. This will be achieved through improvements in the transition steering and operations groups. The transition steering group will be chaired by the Head of SEND. The transition operations group will be chaired by the Learning Disabilities Team Manager with support from the Post 16 SEN Officer. Representation at both groups will be examined and extended where appropriate to ensure that all relevant areas are represented.	Director of Children's Services/ Head of Adult Social Care	30th April 2018	Implemented – A documented governance structure is now in place and arrangements clarified and implemented for the Steering Group and the Operations Group.

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
R3	The role of the Transitions Co-ordinator should be reviewed to ensure that there is sufficient capacity to fulfil the required functions, and that service is not impacted by periods of absence.	2	Agreed. The Director of Children's Services will consider how to provide support from within the Children with Disabilities Team.	Director of Children's Services	30th April 2018	Implemented – To increase capacity in this area Adult Social Care have funded the recruitment of an additional qualified social worker who will work alongside the existing Transition Coordinator in the SEND Team.

Report to:	AUDIT COMMITTEE
Relevant Officers:	Alan Cavill, Director of Communication and Regeneration John Blackledge, Director of Community and Environmental Tim Cogan, Head of Public Protection
Date of Meeting	7 March 2019

STRATEGIC RISK REGISTER – REPUTATIONAL DAMAGE

1.0 Purpose of the report:

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

2.0 Recommendation(s):

- 2.1 To consider the controls being implemented to manage the strategic risk relating to reputational damage.

3.0 Reasons for recommendation(s):

- 3.1 To enable the Audit 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:
- 3.4 None.

4.0 Council Priority:

- 4.1 The relevant Council priority is organisational resilience.

5.0 Background Information

- 5.1 At its meeting in March 2018, 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.

It was agreed that a new reporting format would be introduced and that this would be presented to CLT before being taken to Audit Committee.

Does the information submitted include any exempt information?

No

5.2 List of Appendices:

Appendix 4(a): Strategic Risk Register Progress Report –Reputational Damage.

6.0 Legal considerations:

6.1 Risks need to be effectively managed in order to comply with relevant legislation.

7.0 Human Resources considerations:

7.1 The controls being implemented will be undertaken by current employees.

8.0 Equalities considerations:

8.1 None.

9.0 Financial considerations:

9.1 The controls being implemented will be done so within current budget constraints.

10.0 Risk management considerations:

10.1 To enable the Corporate Leadership Team and Audit Committee to gain assurance that strategic risks are being effectively managed.

11.0 Internal/ External Consultation undertaken:

11.1 The progress report has been prepared in conjunction with risk managers and risk owners.

12.0 Background papers:

12.1 None.

Strategic Risk: Reputational Damage

9	Reputational Damage	9a	Visitors negative image of Blackpool.	50%	Local economy impacted due to reduced jobs.	Growth in the visitor economy market.	4	5	20	Identification of potential external funding streams to assist with the tourism offer for Blackpool.	4	3	12	Promote a positive image of Blackpool to encourage private sector investment in the tourism industry. A refreshed Destination Management Plan from April 2018 will support this.	Head of Visitor Economy	Director of Communications and Regeneration	March 2019	Economy
					Community Safety Team in place.					Commission a survey in peoples attitudes towards Blackpool to help inform future marketing strategies.				Growth and Prosperity Programme Director	Director of Communications and Regeneration	March 2020	Economy	
					Inability to underwrite tourism initiatives due to reduced resources.					Successful events programme including the illuminations.				Reshape the illuminations show and how this is funded to increase sustainability.	Head of Visitor Economy	Director of Communications and Regeneration	March 2020	Economy
					Advertising campaigns possible through strong links with partners across Blackpool.					Continue enforcement activity to reduce the number of beggars and street drinking evident in the town.				Head of Public Protection	Director of Community and Environmental Services	March 2019	Economy	
		9b	Residents negative image of Blackpool.	50%	Lack of investment due to poor image of Blackpool.	Potential to attract external investment to Blackpool.	4	4	16	Increased use of new communication channels such as social media and newsletters.	4	3	12	Full implementation of the Corporate Communications Peer Review recommendations.	Head of Communications	Director of Communications and Regeneration	March 2019	Communities
					Lack of partner engagement.	Generate local pride in Blackpool.				Increased commitment to one brand for the Blackpool resident.				Review the funding strategy for a potential museum in Blackpool to share heritage and foster local pride.	Head of Economic Development	Director of Communications and Regeneration	March 2019	Communities
		Overall Nett Risk Score 12.0																

Sub-Risk: Visitors negative image of Blackpool (weighting 50%)				Gross Risk Score	Nett Risk Score
				20	12
Risk Score in 2017/18				16	12
Risk Owner: Director of Communications and Regeneration / Director of Community and Environmental Services					
Existing Controls in Place:					
<ul style="list-style-type: none"> Identification of potential external funding streams to assist with the tourism offer for Blackpool. 					
<ul style="list-style-type: none"> Community Safety Team in place. 					
<ul style="list-style-type: none"> Successful event programme including the Illuminations. 					
<ul style="list-style-type: none"> Advertising campaigns possible through strong links with partners across Blackpool. 					
Actions:					
Actions	Risk Manager	Current Position		Outcomes / Results	
Promote a positive image of Blackpool to encourage private sector investment in the tourism industry. A refreshed Destination Management Plan to be published in March 2019 will support this. (Target Date: March 2019)	Head of Tourism and Communication	<ul style="list-style-type: none"> A Destination Management Plan is in draft form and will be taken to the Corporate Leadership Team for consideration. 		<ul style="list-style-type: none"> Visitor satisfaction is measured through a survey three times a year. The results from this show that visitor satisfaction is usually over 90%. 	
Commission a survey in people's attitudes towards Blackpool to help inform future marketing strategies. (Target Date: March 2020)	Growth and Prosperity Programme Director	<ul style="list-style-type: none"> A gap that was identified was that the Council did not survey people who did not visit Blackpool. Therefore, a marketing company were appointed who carried out a piece of work to understand people's attitudes to Blackpool. 		<ul style="list-style-type: none"> The output of the exercise will be used to develop a robust marketing strategy for Blackpool. 	

Appendix 4(a)**Strategic Risk Register Progress Report**

		<ul style="list-style-type: none">• The data collected as part of this exercise will be used to develop future marketing strategies.	
Reshape Illuminations show and how this is funded to increase sustainability. (Target Date: March 2020)	Head of Tourism and Communication	<ul style="list-style-type: none">• It is recognised that there is a need to make the Illuminations sustainable.• A number of options are being considered including funding models and also the potential modernisation of the Illuminations.• A consultation exercise is planned to take place to identify what people want from the Illuminations and to understand the scope for maintaining the tradition / nostalgia or modernisation of the show.	<ul style="list-style-type: none">• The identification of a sustainable model of delivery.
Continue enforcement activity to reduce the number of beggars and street drinking evident in the town. (Target Date: March 2019)	Head of Public Protection	<ul style="list-style-type: none">• Through the hard work of the Trading Standards Team the Council recovers Proceeds of Crime money which is reinvested in crime reduction initiatives.• This money is being invested in funding for two dedicated town centre police officers who should be in post this financial year.• The police officers will work with the Public Protection Team and other key services and partner agencies to take a multi-agency approach to tackling the issues.	<ul style="list-style-type: none">• A multi-agency approach to reducing anti-social behaviour in the town centre.

Sub-Risk: Residents negative image of Blackpool (weighting 50%)			Gross Risk Score	Nett Risk Score
			16	12
Risk Score in 2017/18			16	12
Risk Owner: Director of Communications and Regeneration				
Existing Controls in Place:				
<ul style="list-style-type: none"> Increased use of new communication channels such as social media and newsletters. Increased commitment to one brand for the Blackpool resident. 				
Actions:				
Actions	Risk Manager	Current Position	Outcomes / Results	
Full implementation of the Corporate Communications Peer Review recommendations. (Target Date: March 2019)	Head of Tourism and Communication	<ul style="list-style-type: none"> Key changes have taken place including the appointment of a Director responsible for communications and a revised structure for delivering the service. The delivery of further actions identified in the review needs to be undertaken however these are restricted in part due to the resource available. 	<ul style="list-style-type: none"> A residents survey has been undertaken and the results of this will be used to inform future plans in terms of communications. The implementation of the recommendations from the peer review will help ensure that the Council has a robust approach to communication. 	
Review the funding strategy for a potential museum in Blackpool to share heritage and foster local pride. (Target Date: March 2019)	Head of Economic Development	<ul style="list-style-type: none"> All funding applications for the project have been submitted. The outcome of these applications will be known by the end of the calendar year which will determine the future of the museum. 	<ul style="list-style-type: none"> Successful funding bids will contribute to the delivery of a Blackpool museum. 	

Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh – Head of Audit and Risk
Date of Meeting	7 March 2019

RISK SERVICES QUARTER THREE REPORT

1.0 Purpose of the report:

- 1.1 To provide to the Audit Committee a summary of the work completed by Risk Services in quarter three of the 2018/2019 financial year.

2.0 Recommendation(s):

- 2.1 To note the contents of the report.

3.0 Reasons for recommendation(s):

- 3.1 To ensure that the Council has effective risk management processes in place.

- 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:

- 3.4 None.

4.0 Council Priority:

- 4.1 The work of Risk Services contributes to the delivery of all of the Council's priorities.

5.0 Background Information

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

The Risk Services Quarterly Report is reported to the Corporate Leadership Team and

Audit Committee.

On the completion of each audit an overall assurance statement is provided which summarises the strength of controls in the area being audited. The opinions can provide positive assurance, such as when controls are identified to be good or adequate, or negative assurance when the controls are considered to be inadequate or uncontrolled.

5.2 Does the information submitted include any exempt information? No

5.3 **List of Appendices:**

Appendix 5(a) - Risk Services Quarter Three 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 29 January 2019.

13.0 Background papers:

13.1 None.

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Risk Services Quarter Three Report 1st October to 31st December 2018

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Third Quarter Summary**Service Developments****1.1 Internal Audit**

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

- Early Years Financial Systems
- Compliance with Mandatory Arrangements
- Volunteering
- Performance Management
- SEN Transport
- Executive Decision Making – Community and Environmental Services
- Business Loan Fund
- Budgetary Control
- ICT Security
- Housing Benefit Overpayments
- Community Engagement
- Children's Social Care Placements

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

Progress is being made in implementing the actions identified in the Fraud Prevention Charter with the following actions now addressed:

- Refresher training has been received by the Money Laundering Reporting Officer and their Deputy.
- The roles and responsibilities of the corporate fraud team have been reviewed to ensure that all members of the team can respond to all types of fraud.
- Improved links with the Communications Team have been put in place to proactively publish success stories.
- A process for undertaking proactive anti-fraud work in social care has been piloted using real-time data provided from the National Fraud Initiative. In 8 of the 10 data matches, it was clear from a combination of Council Tax/Benefits and Mosaic information, that the data subjects in receipt of financial care were still alive. In one instance, the data subject had died, although the Social Care Team already knew of the death, albeit sometime after the event and recovery of overpaid sums had already been made. In the final match, the Social Care Team were unaware of the data subject's death some 6 months ago, although Council Tax and Benefit Teams had been notified. Further enquiries have revealed that the care provider has not invoiced for the data subject since the date of death.
- In conjunction with the Civil Enforcement Officers, the Corporate Fraud Team undertook a Blue Badge exercise around the town in November 2018. A total of 60 vehicles displaying Blue Badges were checked. From this exercise, a total of 5 Penalty Charge Notices and 3 misuse letters were issued. A further 2 Blackpool issue badges were confiscated, and a misuse reported to the issuing authority in 1 other instance.
- It has been confirmed that the Council will be undertaking joint working with the DWP on council tax / benefit fraud investigation with the go-live date scheduled for April 2019.

Other actions are being progressed and further updates will be provided in future Risk Services Quarterly reports however the progress in terms of proactive work has been somewhat hindered by ongoing staff absence in the team.

1.3 ***Risk and Resilience***

The Risk and Resilience Officer achieved the award of Certificate in Insurance from the Chartered Institute of Insurers following the completion of a number of exams.

The key focus of the team has been the project to procure insurance for the Council and three of its wholly owned companies (Blackpool Coastal Housing, Blackpool Housing Company and Blackpool Entertainment Company). The tender submissions have been evaluated and the decision making process and award of contracts will take place early in 2019. Overall, savings in the region of £320k per annum have been identified through the process.

The team have contributed to a recent internal audit of the risk management process across the Council and are making arrangements to implement the recommendations made in the report through the Corporate Risk Management Group.

Risk workshops have been arranged for the following directorates in order to update their service level risk registers:

- Children's Services
- Adult Services
- Public Health
- Communication and Regeneration

As part of the revised Risk Management Framework it was agreed to report to Audit Committee the progress in terms of the use of SharePoint and the Risk Management Groups which were held in the quarter. All risk management groups were held in the quarter as per the agreed schedule. There are still some risk management groups not using SharePoint for the circulation of documents including Adult Services, Children's Services, Communication and Regeneration, Community and Environmental, Equality and Diversity and Property Services.

1.4 ***Health and Safety***

A number of employee briefing notes have been issued in the quarter to help ensure that health and safety remains on the agenda for all teams.

Work is underway to review the health and safety training available across the Council and a training needs analysis is being undertaken to help inform future training provision and further enhance the current offer.

A Senior Health and Safety Advisor has been appointed and will take on operational management of the team in April 2019 when the Health and Safety Manager retires. A key focus on work has been implementing plans to continue to develop the health and safety service whilst being mindful of the reduction in resource in the team.

1.5 ***Equality and Diversity***

The Equality and Diversity self-assessment process is currently underway with the Public Health and Community and Environmental Directorates.

A report has been produced for consideration by the wholly owned companies Shareholder Panel to explore how the Council's companies can demonstrate how they adhere to the public sector duty as defined in the Equality Act. The aim is to look at the potential of implementing a consistent approach across all Council companies.

An analysis of the feedback received from the Diversity Awareness Training Course which is being rolled out to managers this year has been undertaken. Eight sessions were held between April and December

2018 and in total 66 completed feedback forms have been received. In terms of scores between 1 (poor) to 10 (good) the key data is as follows:

- Program met the aims 8.8
- Well-presented 8.8
- Positive learning experience 8.8
- Relevance 8.9
- Well-organised 9.0

It is intended to continue providing the training to managers across the Council and the scope to extend the training to elected members and wholly owned companies is currently being considered.

Performance

Risk Services performance indicators

Performance Indicator (Description of measure)	2018/19 Target	2018/19 Actual
Professional and technical qualification as a percentage of the total.	85%	84%

Internal Audit Team performance indicators

Performance Indicator (Description of measure)	2018/19 Target	2018/19 Actual
Percentage audit plan completed (annual target).	90%	59%
Percentage draft reports issued within deadline.	96%	94%
Percentage audit work within resource budget.	92%	93%
Percentage of positive satisfaction surveys.	85%	88%
Percentage compliance with quality standards for audit reviews.	85%	90%

Risk and Resilience Team performance indicators

Performance Indicator (Description of measure)	2018/19 Target	2018/19 Actual
Percentage of Council service business continuity plans up to date.	100%	57%*
Percentage of risk registers revised and up to date at the end of the quarter.	100%	100%
Number of risk and resilience training and exercise sessions held (annual target).	6	4
Number of trained Emergency Response Group Volunteers. (for monitoring purposes only – responsibility lies with Adult Social Care)	50	45

Performance Indicator (Description of measure)	2018/19 Target	2018/19 Actual
Percentage of property risk audit programme completed.	100%	100%

*In line with the Corporate Compliance Calendar which was introduced in 2018 all Business Continuity Plans should be updated in October each year. However, our data shows that whilst 90% of Business Continuity Plans are in place across the Council only 57% of these were updated in October as required.

The following services updated 100% of their plans in line with the timescales:

- Adult Services
- Chief Executives
- Public Health
- Resources
- Governance and Partnerships

The position in the other directorates is as follows:

Children's Services

Updated	Not Updated	Not Received
Overarching School Standards & Effectiveness	Permanence	Blackpool Young People's Service
Overarching SEND & Education	Contact Centre	
Overarching Children's Social Care & Early Help	331 Bispham Road	
Business Support & Resources	Duty, MASH, Awaken	
Headstart	167 Hornby Road	
	Adoption	
	Children with Complex Needs	
	Fostering	
	EDT	
	Family Group Conference	
	SQR	
	Grange Park	
	TAB	
	Safeguarding 1-6	
	The Link	
	Families In Need	

Communications & Regeneration

Updated	Not Updated	Not Received
Visit Blackpool	Libraries	Leisure Assets
Corporate Print Services	Adult Learning	Communications
Beach Patrol		Museum Project
Arts & Heritage		
Positive Steps		
Business Support		
Managed Workspaces		
Growing Places		

Community & Environmental Services

Updated	Not Updated	Not Received
Track Services	Waste	PE and School Sport
Leisure	Street Cleansing	Security
Catering	Environmental Protection	Civil Enforcement
Illuminations	Licensing	
	Housing Enforcement	
	Trading Standards	
	Health & Safety Enforcement	
	Community Safety	
	Parks	
	Building Cleaning	
	Integrated Transport	
	CVMU	
	Highways & Traffic Management	
	Coastal and Environmental Services	

Health and Safety performance indicators

Performance Indicator (Description of measure)	2018/19 Target	2018/19 Actual
RIDDOR Reportable Accidents for Employees	0	7
Training Delivered to quarterly plan	100%	100%

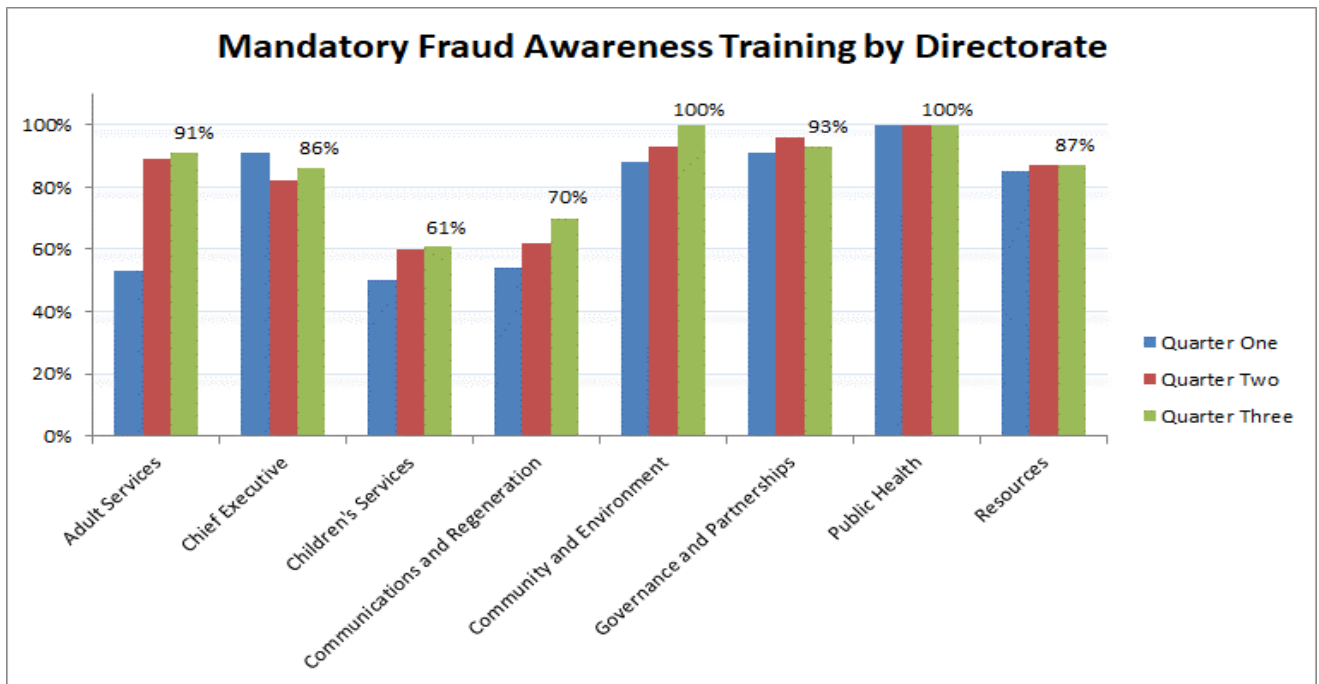
Four new RIDDOR cases relating to employees were reported in the quarter. All related to slip, trip or fall incidents two of which occurred in Children's Services, one in Adult Services and one in Community and Environmental Service.

Equality and Diversity performance indicators

Performance Indicator (Description of measure)	2018/19 Target	2018/19 Actual
Percentage of Executive Decisions made with evidence of Equality Impact Assessments or due regard.	100%	100%
Percentage take up of Equality i-Pool course.	100%	82%

Corporate Fraud Team performance indicators

Performance Indicator (Description of measure)	2018/19 Target	2018/19 Actual
% of agreed Council employees completed i-Pool fraud awareness course.	100%	82%



<u>CORPORATE FRAUD</u> <u>STATISTICS - 2018/2019</u>	Number of Cases Brought Forward from 2017/18	Total Number of Referrals Received	Case Closures		Total Value of Fraud Proven / Error Identified	Action Taken on Closed Cases					Number of Cases Currently Under Investigation
			Fraud/Error Proven	No Fraud/Error Identified		No Further Action	Recommendation	Disciplinary	Administrative Penalty	Prosecution	
Type of Fraud		ANNUAL SUMMARY 2018-19									
Council Tax - Single Person Discount	25	29	14	32	£4,624.26	45	1	0	0	0	8
Council Tax Reduction (CTR)	36	19	5	38	£5,320.02	42	0	1	0	0	12
Business Rates	0	0	0	0	-	0	0	0	0	0	0
Procurement	1	2	0	2	-	2	0	0	0	0	1
Fraudulent Insurance Claims	10	11	0	14	-	14	0	0	0	0	7
Social Care	2	1	0	0	-	0	0	0	0	0	3
Economic & Third Sector Support	0	0	0	0	-	0	0	0	0	0	0
Gross Misconduct (Disciplinary Code)	0	1	1	0	-	0	0	1	0	0	0
Pension	0	0	0	0	-	0	0	0	0	0	0
Investment	0	0	0	0	-	0	0	0	0	0	0
Payroll & Employee Contract Fulfilment	0	0	0	0	-	0	0	0	0	0	0
Expenses	0	0	0	0	-	0	0	0	0	0	0
Abuse of Position - Financial Gain	1	2	0	2	-	2	0	0	0	0	1
Abuse of Position - Manipulation of Financial or Non-Financial Data	0	1	0	1	-	1	0	0	0	0	0
Fraudulent Cashing of Housing Benefit Cheque	1	0	0	1	-	1	0	0	0	0	0
Disabled parking concessions	1	3	0	3	-	3	0	0	0	0	1
NFI 2017	557	0	0	475	-	475	0	0	0	0	82
Totals:	634	69	20	568	£9,944.28	585	1	2	0	0	115

2. Appendix A: Performance & Summary Tables for Quarter Three

Internal Audit reports issued in period

Directorate	Review Title	Assurance Statement						
Adult Services	Safeguarding Enquiries	<u>Scope</u>						
		The scope of the audit was to review: <ul style="list-style-type: none">• Whether there is a full audit trail for safeguarding enquiries, and to ensure that decisions are appropriate and supported by evidence;• How the Council assesses whether it is appropriate for the Council or provider to primarily respond when a Safeguarding Enquiry is received; and• Whether outcomes are appropriately communicated to providers, the individual and family members.						
		<u>Overall Opinion and Assurance Statement</u>						
		<table><tr><td colspan="2">Adequate</td></tr></table>	Adequate					
		Adequate						
We consider that the controls in place are currently adequate overall, with the recent enhancements to Mosaic providing noticeable improvements to the effectiveness of the safeguarding enquiry process. However, our sample testing revealed weaknesses around the recording of the rationale for decisions and the communication of conclusions with interested parties and these elements need to be strengthened.								
<u>Number of Recommendations Made</u>								
		<table><tr><td>Priority 1</td><td>0</td></tr><tr><td>Priority 2</td><td>2</td></tr><tr><td>Priority 3</td><td>3</td></tr></table>	Priority 1	0	Priority 2	2	Priority 3	3
Priority 1	0							
Priority 2	2							
Priority 3	3							
		<u>Management Response</u>						
		Management agreed that Adult Services should determine how the recording of the rationale for decisions and risk assessment outcomes can be improved. This is now included as part of the peer audit programme, and the Head of Safeguarding will commence additional Management audits.						
		Management agreed that Adult Services should determine how the communication of conclusions to interested parties can be improved. This should include prompts within the system to remind users to consider whether a formal communication is required; and the recording of the rationale for not issuing a formal letter to interested parties.						

Directorate	Review Title	Assurance Statement						
Adult Services	Improved Better Care Fund	<u>Scope</u>						
		The scope of our audit was to review evidence regarding the impact of Improved Better Care Fund Schemes.						
		<u>Overall Opinion and Assurance Statement</u>						
		Adequate						
		We consider the controls in place provide adequate evidence of a positive impact of the Improved Better Care Fund, but with several further changes necessary. The services should ensure that any care improvements brought about by the iBCF funding are built upon and sustained and that alternative funding is sought via liaison with the CCG to support the enhanced services that are demonstrated to be having a positive impact should funding not continue.						
		<u>Number of Recommendations Made</u>						
		<table><tr><td>Priority 1</td><td>0</td></tr><tr><td>Priority 2</td><td>7</td></tr><tr><td>Priority 3</td><td>0</td></tr></table>	Priority 1	0	Priority 2	7	Priority 3	0
		Priority 1	0					
		Priority 2	7					
		Priority 3	0					
<u>Management Response</u>								
Management agreed that further discussion should take place with CCG representatives on contingency plans for future funding.								
Management agreed that discussions should take place with CCG representatives concerning agreeing ongoing performance measures for iBCF schemes.								
Management agreed that capacity should be identified to ensure improved accuracy in DToC reporting.								
Management agreed that individual case studies should be identified and reviewed on a regular basis in order to continue to identify the impacts and outcomes of different iBCF funded social care interventions, linked to quality assurance processes.								
Management agreed that a performance framework should be developed to clearly demonstrate the impact of the work of the Accident and Emergency social workers, including involving health staff in the framework and identifying impact on hospital admittance avoidance.								
Management agreed that an approach should be identified as to how the impact of any future planned increases in provider rates should be assessed and managed.								
Management agreed that the BCF quality and performance monitoring framework should be developed and agreed with partners to include iBCF schemes.								

Directorate	Review Title	Assurance Statement						
Children’s Services	School Improvement Board and Processes	<u>Scope</u>						
		The scope of the audit was to review how well the new system for the Blackpool School Improvement Board (BSIB) and associated processes was achieving its objectives and to determine whether there are any further improvements which could be made.						
		<u>Overall Opinion and Assurance Statement</u>						
		Adequate						
		The recently reported 2018 GCSE results for Blackpool schools showed little or no improvement in Blackpool’s aggregate figures and gaps between Blackpool schools and the regional and national averages remain substantial in all measures. A decline in most measures was reported for one Blackpool school, in all measures for another school and a very substantial decline in performance for a further school. However there were improvements noted in all measures for two Blackpool schools, and most measures for a further two schools.						
		The approach being taken by the BSIB is well established and we consider that the controls in place around the School Improvement Board and processes are adequate, with some risks identified and assessed, and some changes required to further improve the approach.						
		<u>Number of Recommendations Made</u>						
		<table><tr><td>Priority 1</td><td>0</td></tr><tr><td>Priority 2</td><td>2</td></tr><tr><td>Priority 3</td><td>3</td></tr></table>	Priority 1	0	Priority 2	2	Priority 3	3
		Priority 1	0					
		Priority 2	2					
Priority 3	3							
<u>Management Response</u>								
Management agreed that the membership of both the BSIB and the Strategy Group should be reviewed to minimise overlap between the two groups and provide a more balanced representation.								
Management agreed that a formal communication strategy and plan should be developed to help clarify and improve communication channels.								

Directorate	Review Title	Assurance Statement						
Corporate	HR and Financial Management Systems	<u>Scope</u>						
		The scope of the audit included:						
		<ul style="list-style-type: none">• The services’ future plans for HR and Finance systems changes, to inform senior management of risks, timescales, resources and skills requirements; and• Exploration and assessment of options, including assessing the advantages and disadvantages of combined HR and Financial Systems, through researching the experiences of other organisations;						
		<u>Overall Opinion and Assurance Statement</u>						
		Adequate						
		We consider that the controls in place are currently adequate given that sufficient time to allow for a well-defined solution to be purchased and implemented has been identified prior to the end date of the HR and Finance system contracts.						
		We have outlined a number of recommendations in the report that will provide a clear structure to proceed with the change to the new HR and Finance systems.						
		<u>Number of Recommendations Made</u>						
		<table><tr><td>Priority 1</td><td>0</td></tr><tr><td>Priority 2</td><td>13</td></tr><tr><td>Priority 3</td><td>2</td></tr></table>	Priority 1	0	Priority 2	13	Priority 3	2
		Priority 1	0					
Priority 2	13							
Priority 3	2							
<u>Management Response</u>								
		Management agreed that a report will be taken to the Corporate Leadership Team signally the need to review resource implications of all of the recommendations in the report which were all agreed in principle by the Director of Resources, Head of Organisation and Workforce Development and Chief Accountant.						

Directorate	Review Title	Assurance Statement						
Corporate	Purchase Cards Financial Control Assurance Testing	<u>Scope</u>						
		The scope of the audit was to ensure that adequate and effective controls are in place to minimise financial risk in relation to the purchase card system.						
		<u>Overall Opinion and Assurance Statement</u>						
		System of Control: Good						
		Compliance: Inadequate						
		Overall we have assessed that there is a good system of controls over the Purchase Cards system.						
		However where we sought evidence of compliance with the key financial controls it was found that evidence was incomplete or demonstrated that there was an inadequate level of compliance with some of the controls.						
		<u>Number of Recommendations Made</u>						
		<table><tr><td>Priority 1</td><td>0</td></tr><tr><td>Priority 2</td><td>5</td></tr><tr><td>Priority 3</td><td>0</td></tr></table>	Priority 1	0	Priority 2	5	Priority 3	0
		Priority 1	0					
Priority 2	5							
Priority 3	0							
<u>Management Response</u>								
Management agreed that cardholder agreements should be re-issued and re-signed every two years to ensure that card holders are reminded of the need to comply with guidance. Furthermore cards will be cancelled if the signed cardholder agreements are not returned.								
Management agreed that purchase card request forms or other evidence of application for and approval of card issue should be retained on file in all cases. Evidence is to be retained on a specific folder in Office 365 going forward.								
Management agreed that appropriate documentation supporting purchases made should be uploaded to the purchase card system. This is made clear in the guidance and will be reaffirmed as part of the re-signing of cardholder agreements.								
Management agreed that all transactions should be approved by the relevant authoriser. A system report now goes to the Director of Resources who will contact approvers who are not complying and emphasise that cards can be cancelled for non-compliance.								
Management agreed that VAT should only be claimed where there is a valid VAT receipt uploaded to the system. This is made clear in the guidance and will be reaffirmed as part of the re-signing of cardholder agreements.								

Directorate	Review Title	Assurance Statement						
Corporate	Debtors Financial Control Assurance Testing	<u>Scope</u>						
		The scope of the audit was to ensure that adequate and effective controls are in place to minimise financial risk in relation to the sundry debtors system.						
		<u>Overall Opinion and Assurance Statement</u>						
		System of Control: Adequate Compliance: Inadequate						
		Overall we have assessed that there is an adequate system of controls over the Debtors system. However there is scope to further enhance controls in the areas around credit limits, credit checks and other general checks on customers to mitigate against the possibility of bad debts arising. Also the potential change of financial system provides an opportunity to enhance analysis and reporting of debt.						
		Furthermore where we sought evidence of compliance with the key financial controls it was found that evidence was either incomplete or demonstrated that there was an inadequate level of compliance in some areas.						
		<u>Number of Recommendations Made</u>						
		<table><tr><td>Priority 1</td><td>0</td></tr><tr><td>Priority 2</td><td>5</td></tr><tr><td>Priority 3</td><td>2</td></tr></table>	Priority 1	0	Priority 2	5	Priority 3	2
		Priority 1	0					
		Priority 2	5					
Priority 3	2							
<u>Management Response</u>								
Management agreed that the facility to generate debtors' statements and the introduction of a module which enhances analysis and reporting of debt should be considered as part of the plans to move to a different financial system.								
Management agreed that initiating departments should ensure that there is suitable evidence in place to support the raising of an invoice and that this is retained in line with the Corporate Retention Policy.								
Management agreed that, where it has been agreed by Senior Management / Members that there will be no charge for traffic management services for events this should be communicated to Highways staff with responsibility for raising invoices. Where it has been agreed that a fee is payable then this should be evidenced by means of a signed contract / agreement.								
Management agreed that credit notes should be authorised by an appropriate person prior to being raised in Cedar.								
Copies of the debtors delete form should be retained by the initiating department in line with the Corporate Retention Policy.								

Directorate	Review Title	Assurance Statement						
Corporate	Risk Management	<u>Scope</u> The scope of our audit was to review the arrangements for embedding the Council’s Risk Management Framework.						
		<u>Overall Opinion and Assurance Statement</u> <table><tr><td>Good</td></tr></table> We consider the arrangements for embedding the Council’s Risk Management Framework to be good, including the robustness of the Risk Management Framework and the central support from Risk Services. There are opportunities for the further embedding of risk management within the organisation. A corporate assurance mechanism to ensure that appropriate risk management arrangements are in place for major projects and partnerships would be beneficial. Furthermore, Risk Management groups would benefit from evaluating themselves against a good practice model of effectiveness.	Good					
		Good						
		<u>Number of Recommendations Made</u> <table><tr><td>Priority 1</td><td>0</td></tr><tr><td>Priority 2</td><td>4</td></tr><tr><td>Priority 3</td><td>4</td></tr></table>	Priority 1	0	Priority 2	4	Priority 3	4
		Priority 1	0					
Priority 2	4							
Priority 3	4							
<u>Management Response</u> Management agreed that further risk register reviews, risk workshops and additional training should be considered for those cases where the approval process indicates that there is an ongoing need. Management agreed that maintaining of risk registers on SharePoint sites should be considered and agreed with Corporate Leadership Team for defined major projects and partnerships in order to provide a corporate assurance mechanism that relevant risk management arrangements are in place. Management agreed that a good practice model of Risk Management group effectiveness should be developed as an improvement tool. Risk Management groups should evaluate themselves against the model, with assistance from Risk Services as required. Management agreed that a survey should be carried out amongst key participants of risk management awareness and communications, how risk management is being embedded in service delivery and any further training and support requirements should be identified.								

Directorate	Review Title	Assurance Statement				
Resources	Carbon Reduction Commitment Scheme	<u>Scope</u> This compliance based review of the Council’s carbon reduction commitment submission for 2017/2018 was based on guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). The audit focused on a number of control objectives including that: <ul style="list-style-type: none">• Registration details are correct and subject to regular review,• Data is secure and accurately recorded in the Council's management information systems,• Information contained in the Annual Report is accurate and timely,• All fuel consumption is accurately reported using correct conversion rates and includes core, residual and other fuel types,• Estimated bills are monitored to ensure at least two meter reads are taken in a six month period (to avoid uplifts in carbon allowance purchases associated with estimated bills),• Issues are logged and updated with outcomes to support the evidence pack,• The cost of carbon allowances is budgeted for and accounted for correctly in the Council's financial system.				
		<u>Overall Opinion and Assurance Statement</u>				
		<table><tr><td colspan="2">Good</td></tr></table>	Good			
		Good				
		We consider that the controls in place for the Carbon Reduction Commitment Scheme are good. Most risks have been identified and assessed and we consider that only minor control improvements are required. Our testing revealed a satisfactory level of compliance with the controls.				
<u>Number of Recommendations Made</u> <table><tr><td>Priority 1</td><td>0</td></tr><tr><td>Priority 2</td><td>1</td></tr><tr><td>Priority 3</td><td>0</td></tr></table>	Priority 1	0	Priority 2	1	Priority 3	0
Priority 1	0					
Priority 2	1					
Priority 3	0					
<u>Management Response</u> Management agreed that steps should be taken to ensure that the Energy Management folder is restricted to authorised personnel only.						

Directorate	Review Title	Assurance Statement						
Resources	Business Rates	<u>Scope</u>						
		The scope of the audit was to review: <ul style="list-style-type: none">• The preparedness of the service as the government plans to increase business rates retention;• The effectiveness of policies and decisions in relation to empty properties, recovery action and the funding of the enterprise zone; and• Relationships with the VOA and the appeals process.						
		<u>Overall Opinion and Assurance Statement</u>						
		<table><tr><td>Adequate</td></tr></table>	Adequate					
		Adequate						
We consider that the controls in place are adequate with some risks identified and assessed and some changes necessary. The revenues service and the wider Council need to keep in view the changing scene regarding business rates retention and ensure that it continues to be considered in all relevant future undertakings.								
<u>Number of Recommendations Made</u>								
		<table><tr><td>Priority 1</td><td>0</td></tr><tr><td>Priority 2</td><td>1</td></tr><tr><td>Priority 3</td><td>0</td></tr></table>	Priority 1	0	Priority 2	1	Priority 3	0
Priority 1	0							
Priority 2	1							
Priority 3	0							
		<u>Management Response</u>						
		Management agreed that a formal invest to save proposal for additional resourcing of business rates collection should be presented to senior management for approval.						

Progress with Priority 1 audit recommendations

A review of priority one recommendations was undertaken in the quarter. Progress has been made in implementing the required controls in a number of cases including:

- Head Start x 1 recommendations
- Business Planning and Performance Management x 2 recommendations
- Property Services Inspection Contracts x 5 recommendations
- Oversight of Shared Services x 1 recommendation
- Transition from Children's Services to Adults x 1 recommendation
- Placement Orders and Legal Costs x 1 recommendation
- Public Health Funding x 1 recommendation
- E-Invoicing x 1 recommendation
- Events Risk Management x 3 recommendations

Some priority one recommendations had not been fully addressed by the agreed target date however reasons have been provided for the delays and new completion dates agreed. These include:

- Rideability x 1 recommendation
- Public Health Outcomes x 1 recommendation
- Estates and Investment Portfolio x 1 recommendation

The Regulation of Investigatory Powers Act 2000

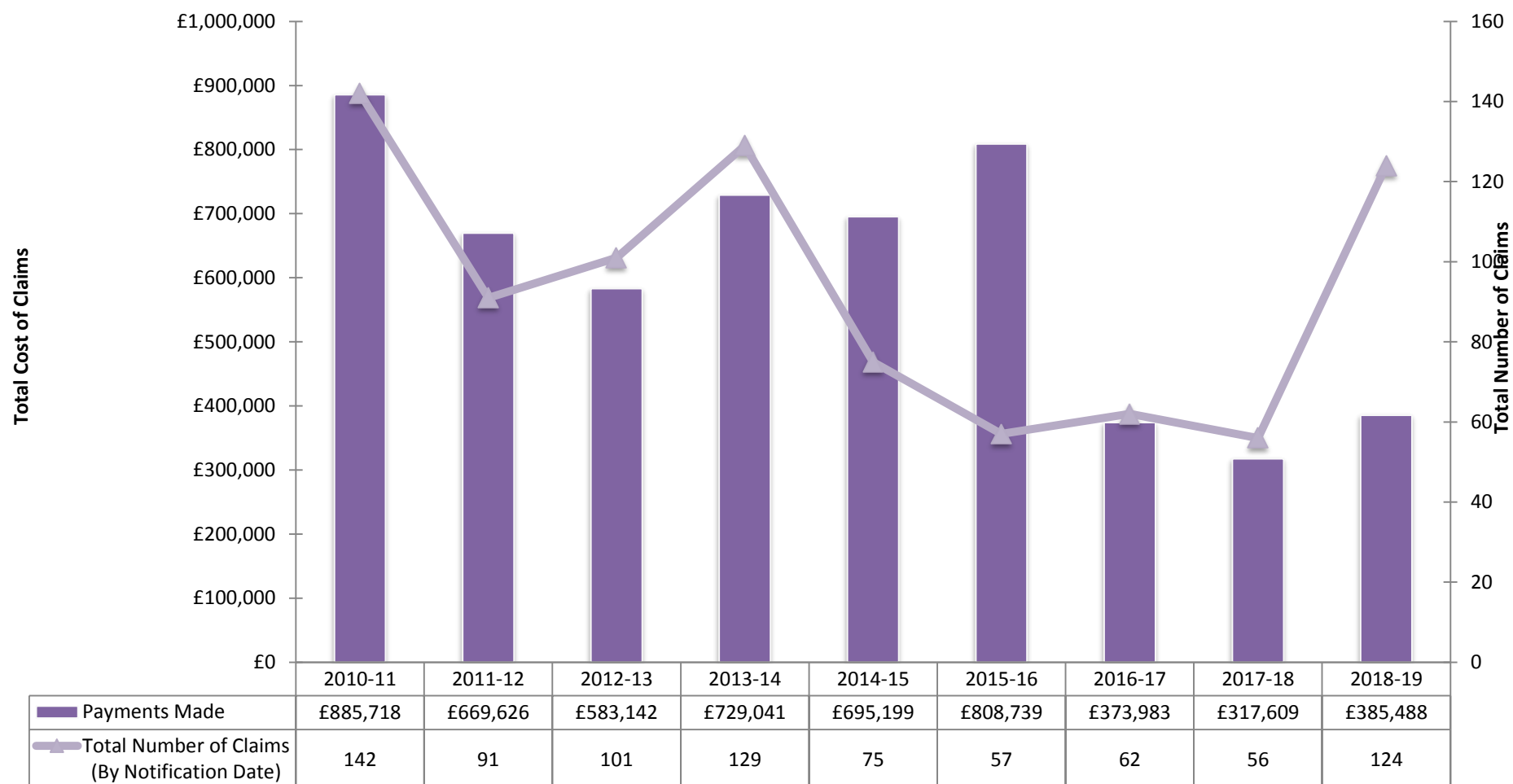
In line with best practice it has been agreed that the Council will report to the Audit Committee the number of RIPA authorisations undertaken each quarter, which enables the Council to undertake directed and covert surveillance. Between October and December 2018 the Council authorised no RIPAs.

Insurance claims data

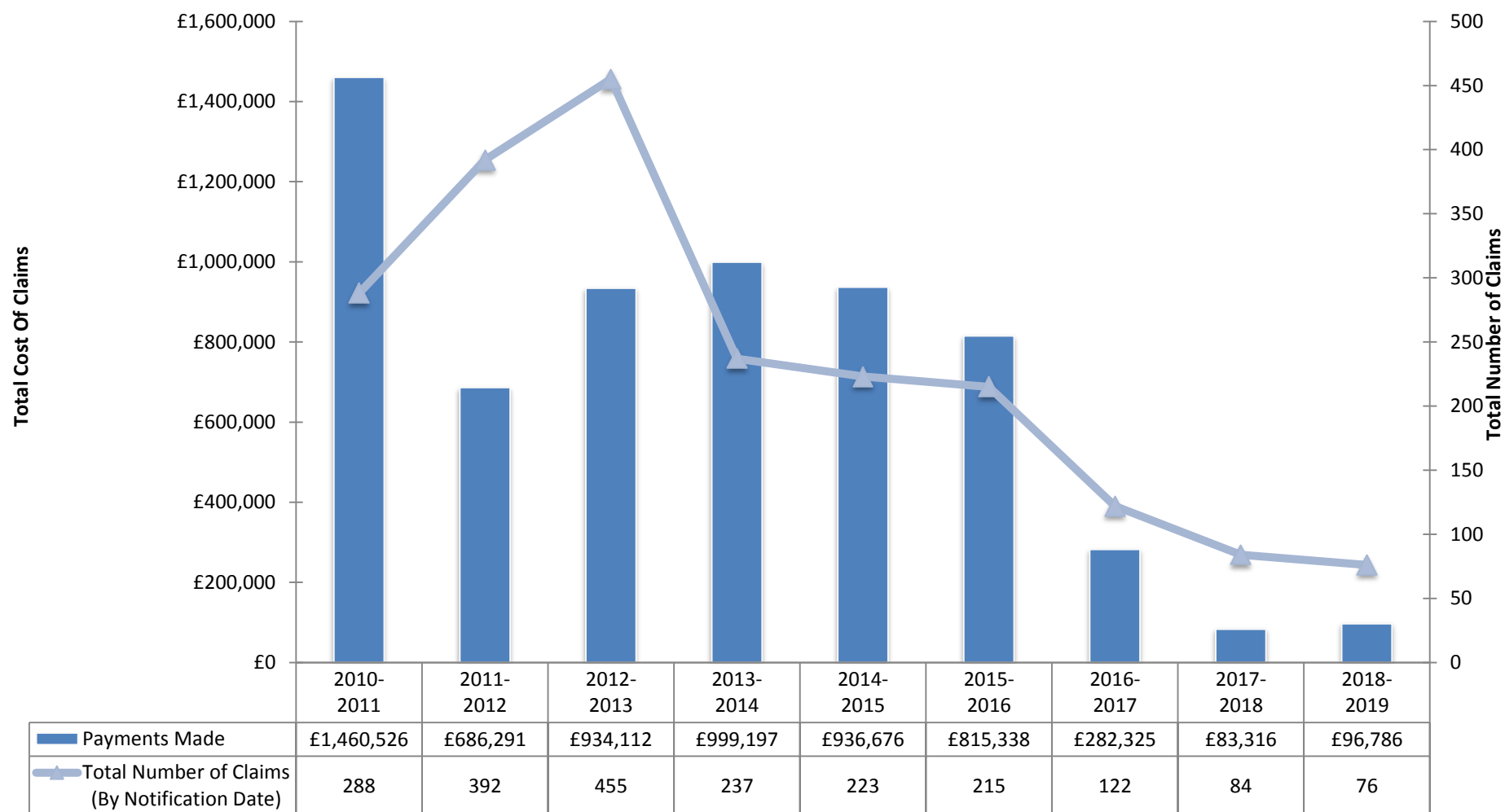
The graphs at Appendix B show the cost of liability insurance claims paid to date each financial year by the Council.

3. Appendix B – Insurance Claim Payments by Financial Year**Total Number and Cost of EL Claims (Paid Amounts) as at 31.12.18**

Total Number and Cost of PL Claims (Paid) as at 31.12.18



Total Number and Cost of PLH Claims (Paid) as at 31.12.18



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Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh – Head of Audit and Risk
Date of Decision/ Meeting	7 March 2019

INTERNAL AUDIT PLAN 2019/2020

1.0 Purpose of the report:

1.1 To obtain approval for the Internal Audit Plan 2019/2020.

2.0 Recommendation(s):

2.1 To approve the Internal Audit Plan for 2019/2020.

3.0 Reasons for recommendation(s):

3.1 The Public Sector Internal Audit Standards require that the Internal Audit Plan is approved by senior management and the Audit Committee.

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:

3.4 None.

4.0 Council Priority:

4.1 The relevant Council Priority is organisational resilience.

5.0 Background Information

5.1 Each risk based review will include core areas of internal control such as business planning, performance monitoring and security of assets. Segregation of duties in key processes will remain an important focus given the current economic climate and issues identified from past work.

Compliance testing accounts for approximately forty percent of the allocated audit

resource to complement risk based audit work with a robust set of compliance testing.

Changes to the programme of risk based work will only be made following discussion with the Council's Section 151 officer. Any changes will be made known to the Audit Committee through the quarterly report of the Head of Audit and Risk.

5.2 Does the information submitted include any exempt information? No

5.3 **List of Appendices:**

Appendix 6(a) – Internal Audit Plan 2019/2020

6.0 **Legal considerations:**

6.1 Each audit review will consider the legal implications faced by the service and will factor these into the evaluation of the service.

7.0 **Human Resources considerations:**

7.1 A meeting will be arranged with the relevant Director and Head of Service to scope each audit review and agree timings so that staff have adequate notice that an audit is going to be undertaken.

8.0 **Equalities considerations:**

8.1 The plan is based on a risk assessment of all Council services.

9.0 **Financial considerations:**

9.1 Financial controls are a key feature in all audits.

10.0 **Risk management considerations:**

10.1 An audit universe is in place which lists all Council services and an exercise is undertaken to risk assess each service using a weighted criteria including materiality, system stability, devolved control, internal control and sensitivity. This is undertaken by the Internal Audit Team using their combined knowledge and experience. The Head of Audit and Risk then meets with each Directorate Management Team to present internal audit's priorities and establish what they consider to be risks faced by their service areas.

All of the above information is collated into one document and a further risk assessment is undertaken by the Head of Audit and Risk to identify which of the risks

can be resourced in the internal audit plan. Factors which inform this include whether a follow-up of priority one recommendations is already planned, time since last review, whether assurance can be obtained from a different source, the strategic risk register and whether internal audit can gain assurance through an alternative method.

11.0 Ethical considerations:

- 11.1 Each internal audit undertaken will be completed in compliance with the Code of Ethics as outlined in the Public Sector Internal Audit Standards.

12.0 Internal/ External Consultation undertaken:

- 12.1 Planned audit work has been discussed with the Chief Executive, Senior Management and the Section 151 Officer. The plan was approved by the Corporate Leadership Team on 29 January 2019.

13.0 Background papers:

- 13.1 None.

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Internal Audit Annual Plan

2019-2020

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Internal Audit Annual Plan 2019-20

1. Introduction

- 1.1 The purpose of this report is to obtain approval for the Internal Audit Plan for 2019/20. The Public Sector Internal Audit Standards recommends that the audit plan is approved by both the Audit Committee and senior management.
- 1.2 In terms of reporting lines for the service the Head of Audit and Risk reports to the Director of Resources on operational issues and the Chief Executive and Audit Committee as appropriate on strategic issues. The audit plan is based on the service structure, which includes five full time operational audit staff, one Audit Manager and the Head of Audit and Risk who splits their time across the five services which they manage.
- 1.3 The service will report the overall opinion and assurance statement for all work undertaken on a quarterly basis to the Audit Committee and Corporate Leadership Team. As in previous years, the Audit Committee can request more detailed information on any work undertaken. The annual opinion of the Head of Audit and Risk will contribute to the Council's Annual Governance Statement.

2. Overall balance of coverage

- 2.1 The work of the team is divided into three main services to the Council:
 - Reviews of Council systems and processes on a risk assessed basis to ensure controls are adequate, coupled with a programme of follow-up work to ensure high risk findings are implemented;
 - Compliance testing to ensure:
 - Significant financial systems remain 'fit for purpose',
 - Adequate financial and governance procedures in maintained schools,
 - Appropriate controls over capital contracts and larger revenue contracts,
 - Effective procurement activity, including non-contracted spend.
 - Provision of consultancy and advice to service management on request regarding aspects of internal control;

3. Risk-based reviews

- 3.1 Within each risk based review we will continue to include core areas of internal control such as business planning, performance monitoring and security of assets. Segregation of duties in key processes will remain an important focus given the current economic climate and issues identified from past work.
- 3.2 Planned audit work has been discussed with the Chief Executive, Senior Management and the Director of Resources. The plan has also been discussed by the Corporate Leadership Team in February 2019.
- 3.3 The demand for audit work in 2019/2020 has exceeded the available resource and therefore a decision has been taken to focus on the areas with the highest perceived risk or have not

Internal Audit Annual Plan 2019-20

been subject to recent audit activity. Other sources of assurance have been used to help inform this process such as external inspections and reviews, consultancy reports, external audit work and other internal reviews carried out by other Council services.

- 3.4 The plan has been compared to the financial risk assessment included in the Council's budget to help ensure that key areas of financial risk are aligned to the audit plan. The plan has also been aligned to the Council's Strategic Risk Register.
- 3.5 Changes to the programme of risk based work will only be made following discussion with the Council's Section 151 officer. Any changes will be made known to the Audit Committee through the quarterly report of the Head of Audit and Risk.
- 3.6 The outcome of each risk based review will be an overall opinion and assurance statement supported by a detailed report and recommendations. There are four options for the assessment of controls:
- Good – most risks identified and assessed, minor control improvement required.
 - Adequate – some risk identified and assessed several changes necessary.
 - Inadequate – A number of material risks identified, significant improvement required.
 - Unsatisfactory – most risks not identified or assessed fundamental improvements necessary to manage and control the risks.
- 3.7 The scope of the audit review and the overall opinion and assurance statement will be reported to CLT and Audit Committee in the Risk Services Quarterly Report.
- 3.8 A list of risk based reviews which will be covered in 2019/2020 can be found in **Appendix A**.

4. **Compliance testing**

- 4.1 Risk based audit work is complemented by a robust set of compliance testing. Further details of the areas of coverage can be found in **Appendix A** to this report. The compliance element of the audit programme can be split into the following sub-headings:

Financial Control Assurance Testing

- 4.2 This involves the testing of core financial system transactions to ensure that all major financial systems are subject to an adequate level of audit review work. A cyclical programme has been implemented to ensure that all key financial systems are subject to a compliance audit every two to three years.
- 4.3 The scope of the audit review and the assurance statement will be reported to CLT and Audit Committee in the Risk Services Quarterly Report. An assurance statement will be provided on the robustness of the controls based on the following criteria:
- Good – most risks identified and assessed, minor control improvement required.
 - Adequate – some risk identified and assessed several changes necessary.
 - Inadequate – A number of material risks identified, significant improvement required.
 - Unsatisfactory – most risks not identified or assessed fundamental improvements necessary to manage and control the risks.
- 4.4 An opinion will also be provided on whether or not the controls are complied with.

Internal Audit Annual Plan 2019-20

Procurement and Contract Audit

- 4.5 A number of reviews will be undertaken to ensure that adequate procurement arrangements are in place and that contracts are being effectively managed.
- 4.6 The outcome of each procurement and contract audit will be an overall opinion and assurance statement supported by a detailed report and recommendations.
- 4.7 The scope of the audit review and the overall opinion and assurance statement will be reported to CLT and Audit Committee in the Risk Services Quarterly Report.

Schools Audit

- 4.8 It is intended that each maintained school will be subject to an audit every three years, or more frequently if necessary.
- 4.9 The outcome of each school audit will be an overall opinion and assurance statement supported by a detailed report and recommendations. There are four options for the assessment of controls:
- Good – most risks identified and assessed, minor control improvement required.
 - Adequate – some risk identified and assessed several changes necessary.
 - Inadequate – A number of material risks identified, significant improvement required.
 - Unsatisfactory – most risks not identified or assessed fundamental improvements necessary to manage and control the risks.

- 4.10 The scope of the audit review and the overall opinion and assurance statement will be reported to CLT and Audit Committee in the Risk Services Quarterly Report.

Establishment Visits

- 4.11 A small programme of establishment visits will take place to ensure that controls are operating effectively.
- 4.12 The outcome of each establishment visit will be an overall opinion and assurance statement supported by a detailed report and recommendations. There are four options for the assessment of controls:
- Good – most risks identified and assessed, minor control improvement required.
 - Adequate – some risk identified and assessed several changes necessary.
 - Inadequate – A number of material risks identified, significant improvement required.
 - Unsatisfactory – most risks not identified or assessed fundamental improvements necessary to manage and control the risks.

- 4.13 The scope of the audit review and the overall opinion and assurance statement will be reported to CLT and Audit Committee in the Risk Services Quarterly Report.

Grant Certification

- 4.14 The audit programme will include various grant certifications which require sign-off by the Head of Audit and Risk.

Internal Audit Annual Plan 2019-20

- 4.15 The outcome of this will be a signed grant certification which will be provided directly to the external funding body.

Follow-Ups

- 4.16 All priority one recommendations made by internal audit are followed up by the Head of Audit and Risk approximately six months after the audit report was finalised and progress against these is reported in summary form to CLT and Audit Committee as part of the Risk Services Quarterly Report.
- 4.17 For some audits, where a number of recommendations have been made and significant change is required, a detailed follow-up will be included in the audit plan. These will include a follow up of all recommendations made (regardless of priority) to ensure that risk is effectively managed going forward.
- 4.18 The outcome of each detailed follow-up will be an overall opinion and assurance statement supported by a detailed report and recommendations. There are four options for the assessment of controls:
- Good – most risks identified and assessed, minor control improvement required.
 - Adequate – some risk identified and assessed several changes necessary.
 - Inadequate – A number of material risks identified, significant improvement required.
 - Unsatisfactory – most risks not identified or assessed fundamental improvements necessary to manage and control the risks.
- 4.19 An overview of the recommendations and the overall opinion and assurance statement will be reported to CLT and Audit Committee in the Risk Services Quarterly Report.
- 4.20 In order to ensure that priority two and three recommendations are implemented the Audit Committee pick a sample of completed audit reports and call the relevant Head of Service to committee to provide an update in terms of progress made.

5. Consultancy, Advice and Project Support

- 5.1 When a service is undergoing a significant transformation there may be a need for internal audit to be involved to help inform the future direction of the service with a particular focus on risk and controls issues. Where this is the case it would not be appropriate to provide an overall opinion and assurance statement as the Council recognises that change is needed but would appreciate support from internal audit. Reviews which fall into this area are categorised as consultancy in the audit plan.
- 5.2 The outcome of work categorised as consultancy will be a detailed report and recommendations. However, rather than issuing an overall opinion and assurance statement a brief summary of the key changes required will be reported to CLT and Audit Committee as part of the Risk Services Quarterly Report.
- 5.3 The provision of advice to management on matters of risk and control remains an important aspect of the internal audit service. As in prior years a proportion of audit time has been set aside in contingency for ad hoc advice work at management request. Advice work tends to focus on a particular risk a service has identified as part of their normal service provision which requires support from an auditor.

Internal Audit Annual Plan 2019-20

- 5.4 As the type of advice required is not known through the audit planning process it is not possible to define the areas in the plan. The outcome of advice work will be a short paper to service management outlining possible actions which can be taken to reduce risk. This is not reported to CLT and Audit Committee in the Risk Services Quarterly Report but is included in the Annual Audit Report as it contributes to the overall opinion of the Head of Audit and Risk.
- 5.5 Time has also been allocated to support key Council projects where it is deemed more appropriate for internal audit to be represented on working groups to provide advice throughout the project. Project support work does not result in the production of a report but is included in the Annual Audit Report as it contributes to the overall opinion of the Head of Audit and Risk.

6. Strategic Audit Work

- 6.1 The Head of Audit and Risk is involved in a number of workstreams including the Annual Governance Statement, corporate governance, risk management and corporate investigations, which are included in the plan.

7. External work

- 7.1 The internal audit team also undertakes work for a range of external clients including Blackpool Coastal Housing, Blackpool Transport Services, Blackpool Housing Company, Blackpool Operating Company and Blackpool Entertainment Company. This will be expanded to include Aptus North West Environmental Services in 2019/20.
- 7.2 An audit approach has also been developed with Merlin Entertainment to facilitate an annual review of the controls in place at Blackpool Tower, the Dungeons and Madame Tussauds.
- 7.3 Blackpool Council provides a number of shared services with Fylde Borough Council, particularly in relation to the provision of revenues and benefits services. These key financial systems are subject to regular audit review and therefore the Council's Internal Audit Team undertakes the required work jointly with Fylde Borough Council's audit team to reduce the audit burden on the service.

8. Monitoring performance

- 8.1 As head of the Council's independent assurance service, the Head of Audit and Risk will issue quarterly reports to the Statutory Finance Officer, Corporate Leadership Team and Audit Committee, to enable any areas of concern to be acted upon as necessary. The Head of Audit and Risk's opinion on the effectiveness of the system of internal control for the 2018/19 year will be available in May 2019.
- 8.2 As with all Council services, performance indicators will be used for monitoring and managing the team. Wherever possible, performance indicators are intended to remain the same year on year to enable trends to be identified. The five PIs in place are:
- Audit plan completed;
 - Reviews delivered to deadline;
 - Reviews delivered to time budget;

Internal Audit Annual Plan 2019-20

- Customer satisfaction;
- Compliance of audit reviews with department quality standards.

9. Recommendation

- 9.1 The Corporate Leadership Team and Audit Committee are asked to approve the internal audit plan for 2019/20.

Tracy Greenhalgh CMIIA, MSc
Head of Audit and Risk
22nd January 2019

Appendix A - Planned Risk Based and Compliance Reviews

Directorate	Service / Topic	Provisional Timings	Allocated Days	Strategic Risk	Type of Audit
Operational Audit Work					
Adult Services	Direct Payments	Q1	20	Increased risk of fraud.	Risk
Adult Services	Care at Home	Q3	20	Failure of a service provider in high risk contracted areas for statutory services.	Risk
<i>Adult Services Risk Based Audit Allocation</i>			40		
Adult Services	Executive Decisions	Q3	15	Non-compliance with statutory requirements and internal procedures.	Compliance
Adult Services	Extra Support – Supported Living Schemes	Q1	10	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
Adult Services	Coopers Way Respite Care	Q2	5	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
<i>Adult Services Compliance Audit Allocation</i>			30		
Adult Services Total Operational Audit Days			70		
Chief Executives	Research and Data Analysis	Q4	20	Lack of effective risk management embedded across the Council.	Risk
Chief Executives	Homelessness	Q2	20	Large, poor quality private sector in inner Blackpool continues to drive transience and deprivation.	Risk
<i>Chief Executive Risk Based Audit Allocation</i>			40		
Chief Executive	Social Housing Rents	Q1	20	Non-compliance with statutory requirements and internal procedures.	Financial Control Assurance Testing
<i>Chief Executive Compliance Audit Allocation</i>			20		

Chief Executive Total Operational Audit Days			60		
Children's Services	Post OFSTED and YOT Improvement Arrangements	Q2	20	Increasing numbers of looked after children and child protection cases resulting in a need to change the Council's approach.	Risk
<i>Children's Services Risk Based Audit Allocation</i>			20		
Children's Services	Bispham Endowed Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	School Visit
Children's Services	Holy Family RC Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	School Visit
Children's Services	St John Vianney Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	School Visit
Children's Services	Stanley Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	School Visit
Children's Services	Troubled Families	Q4	10	Preventative / early intervention services are unfunded or need to be made sustainable.	Compliance
<i>Children's Services Compliance Audit Allocation</i>			18		
Children's Services Total Operational Audit Days			38		
Communication and Regeneration	Conference Centre	Q3	20	Increased deprivation and unemployment.	Risk
Communication and Regeneration	Business Support	Q1	20	Increased deprivation and unemployment.	Risk
Communication and Regeneration	Parking Services	Q3	20	Lack of appropriate transport infrastructure.	Risk
Communication and Regeneration	Advertising	Q1	20	Visitors negative perception of Blackpool.	Risk
<i>Communication and Regeneration Risk Based Audit Allocation</i>			80		
Communication and	Opportunity Area Funding	Q2	15	Lack of educational attainment /	Compliance

Regeneration				appropriate training to meet the needs of the economy.	
<i>Communication and Regeneration Compliance Audit Allocation</i>			<i>15</i>		
Communication and Regeneration Total Operational Audit Days			95		
Community and Environmental	Layton Depot Management	Q3	20	Loss of key infrastructure and resource which results in Council services not being delivered.	Risk
Community and Environmental	Flood Management	Q4	20	Reduced capacity across the Council to respond to an emergency.	Risk
<i>Community and Environmental Services Risk Based Audit Allocation</i>			<i>40</i>		
Community and Environmental	Sports Centres	Q1	10	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
<i>Community and Environmental Services Compliance Audit Allocation</i>			<i>10</i>		
Community and Environmental Services Total Operational Audit Days			50		
Corporate	Organisational Culture	Q3	20	Lack of individual resilience to work in a changing environment.	Risk
Corporate	Impact of Brexit	Q1	20	Unknown impact of Brexit.	Risk
Corporate	Community Safety	Q4	20	Residents do not feel safe in their communities.	Risk
Corporate	Contract Management and Social Value	Q2	20	Failure of a service provider in high risk contracted areas for statutory services.	Risk
Corporate	Commissioning	Q3	20	Failure of a service provider in high risk contracted areas for statutory services.	Risk
Corporate	Complaints	Q2	20	Residents negative image of Blackpool.	Risk
Corporate	Corporate Governance	Q3	20	Non-compliance with statutory requirements and internal procedures.	Risk
<i>Corporate Risk Based Audit Allocation</i>			<i>140</i>		

Corporate	Grant Certification	As required	20	Non-compliance with statutory requirements and internal procedures.	Compliance
Corporate	Compliance with Mandatory Arrangements	Q2	15	Non-compliance with statutory requirements and internal procedures.	Compliance
Corporate	Covert Surveillance	Q1	15	Non-compliance with statutory requirements and internal procedures.	Compliance
Corporate	Managing leavers	Q1	15	Non-compliance with statutory requirements and internal procedures.	Compliance
<i>Corporate Compliance Audit Allocation</i>			<i>65</i>		
Corporate Total Operational Audit Days			205		
Governance and Partnerships	Children's Legal Services	Q1	20	Unpredictability of legal rulings requiring an unexpected change / change to risk environment.	Risk
<i>Governance and Partnerships Risk Based Allocation</i>			<i>20</i>		
Governance and Partnerships	Wedding Chapel	Q4	5	Non-compliance with statutory requirements and internal procedures.	Compliance
Governance and Partnerships	Election Processes	Q2	15	Non-compliance with statutory requirements and internal procedures.	Compliance
<i>Governance and Partnerships Compliance Audit Allocation</i>			<i>20</i>		
Governance and Partnerships Total Operational Audit Days			40		
Resources	Client Finances	Q4	20	Increased risk of fraud.	Risk
Resources	Non-contracted ICT software	Q2	20	Data theft, leakage of breach.	Risk
<i>Resources Risk Based Allocation</i>			<i>40</i>		
Resources	Water Self-Supply Licence	Q3	15	Loss of key infrastructure and resources which result in Council	Contract / Procurement

				services not being delivered.	
Resources	Carbon Reduction Commitment	Q2	5	Non-compliance with statutory requirements and internal procedures.	Compliance
Resources	Council Tax	Q2	20	Non-compliance with statutory requirements and internal procedures.	Financial Control Assurance Testing
Resources	Creditors	Q1	20	Non-compliance with statutory requirements and internal procedures.	Financial Control Assurance Testing
<i>Resource Compliance Audit Allocation</i>			<i>60</i>		
Resources Total Operational Audit Days			100		
Overall Number of Operational Audit Days			658		
Strategic Audit Work					
Children's Services	Critical Friend for Service Reviews	As required	20	Death, serious injury or harm of a vulnerable adult / child.	Project Support
Community and Environmental Services	Leisure Services Initiatives (options appraisal and sports village)	As required	20	Residents negative image of Blackpool.	Project Support
Corporate	Wholly Owned Companies Performance Management	Q2	10	Increased deprivation / unemployment.	Consultancy
Corporate	Corporate Governance	As required	20	-	-
Corporate	Risk Management	As required	10	-	-
Corporate	Corporate Investigations	As required	30	-	-
Corporate	Advice and Consultancy Support	As required	50	-	-
Corporate	Audit Management	As required	180	-	-
Total Number of Strategic Audit Days			340		
External Work					
External Work	School Voluntary Funds	TBC	5	-	-
External Work	Clevr Money	TBC	4	-	-
External Work	Other Public Sector Bodies	TBC	10	-	-

External Work	Operating Company	TBC	20	-	-
External Work	Wholly Owned Companies	TBC	120	-	-
Total Number of External Audit Days			159		
Total Number of Audit Days			1,157		

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Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh – Head of Audit and Risk
Date of Decision/ Meeting	7 March 2019

FRAUD PREVENTION CHARTER 2019/2020

1.0 Purpose of the report:

1.1 To obtain approval for the Fraud Prevention Charter 2019/2020.

2.0 Recommendation(s):

2.1 To approve the Fraud Prevention Charter for 2019/2020.

3.0 Reasons for recommendation(s):

3.1 To ensure that the Council have robust processes in place to tackle fraud and corruption.

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:

3.4 None.

4.0 Council Priority:

4.1 The relevant Council Priority is organisational resilience.

5.0 Background Information

Blackpool Council is committed to the prevention of fraud and corruption. It is important that Blackpool Council uses its income and resources in the most effective way for the delivery of high quality services to the community.

Blackpool Council requires all employees and elected members to act honestly, with integrity and to safeguard the public resources for which they are responsible. Blackpool Council also expects the same levels of honesty and integrity from all

individuals and companies dealing with the Council. The Council will take appropriate action when fraud, bribery or corruption is suspected.

The Fraud Prevention Charter sets out the Council's Anti-Fraud and Corruption Statement which outlines the Council's zero tolerance approach when dealing with fraud, corruption and bribery. It also outlines the fraud risk assessment and associated counter fraud programme which is based on best practice guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) to ensure that it takes account of emerging threats and focuses on priority fraud risks.

5.1 Does the information submitted include any exempt information? No

5.2 **List of Appendices:**

Appendix 7(a) – Fraud Prevention Charter 2019/2020

6.0 **Legal considerations:**

6.1 The Fraud Prevention Charter ensures that the Council follows the appropriate legal framework for fraud investigation.

7.0 **Human Resources considerations:**

7.1 When staffing matters are being investigated this will be done in conjunction with HR to ensure that employment law factors are adhered to.

8.0 **Equalities considerations:**

8.1 The plan is based on a fraud risk assessment of all Council services.

9.0 **Financial considerations:**

9.1 The prevention and detection of fraud helps reduce losses faced by the Council.

10.0 **Risk management considerations:**

10.1 The plan is based on a fraud risk assessment of all Council services.

11.0 **Ethical considerations:**

11.1 Each fraud investigation will be undertaken following the appropriate regulations.

12.0 Internal/ External Consultation undertaken:

12.1 Approval was obtained from the Corporate Leadership Team on 29 January 2019.

13.0 Background papers:

13.1 None.

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Fraud Prevention Charter

2019/20

Blackpool Council



Overview

Blackpool Council is committed to the prevention of fraud and corruption. It is important that Blackpool Council uses its income and resources in the most effective way for the delivery of high quality services to the community.

Blackpool Council requires all employees and elected members to act honestly, with integrity and to safeguard the public resources for which they are responsible. Blackpool Council also expects the same levels of honesty and integrity from all individuals and companies dealing with the Council. The Council will take appropriate action when fraud, bribery or corruption is suspected.

The Fraud Prevention Charter sets out the Council's Anti-Fraud and Corruption Statement which outlines the Council's zero tolerance approach when dealing with fraud, corruption and bribery. It also outlines the fraud risk assessment and associated counter fraud programme which is based on best practice guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) to ensure that it takes account of emerging threats and focuses on priority fraud risks.

Fraud Prevention Strategy

The Council's strategic response for counter fraud activity is based on the principles of acknowledge, prevent and pursue. The model adopted by the Council is based on the Fighting Fraud and Corruption Locally Strategy 2016-2019 which is a national document and consists of:

Acknowledge	Prevent	Pursue
Acknowledging and Understanding Fraud Risks	Preventing and Detecting More Fraud	Being Stronger in Punishing Fraud / Recovering Losses
<ul style="list-style-type: none">Assessing and understanding fraud risks.Committing support and resource to tackling fraud.Maintaining a robust anti-fraud response.	<ul style="list-style-type: none">Making better use of information and technology.Enhancing fraud controls and processes.Developing a more effective anti-fraud culture.	<ul style="list-style-type: none">Prioritising fraud recovery and the use of civil sanctions.Developing capability and capacity to punish fraudsters.Collaborating with law enforcement.

This strategy is achieved through the delivery of the following key features included in this overarching Fraud Prevention Charter:

- Anti-Fraud and Corruption Statement.
- Sanctions and Prosecution Policy.
- Fraud Risk Assessment.
- Proactive Anti-Fraud Plan.

Anti-Fraud and Corruption Statement

The purpose of this statement is to set out what to do when fraud, bribery or corruption is suspected or detected. It is part of Blackpool Council's overall approach to security and therefore it applies to the Council and all other parties who are given access to the Council's information and premises. It covers all personnel including Council staff, freelance, casual and temporary agency staff, contractors and elected members.

There is an expectation and requirement that all individuals, businesses and organisations dealing in any way with the Council will act with integrity and that Council employees at all levels will lead by example to prevent and detect fraud, bribery and corruption. The Council subscribes fully to the principles laid down by the Nolan Committee which include:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

Senior management and elected members are expected to deal effectively with any potentially fraudulent or corrupt activity that comes to their attention.

Legislative Framework

The Council regards fraud as being any intentional distortion of financial statements and other records to achieve inappropriate gain, cause inappropriate loss, or the misappropriation of assets. This may involve:

- Falsification or alteration of accounting records or other documents.
- Misappropriation of assets or theft.
- Suppression or omission of the effects of transactions from records or documents.
- Recording transactions which have no substance.
- Wilful misrepresentations of transactions or of the Council's state of affairs.

The Fraud Act 2006 categorises fraud into three main types, namely dishonestly intending to make a gain, or cause a loss or risk of loss by:

- Making a false representation.
- Failing to disclose information when there is a duty to do so.
- Abuse of position.

Corruption is a serious criminal offence, set out principally in the Prevention of Corruption Acts and now the Bribery Act 2010. Corruption includes offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the body, its members or officers. Some of the main areas of activity, which may be particularly susceptible to corruption include:

- Contracts and commissioning.
- Grants.
- Asset disposal.
- Planning consents.
- Licenses and other approvals.

The Bribery Act 2010 has established 4 offences:

- Offering, promising or giving a bribe.
- Requesting, receiving or accepting a bribe (whether directly or through a third party).
- Bribing a foreign public official.
- The failure of a commercial organisation to prevent bribery.

The Council will at all times, whilst conducting investigations utilise and comply with the requirements of the appropriate legislation including:

- The Police and Criminal Evidence Act 1984 (PACE).
- The Theft Acts of 1968 and 1978.
- The Fraud Act 2006.
- Serious Crime Act 2007.
- Proceeds of Crime Act 2002 (POCA).
- Data Protection Act (2018).
- The Public Interest Disclosure Act 1998.
- The Human Rights Act 1998.
- The Regulation of Investigatory Powers Act 2000.
- Criminal Procedures and Investigations Act 1996.
- Bribery Act 2010.

Roles and Responsibilities

Council employees are expected to abide by the National and Local Conditions of Service relating to their employment, which include conduct issues. Employees are also expected to follow any code of conduct related to their profession where these require a further duty of care.

Council members are required to comply with a Code of Conduct, which provide guidance to members on recommended standards of conduct in carrying out their duties and in their relationships with the Council and Council officers.

All members and employees are required to declare any offer or receipt of gifts or hospitality that are in any way related to their relationship with the Council. A hospitality register is maintained of all declarations. A register is also maintained for officers to declare any business or related interests, membership of, or associations with clubs, societies and other organisations.

The Council's Constitution governs the way the Council conducts its activities and places an obligation on all members and employees to act in accordance with procedure rules, responsibilities and functions and supporting Financial Regulations.

Senior management has a role in ensuring that the Council takes adequate steps to safeguard against the risk of fraud and bribery.

The Corporate Leadership Team must ensure that all staff have access to these rules and regulations and that staff receive suitable training where appropriate. Members and employees must make sure that they read, understand and comply with the rules and regulations that apply to them.

Should any person knowingly break the rules and regulations then the Council may take formal action. The Council not taking adequate precautions to reduce the risk of bribery could also lead to a criminal conviction.

It is the responsibility of all staff to be alert to occurrences of fraud, bribery and corruption and to be aware that unusual events, transactions or behaviours could be indications of fraud (or attempted fraud) and corrupt practices. Fraud, bribery and corruption may also be highlighted as a result of specific management checks, by a third party, or in the course of audit reviews by both internal and external audit.

Service managers are responsible for maintaining an adequate framework of internal control to minimise potential losses by the Council. Risk Services is available to provide advice and assistance in this area, but service management retains responsibility for preventing and highlighting possible fraudulent and corrupt activity.

Fraud Reporting and Investigation

Any suspicion of fraud will be taken seriously. If you become aware of a suspected fraud or irregularity you should report it to either:

- Your Head of Service or Director.
- The Head of Audit and Risk.
- The Corporate Fraud Team.
- Via the whistle blowing procedure.

When a member of staff reports suspicions their information should be taken seriously and they should be dealt with in a considerate way. Officers receiving the information should report it to the Head of Audit and Risk as soon as possible so that a decision can be made about the need for an investigation.

Confidentiality for all parties will be maintained over reports made in good faith which cannot be substantiated following investigation. A reporting member of staff may choose to remain anonymous and such anonymity will be respected. However, identification is preferred and will assist the investigation. An anonymous disclosure cannot be made under the Public Interest Disclosure Act 1998 (the 'Whistleblowing Act'); staff must identify themselves to receive protection under the Act.

Employees must not do any of the following:

- Contact the suspected individual in an effort to determine facts or demand restitution.
- Discuss the case facts, suspicions, or allegations with anyone outside the Council (including the press) unless specifically asked to do so by the Monitoring Officer or the Head of Audit and Risk.
- Discuss the case with anyone within the Council other than the people listed above.
- Attempt to seize paperwork or other evidence.

All fraud, bribery and corruption investigations should be discussed at the outset with the Head of Audit and Risk to ensure appropriate procedures are followed and any necessary support is provided.

You must not attempt to personally conduct investigations or interviews or question anyone unless asked to do so by the investigation team.

Investigation results will not be disclosed to, or discussed with, anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputation of persons subsequently found innocent of alleged wrongful conduct, and to protect the Council from potential civil liability.

In cases where an individual is suspected of fraud, which a subsequent investigation does not substantiate, it is important that the potential damage to the individual's reputation is minimised. Whoever originally reported the suspected fraud or irregularity will be informed that the investigation has revealed no wrongdoing.

Any necessary investigative activity will be conducted without regard to any person's relationship to the Council, position or length of service.

Investigations will be carried out by the Head of Audit and Risk or Corporate Fraud Team, or an officer who is independent of the service, and will be conducted with discretion and sensitivity.

On completion of the investigation, a written report will be prepared stating the facts established by the investigation. Whenever possible, the Council will take action against all perpetrators of fraud and corruption, whether internal or external to the authority as set out in the Sanctions and Prosecution Policy.

It may be necessary to involve the police for other reasons, e.g. to take forensic evidence or to search premises. In all instances, the investigating team should instigate contact with the police.

Where fraud, bribery and corruption have occurred management must take any necessary steps to amend systems and procedures to ensure that similar frauds or corrupt practices do not recur. The investigation may highlight where there has been a failure of supervision or a breakdown/absence of control. Internal audit is available to offer advice and assistance on matters relating to internal control, if considered appropriate.

Where the Council has suffered loss, restitution will be sought of any benefit or advantage obtained and the recovery of costs will be sought from any individual(s) responsible for fraud or corruption.

Sanctions and Prosecution Policy

It is recognised that fraud is potentially costly to the Council both in terms of reputational risk and financial loss. Where fraud, bribery or corruption is proven, those persons/organisations responsible must understand that potential action will follow in line with this policy.

The individual circumstances of instances of fraud, bribery and corruption will vary, but the Council's response should be effective, organised and consistent with the principles laid down in relevant legislation and the Fraud Prevention Charter.

Irrespective of potential sanctions, all investigations will be conducted to the highest possible standard to ensure that the option of a criminal prosecution remains available for any appropriate cases.

Where a referral to the Corporate Fraud Team is investigated and fraud, bribery or corruption has been identified and quantified, the Council will instigate appropriate punitive action against the individuals or organisations involved and steps will be taken to recover any monies lost. In addition, the Council will pursue appropriate sanctions as a deterrent measure against those who may consider committing fraud, bribery or corruption to misappropriate public funds. In instances where fraud, bribery or corruption is proven, it is important that the Council has a clear policy in place to ensure that appropriate sanctions are applied, in a consistent manner.

This Policy sets out the Council's approach in respect of the sanctions to be applied against those individuals and/or organisations who have committed fraud, bribery or corruption against the Authority, and the steps to be taken to recover any monies which have been lost as a result.

There are five main sanctions which are available to the Council. Each sanction will play an equally important role in the creation and maintenance of an anti-fraud culture. These potential sanctions are as follows:

- Criminal prosecution – proceedings brought against alleged offenders with a view to obtaining a criminal conviction, imprisonment, community penalty, fine, confiscation, compensation order and the award of costs.
- Civil Action – proceedings to preserve assets and/or recover monies or assets obtained inappropriately, including costs and interest.
- Financial Penalties – where legislation allows the Council to impose financial penalties on an individual as an alternative to criminal prosecution.
- Internal disciplinary action – where action is taken to deal with the issue internally via the Council's Disciplinary Procedure.
- Professional / Regulatory Body action - where an individual is a professional, it may also be necessary to notify their professional body for the matter to be dealt with externally by the relevant professional or regulatory body.

The Council's approach to pursuing sanctions in cases of fraud, bribery and corruption is that the full range of possible sanctions outlined above are considered at the earliest opportunity and throughout an investigation, and

any or all of these may be pursued where, and when, appropriate. The consistent use of an appropriate combination of investigative processes and sanction in each individual case demonstrates the Council's commitment to take fraud, bribery and corruption seriously and ultimately contributes to the deterrence and prevention of such actions in the future. All steps to recover funds lost to fraud, bribery or corruption will be sought in all appropriate cases.

In all proven cases of fraud, bribery or corruption, Local Authorities are expected to actively consider applying an appropriate sanction or prosecution. When considering whether it is appropriate to seek punitive sanctions against an individual suspected of fraud, the Council's Corporate Fraud Team will firstly consider if there is sufficient admissible evidence to provide a realistic prospect of applying such sanction successfully. The following factors are to be considered:

- The availability of any documents that have been submitted without disclosure of material fact.
- Whether the parties involved have been given adequate opportunity to advise of the relevant details.
- The period of the fraud.
- Statements and evidence provided by the parties involved during the period of the investigation, including any voluntary disclosures.
- The availability of other reliable evidence.

It should be noted that voluntary disclosure only occurs when a claimant, of his or her own free will, reveals a fraud of which the Council were previously unaware. Disclosure will not be deemed voluntary when, for example information obtained during normal verification procedures have solicited or prompted the disclosure in some way.

Criminal Prosecution

Once an investigation has revealed it is evidentially viable, the Corporate Fraud Team will consider if a recommendation to prosecute is in the public interest, taking into consideration the following factors (not all the factors will apply to each case, and there is no obligation to restrict consideration to the factors listed):

- The seriousness of the offence.
- Whether the offence is planned or systematic.
- Whether more than one person is involved.
- Previous history of the individual(s) and the likelihood of recurring conduct.
- Whether the fraud is widespread and/or prevalent.
- The age, physical and mental health of the parties' involved (official written confirmation of relevant details may be sought from an appropriate medical professional).
- Social factors, for example the officer may take the view that the individual(s) may have committed the alleged fraud because of a stressful domestic situation. In most such cases the prosecution is likely to be recommended to go ahead and any factors such as these may be put to the court for consideration.
- Whether the specific details may become part of the public domain, which may harm sources of information and/or the reputation of the Council.
- Obstruction or lack of co-operation with the investigation on the part of the individual(s).
- The individual(s) is a persistent offender.
- Where the individual(s) has failed to attend an interview to give their account of the facts.
- The period of the offence.
- The value of the offence.
- Where the individual(s) has refused an official Penalty.
- Where the individual(s) involved in the fraud was in a position of trust, for example a member of staff.
- Where the prosecution may have a significant deterrent effect.

- Whether there have been any failings in Council administration processes that can be attributed to official error, this also includes unreasonable delays.
- Whether a prosecution will assist in the applying of other disciplinary or professional sanctions and the recovery of Council funds.

The advantages of criminal prosecution include the prospect of it potentially securing the co-operation of the alleged fraudster, repayment of the sums defrauded, and a general deterrent effect that can be created.

Potential barriers include a lack of willingness for the Crown Prosecution Service to pursue the case, the complexities associated with disclosure rules, the delays sometimes involved in pursuing criminal investigations and the challenges involved in securing compensation.

Whilst cases in which the calculated value of the fraud, bribery or corruption is £2,000 or over will be likely to lead to a recommendation to prosecute as a first option, cases where the overpayment is below £2,000 may still lead to a recommendation to prosecute as a first option. In both circumstances, the cases will be considered on their individual merits. It should be noted that the value of the offence is not the sole determining factor and there may be other factors that would still make prosecution appropriate.

The Corporate Fraud Team will submit the completed case file to the Head of Audit and Risk, who will decide which further recommended action is appropriate, or whether to close the case. The final decision to recommend a case for prosecution will be made by the Head of Audit and Risk. This person should be satisfied that the investigation has been undertaken in an appropriate manner and that any decisions to offer a sanction takes into account the public interest test.

Cases that are deemed suitable for potential prosecution will be referred to the Council's Legal Services or the Crown Prosecution Service as appropriate, who will consider and review the recommendation to prosecute in accordance with the criteria set down in the Code of Conduct for Crown Prosecutions.

Civil Action

The Council is committed to take all necessary steps to recover any monies which have been lost as a result of fraud, bribery or corruption. Such steps will include consideration being given to obtaining voluntary repayment, negotiated settlements, obtaining compensation upon conviction (if applicable), or commencing civil proceedings under Part 5 of the Proceeds of Crime Act 2002.

If, during an investigation, there is evidence to show that the Council has suffered a significant financial loss, or that monies or other assets have been fraudulently misappropriated, it may be appropriate that applications need to be made to the civil courts for injunctive relief (e.g. freezing orders, restraint orders, or search orders) to preserve the proceeds of the fraud. In such circumstances the Corporate Fraud Team will notify the Head of Audit and Risk. This may result in recovery action commencing whilst the investigation continues.

Decisions regarding the most appropriate and proportionate method of protecting or recovering monies lost to fraud, bribery or corruption will be made following consultation between the Corporate Fraud Team, the Head of Audit and Risk, and the Council Legal Services Team at the earliest opportunity.

In any instances concerning the need for civil recovery proceedings to be commenced, the Corporate Fraud Team will seek immediate advice from the Council Legal Services Team. Costs associated with the recovery will be included in the claim submitted to the Court.

Penalties as an alternative to prosecution

Whilst recommending the pursuit of a criminal prosecution is an option for all fraud, bribery and corruption offences (as provided for by the Fraud Act 2006 and Bribery Act 2010), specific alternatives for consideration are available to the Council in the following instances:

Council Tax Reduction Scheme

From the 1 April 2013, Regulation 11 of the Council Tax Reduction Scheme (Detection of Fraud and Enforcement) (England) Regulations 2013, introduced financial penalties as an alternative to prosecution.

A Council Tax Reduction penalty is intended to be a meaningful deterrent and can only be considered where there is sufficient evidence to justify instituting criminal proceedings. A person who agrees to pay a penalty may withdraw the agreement within 14 days by notifying the billing authority.

A Council Tax Reduction penalty is the offer to a person to pay a financial penalty. The amount of the penalty is to be 50% of the amount of the excess reduction, subject to:

- A minimum amount of £100; and
- A maximum amount of £1,000.

The decision to offer a Council Tax Reduction penalty will be made by the Head of Audit and Risk after consultation with the Corporate Fraud Team.

A separate Council Tax Reduction penalty interview will be undertaken by a member of the Corporate Fraud Team, provided they have not dealt with any part of the investigation in relation to the case.

If a person declines or withdraws acceptance of a Council Tax Reduction penalty, legal proceedings will be considered in all cases.

Council Tax –Discounts

Schedule 3 of the Local Government Finance Act 1992 details that a £70 penalty can be imposed on individuals who fail to supply information or notify a billing authority of any changes in respect of their eligibility to claim a discount on their Council Tax liability.

The decision to impose a Council Tax discount penalty will be made by the Head of Audit and Risk after consultation with the Corporate Fraud Team.

Blue Badge Offences

The Blue Badge (Disabled Persons' Parking Scheme) was introduced under Section 21 of the Chronically Sick and Disabled Person's Act 1970. There is a wide range of legislation available to the Council in enforcing the Scheme, although the Council can be flexible in how these powers are used to address local circumstances and the merits of each case.

As an alternative to prosecution, simple misuse of a valid badge can be countered by the issue of a simple Penalty Charge Notice being issued for any parking contravention.

The decision to impose a penalty charge in such circumstances will be made by the Civil Enforcement Officers.

Other offences, including fraudulent applications, using an expired, illegible, lost, or stolen badge, or a badge which they are not entitled to use, should be referred to the Corporate Fraud Team for further investigation. In such cases, the relevant applicable sanction will be decided at the conclusion of the investigation.

Disciplinary Offences

In situations where the alleged fraudster is an employee, the investigation will be conducted in accordance with the Council's Disciplinary Procedures in the first instance. The sanctions provided for by these procedures range from various levels of warning through to dismissal.

Decisions relating to internal disciplinary matters at all stages are fully documented within the Council's Disciplinary Procedures and will be adhered to as part of this Policy.

Where an individual is a full or accredited member of a professional or regulatory body, a decision will be taken by the Head of Audit and Risk, in conjunction with HR, on review of the completed case file, as to whether to make a referral to the relevant body, for their consideration for further punitive action.

Parallel Sanctions

The application of a criminal, civil, penalty, disciplinary or professional process may not be a stand-alone sanction.

There is no universal template for the application of sanctions in every case of proven fraud. In each individual case, it will be necessary to consider the full range of possible sanctions at the earliest opportunity and to review this on an on-going basis. The Council aims to combat fraud, bribery and corruption by seeking all available sanctions without any one potential sanction excluding or detrimentally affecting any other.

Investigations will be conducted so as to ensure the widest possible range of sanctions are considered and remain available throughout. Investigations will be fully completed before a decision is made on the appropriate sanction, or combination of sanctions to be applied.

It is not unusual for these sanctions be applied concurrently and to overlap. For example, where an employee is being investigated with a view to pursuing criminal proceedings, they may also simultaneously be the subject of disciplinary and professional sanctions arising out of the same set of circumstances. These investigations may be conducted separately, but it is important to ensure that one process does not compromise or undermine the other, and that interaction between the investigating officers and Human Resources is effective, lawful and appropriate.

It is often argued that disciplinary and civil proceedings should be delayed pending the outcome of any criminal proceedings on the grounds that to do otherwise may prejudice the individual concerned in some way. Arguments may be raised about a breach of human rights, particularly the right to a fair trial, and the potential for abuse of process. However, there is nothing to prevent a disciplinary process being commenced in circumstances where criminal charges are being considered or a criminal investigation is in progress - as long as the process is conducted fairly, is in accordance with the Council's Disciplinary procedure, and the approach to collating the evidence does not compromise or undermine the criminal investigation.

During a disciplinary an employee can choose not to answer questions, but in the interests of acting fairly and reasonably they will be informed that the matter may be referred to the Corporate Fraud Team or the police for criminal investigation and that criminal proceedings may result. Under no circumstances will the impression be given to an employee that prosecution can be avoided if they elect to answer questions and co-operate during the disciplinary process. Where, during a disciplinary process, it becomes apparent that a fraudulent matter may be emerging, the situation will be reported to the Corporate Fraud Team or Head of Audit and Risk immediately, and it may be necessary to suspend the disciplinary proceedings.

Where an employee has been subject to disciplinary and/or civil proceedings it does not exclude them from criminal prosecution, and vice-versa.

The advantages of this parallel approach to applying sanctions include its flexibility, and the potential promotion of a potent deterrent message.

The Council recognises that criminal and disciplinary investigations have different purposes, have different standards of proof in determining guilt, are governed by different rules, and have different outcomes, and therefore it is important that the integrity of both processes is maintained in relation to the way evidence is gathered and maintained.

As a result, where parallel sanctions are pursued, the Corporate Fraud Team will liaise closely with the appointed Investigating Officers and Human Resources regarding the appropriate sharing of information, avoiding duplication of effort, and to ensure neither the evidence nor the case as a whole is compromised.

Where evidence of fraud exists following an investigation, it is therefore considered inappropriate to hold any available sanction in abeyance, whilst waiting for another sanction to proceed to conclusion.

Applying Sanctions Consistently

Each available sanction plays an equally important role in the creation and maintenance of a zero tolerance anti-fraud culture which is achieved through deterrence, prevention, detection and investigation.

The consistent use of an appropriate combination of sanctions, based on the individual merits of each case, is essential for the efficient investigation and prevention of fraud, bribery and corruption within the Council.

Where evidence of fraud, bribery or corruption is found, fully informed and proportionate decisions will be made consistently at the conclusion of an investigation, based on the evidence obtained, in order to recommend the most appropriate sanction(s) are applied against the individual(s) concerned.

Equalities Statement

The Council's Corporate Fraud Team will always act with regard to current pertinent legislation and without prejudice when executing the Council's procedures and policies.

The Corporate Fraud Team will ensure that all individuals suspected of fraud will receive clear and understandable correspondence regarding their legal rights and informing them of all the possible outcomes to an investigation.

The Council's sanction and prosecution processes will not discriminate for, or against, any individual according to gender, race, sexuality, gender identity, age, disability or belief.

Publicity

Press releases will be issued in suitable cases where a conviction has been obtained, to seek to maximize the deterrent effect and raise the level of public fraud awareness.

Consideration will be given to the amounts involved, the nature of the offence, the public interest, and deterrent value of publicising any particular case.

Fraud Risk Management

In order to assess the fraud risk faced by the Council to inform the proactive work programme and the resource needed to address any issues a risk assessment has been undertaken. This is based on a range of best practice guidance alongside operational knowledge of the organisation. The outcome of this risk assessment exercise is captured in the following risk register:

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
Cyber Fraud.	5	5	25	<ul style="list-style-type: none"> Robust ICT policies in place. Software and hardware solutions implemented as required. Managed through the Strategic Risk Register. Ability for internal audit to 'buy-in' specialist computer audit support where necessary. 	5	4	20	<ul style="list-style-type: none"> Train an internal auditor in computer auditing to help assess the risk. 	Head of Audit and Risk
Council Tax Fraud.	4	5	20	<ul style="list-style-type: none"> Participation in the NFI data matching exercise. Pre-employment checks undertaken to confirm debt and exemption status. Process in place to enable the Council Tax team and the public to make referrals of suspected fraud to the Corporate Fraud Team. 	4	4	16	<ul style="list-style-type: none"> Undertake a proactive exercise relating to existing employees to identify any potential issues. Undertake a proactive exercise to data match council tax status with temporary benefits. 	Corporate Fraud Team
Procurement fraud (including petty cash and purchase cards.	5	5	25	<ul style="list-style-type: none"> Six-monthly purchase card transaction report issued to Chief Officers by the Corporate Fraud Team to obtain assurance on expenditure. A cyclical programme of internal audits focusing on the key financial controls. Corporate Procurement Team have a number of controls built into the 	5	3	15	<ul style="list-style-type: none"> Complete the CIPFA Procurement Fraud checklist to provide assurance that the Council are actively mitigating the risk. Develop a programme of exception testing on creditor transactions. 	Corporate Fraud Team

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
				tender process as part of due diligence. <ul style="list-style-type: none"> Internal Audit of Organised Crime and Procurement undertaken in 2017/18. Corporate Procurement Team provides Chief Officers with details of all expenditure each quarter via SpendPro. Corporate Gifts and Hospitality and Register of Interest Policy and Register in place. 					
Disabled Parking Fraud.	4	5	20	<ul style="list-style-type: none"> Links in place between the Corporate Fraud Team, Civil Enforcement Officers and Customer First. Participation in the NFI data matching exercise. A programme of proactive exercises undertaken including the Civil Enforcement Officers and Corporate Fraud Team. 	4	3	12	<ul style="list-style-type: none"> Further engagement with the Civil Enforcement Officers to embed a proactive approach to blue badge fraud prevention in day to day operations. 	Corporate Fraud Team
Social Care and no recourse to public funds fraud.	4	4	20	<ul style="list-style-type: none"> Specific fraud awareness training delivered to the Direct Payments Team. Undertaken visits to a 'best practice' authority to develop processes. Developed links with staff in Adult Services to facilitate 	4	3	12	<ul style="list-style-type: none"> Work with the direct payments team to 'fraud proof' the application process. 	Corporate Fraud Team

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
				the effective sharing of information relating to potential fraud. <ul style="list-style-type: none"> Carried out a pilot exercise using NFI deceased data and this will be repeated annually going forward. 					
Insurance fraud.	4	4	16	<ul style="list-style-type: none"> Participation by the fraud team in the highways risk management group. Established relationships between corporate fraud, legal services and highways. 	4	3	12	<ul style="list-style-type: none"> Finalise the insurance fraud procedure. Improved conversion rate from fundamental dishonesty civil cases to criminal fraud prosecutions. 	Corporate Fraud Team
Expenses Fraud.	4	4	16	<ul style="list-style-type: none"> Claims cannot be paid without management authorisation. 	4	3	12	<ul style="list-style-type: none"> Undertake a proactive fraud exercise reviewing all expenses claims made in a period and confirming that appropriate evidence and authorisation is in place in support of the claim. 	Corporate Fraud Team
Business Rate Fraud.	4	4	16	<ul style="list-style-type: none"> Procedures in place within the revenue service to prevent fraud. 	4	3	12	<ul style="list-style-type: none"> Undertake a proof of concept exercise matching business rates data to commercial waste, licencing and planning to assess if business rates presents a significant fraud risk at the Council. 	Corporate Fraud Team
Lack of capacity to proactively deal with corporate fraud.	5	4	20	<ul style="list-style-type: none"> Qualified corporate fraud team in place. The corporate fraud team and internal audit team report to the same Head of 	5	3	12	<ul style="list-style-type: none"> Implement joint working with the DWP on council tax / benefit fraud investigation. Develop the use of IDEA software within Corporate 	Head of Audit and Risk

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
				Service therefore facilitating the effective sharing of intelligence. <ul style="list-style-type: none"> • Risk assessment of all referrals received to enable resource to be appropriately targeted. • Attend the Greater Manchester Fraud Group to share best practice to help develop internal procedures. • Participation in the National Fraud Initiative which enables data sharing across a number of public bodies therefore helping to focus resource appropriately. 				Fraud Team to enable targeting proactive resources for fraud and error testing.	Corporate Fraud Team
Lack of fraud awareness by employees and residents.	5	4	20	<ul style="list-style-type: none"> • Roll out of i-pool fraud awareness course to all employees identified as mandatory. • Ability for residents to refer fraud via www.blackpool.gov.uk. • Developed relationships with the Communications Team to facilitate proactive communications about fraud prevention. 	4	3	12	<ul style="list-style-type: none"> • Review the corporate fraud pages on the Hub to ensure that these contain up to date and useful information for employees and managers. • Review Blackpool Council's website to ensure that it is up to date and includes relevant information for residents. • 	Corporate Fraud Team
Payroll Fraud.	4	4	16	<ul style="list-style-type: none"> • A cyclical programme of internal audits focusing on the key financial controls. • Pre-employment checks 	4	2	8	<ul style="list-style-type: none"> • Explore the potential of undertaking a proactive exercise on the payment of payroll allowances. 	Corporate Fraud Team

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
				undertaken to confirm debt and exemption status. <ul style="list-style-type: none"> A suite of exception reports configured in the payroll system which are checked by payroll clerks on a monthly basis. A suite of forms / eforms which require management authorisation before posts can be created / changes to posts actioned. Segregation of duties between the HR and payroll team. 					
Recruitment Fraud.	4	4	16	<ul style="list-style-type: none"> Procedures in place to ensure that Recruiting Managers and HR undertake appropriate due diligence prior to appointing a new employee. DBS checking process in place for posts identified as requiring basic or enhanced clearance. 	4	2	8	<ul style="list-style-type: none"> Explore the potential of undertaking a proactive exercise on recruitment fraud. 	Corporate Fraud Team
Money Laundering.	4	4	16	<ul style="list-style-type: none"> Anti-Money Laundering Policy in place. Anti-money laundering training course developed and available via i-pool. Designated Money Laundering Officer (and deputy) in post. 	4	2	8	-	

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
Inability to recover losses incurred due to fraud.	4	4	16	<ul style="list-style-type: none"> Pursue civil, disciplinary and criminal sanctions. Identify and recover all losses identified during investigation process and recovery action sought through Proceeds of Crime Act (POCA), insurance, payroll and legal means. Prosecution Policy in place. 	4	2	8	-	-
Debt Fraud	4	3	12	<ul style="list-style-type: none"> Pre-employment checks undertaken to confirm debt against the Council status. 	4	2	8	-	-
Economic and Voluntary Sector (Grant fraud).	4	3	12	<ul style="list-style-type: none"> Significantly reduced amounts of funding provided by the Council. 	4	2	8	-	-
Manipulation of Data (financial and non-financial).	4	3	12	<ul style="list-style-type: none"> Annual internal audit and external audit programmes undertaken. Performance management reporting in place. 	4	2	8	-	-
Pension Fraud.	4	3	12	<ul style="list-style-type: none"> Segregation of duties through the use of the Lancashire pension scheme. 	4	2	8	-	-
Investment Fraud.	4	3	12	<ul style="list-style-type: none"> Treasury Management Panel in place. Business Loans Fund Panel in place. 	4	2	8	-	-

Proactive Anti-Fraud Action Plan

During 2019/20 the priorities in terms of proactive anti-fraud work are outlined in the following action plan.

It should be noted that whilst every effort is made by the team to deliver the proactive anti-fraud work programme this is sometimes delayed due to the need to respond to reactive fraud cases as and when they require investigation.

The Corporate Fraud Team is overseen by the Head of Audit and Risk and comprises of three officers. Therefore, in peak times there is limited capacity to undertake all investigations and therefore referrals are risk assessed and prioritised. This may result in the investigation of some cases being delayed or low risk matters dealt with via alternative methods.

Action	Lead	Priority
Train an internal auditor in computer auditing to help assess the risk.	Head of Audit and Risk	March 2020
Undertake a proactive exercise relating to existing employees council tax accounts to identify any potential issues.	Corporate Fraud Team	March 2020
Undertake a proactive exercise to data match council tax status with temporary benefits.	Corporate Fraud Team	September 2019
Develop a programme of exception testing on creditor transactions.	Corporate Fraud Team	March 2020
Complete the CIPFA Procurement Fraud checklist to provide assurance that the Council are actively mitigating the risk.	Corporate Fraud Team	March 2020
Further engagement with the Civil Enforcement Officers to embed a proactive approach to blue badge fraud prevention in day to day operations.	Corporate Fraud Team	September 2019
Work with the direct payments team to 'fraud proof' the application process.	Corporate Fraud Team	March 2020
Finalise the insurance fraud procedure.	Corporate Fraud Team	June 2019
Improved conversion rate from fundamental dishonesty civil cases to criminal fraud prosecutions regarding insurance fraud.	Corporate Fraud Team	June 2019
Undertake a proactive fraud exercise reviewing all expenses claims made in a period and confirming that appropriate evidence and authorisation is in place in support of the claim.	Corporate Fraud Team	March 2020
Undertake a proof of concept exercise matching business rates data to commercial waste, licencing and planning to	Corporate Fraud Team	September 2019

Action	Lead	Priority
assess if business rates presents a significant fraud risk at the Council.		
Implement joint working with the DWP on council tax / benefit fraud investigation.	Head of Audit and Risk	April 2019
Develop the use of IDEA software within Corporate Fraud Team to enable targeting proactive resources for fraud and error testing.	Corporate Fraud Team	March 2020
Review the corporate fraud pages on the Hub to ensure that these contain up to date and useful information for employees and managers.	Corporate Fraud Team	March 2020
Review Blackpool Council's website to ensure that it is up to date and includes relevant information for residents.	Corporate Fraud Team	March 2020
Explore the potential of undertaking a proactive exercise on the payment of payroll allowances.	Corporate Fraud Team	March 2020
Explore the potential of undertaking a proactive exercise on recruitment fraud.	Corporate Fraud Team	March 2020

Review

This Charter will be the subject of annual review by the Head of Audit and Risk and will be formally presented to the Corporate Leadership Team and Audit Committee for approval.

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Report to:	AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh – Head of Audit and Risk
Date of Meeting	7 March 2019

INTERNAL AUDIT CHARTER 2019/2020

1.0 Purpose of the report:

- 1.1 To present the updated Internal Audit Charter 2019/2020 for approval.

2.0 Recommendation(s):

- 2.1 To approve the Internal Audit Charter 2019/2020.

3.0 Reasons for recommendation(s):

- 3.1 To ensure that the Internal Audit continues to adhere to the Public Sector Internal Audit Standards.

- 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:

- 3.4 None.

4.0 Council Priority:

- 4.1 The work of the internal audit team contributes to the achievement of all of the Council's priorities.

5.0 Background Information

- 5.1 The Internal Audit Charter defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within the Council and defines the scope of internal audit activities and reporting lines. CIPFA and the CIIA set the internal audit standards in respect of local government across the UK and adopted a common set of Public Sector Internal Audit Standards (PSIAS) in April 2013. The

standards were updated in March 2016 and the Internal Audit Charter has been updated accordingly. The revised Charter follows the model document provided by the Chartered Institute of Internal Auditors.

5.2 Does the information submitted include any exempt information? No

5.3 **List of Appendices:**

Appendix 8(a) – Internal Audit Charter 2019/2020

6.0 **Legal considerations:**

6.1 All local authorities are subject to the Accounts and Audit (England) Regulations (2015) which requires them to make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) as well as the CIPFA Local Government Application Note.

7.0 **Human Resources considerations:**

7.1 The Internal Audit Charter will be delivered using existing resources.

8.0 **Equalities considerations:**

8.1 The work required to deliver the internal audit plan is identified through a regular risk assessment process. This is carried out using an established methodology that is designed to show that all potential audit areas are considered fairly.

9.0 **Financial considerations:**

9.1 Effective internal controls and an effective internal audit service can have a positive impact on the Council's financial position through identification of areas where controls can be strengthened, losses prevented and value for money improved.

10.0 **Risk management considerations:**

10.1 The work of internal audit forms a key element of the Council's overall system of internal control. An effective internal audit service also helps to promote and implement best practice and process improvements in the management of risks.

11.0 **Ethical considerations:**

11.1 Internal audit work will be carried out in line with the Code of Ethics set out in the Public Sector Internal Audit Standards.

12.0 Internal/ External Consultation undertaken:

12.1 The Charter was approved by the Corporate Leadership Team on 29 January 2019.

13.0 Background papers:

13.1 Public Sector Internal Audit Standards (2013).

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Internal Audit Charter 2019-20

Blackpool Council



Internal Audit Charter 2019-20

Purpose, Mission Statement and Definition

The purpose of this Internal Audit Charter is to define internal audit's purpose, authority and responsibility. It establishes the internal audit activity's position within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of internal audit activities.

The charter also covers the arrangements for the appointment of the Head of Audit and Risk and internal audit staff, and identifies the nature of professionalism, skills and experience required.

Internal Audit Mission Statement

The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Role

The internal audit activity is established by the Corporate Leadership Team and Audit Committee. The internal audit activity's responsibilities are defined by the Corporate Leadership Team and Audit Committee as part of their oversight role.

The Public Sector Internal Audit Standards require that the Internal Audit Charter defines the terms Board, Chief Audit Executive and Senior Management in relation to the work of internal audit. For the purposes of internal audit work the roles are defined as follows:

- **Board** - The internal audit activity is established and defined by the Board, (hereafter referred to as the Audit Committee). The internal audit activity's responsibilities are defined by the Audit Committee as part of their oversight role.
- **Chief Audit Executive** - The role of the Chief Audit Executive is undertaken by the Head of Audit and Risk.
- **Senior Management** – Senior Management if defined as the Corporate Leadership Team.

Standards and Core Principles

Internal audit is a statutory service in the context of the Accounts and Audit (England) Regulations 2015, which require authorities to ensure that they have a sound system of internal control which:

- Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- Ensures that the financial and operational management of the authority is effective; and
- Includes effective arrangements for the management of risk.

Internal Audit Charter 2019-20

The Accounts and Audit Regulations 2015 also state that: “a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management control and governance processes, taking into account public sector internal auditing standards or guidance”.

The internal audit function is required to comply with Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA); International Professional Practices Framework (IPPF) and CIPFA in respect of local government. A common set of Public Sector Internal Audit Standards (PSIAS) were adopted from 1 April 2013.

Compliance with the standards is subject to a quality assurance and improvement programme in line with the standards. This includes a regular self-assessment and an external assessment which must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. Results of quality reviews shall be reported to the Audit Committee by the Head of Audit and Risk.

The Core Principles within the PSIAS articulate internal audit effectiveness. For an internal audit function to be considered effective, all principles should be present and operating effectively. Failure to achieve any of the principles would imply that an internal audit activity was not as effective as it could be in achieving internal audit's mission. The internal audit activity must achieve the following Core Principles:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives, and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

Ethics and Professionalism

Internal audit operates in accordance with the PSIAS and all internal audit staff in the public sector govern themselves by adherence to the PSIAS Code of Ethics. All audit staff are also required to adhere to the Codes of Ethics of their professional bodies, where appropriate. Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's 'Seven Principles of Public Life'. Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives;
- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management and control processes; and
- Probability of significant errors, fraud, or non-compliance.

Internal Audit Charter 2019-20

Authority

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, has authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Audit Committee. Designated auditors are entitled, without necessarily giving prior notice, to require and receive:

- Access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- Access at all reasonable times to any land, premises, officers and members of the Council;
- The production of any cash, stores or other property of the Council under an officer's and member's control; and
- Explanations concerning any matter under investigation.

Where the Council works in partnership with other organisations, the role of internal audit will be defined on an individual basis. Where internal audit undertakes work on behalf of any other organisations, this will be determined in conjunction with the organisation's Audit Committee and in consultation with the Director of Resources to ensure that appropriate audit resources are available to provide assurance over the Council's activities.

Organisation

Internal audit activity supports the Director of Resources to discharge their responsibilities for maintaining proper administration of financial affairs and an adequate and effective system of internal control as required under section 151 of the Local Government Act 1972 and by the Accounts and Audit (England) Regulations 2015.

The Head of Audit and Risk reports to the Audit Committee. The Audit Committee approve the annual internal audit plan and review the adequacy of internal audit activity, the scope and nature of its work and receives and reviews the assurance statements from internal audit work undertaken.

Internal audit resides within the Resources Directorate. The Head of Audit and Risk will report on operational issues to the Director of Resources (Statutory Finance Officer) and the Chief Executive on strategic matters. The Head of Audit and Risk has the authority to communicate and interact directly with the Corporate Leadership Team and the Audit Committee.

Internal audit and external audit meet as and when required to reduce duplication and make optimum use of the available audit resources.

Independence and Objectivity

The internal audit activity will remain free from interference by any element of Blackpool Council, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal Audit Charter 2019-20

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair an internal auditor's judgement.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all of the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The Head of Audit and Risk will confirm to the Corporate Leadership Team and Audit Committee, at least annually, the organisational independence of the internal audit activity.

Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of Blackpool Council's governance, risk management and internal control processes in relation to the Council's defined goals and objectives. Internal control objectives considered by internal audit include:

- Consistency of operations or programs with established objectives and goals and effective performance;
- Effectiveness and efficiency of operations and employment of resources;
- Compliance with significant policies, plans, procedures, laws and regulations;
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify and report such information; and
- Safeguarding of assets.

Internal audit is responsible for evaluating all processes (Audit Universe) of the organisation including governance and risk management processes. The Head of Audit and Risk must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is the 'assurance role' for internal audit.

Internal audit may also perform consulting and advisory services related to governance, risk management and control as appropriate for the Council; this is advisory in nature and generally performed at the specific request of the organisation. The aim of the consultancy service is to help management improve the Council's risk management, governance and internal control environment.

Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to the Corporate Leadership Team and Audit Committee, including fraud risks, governance issues and other matters requested or needed by the Corporate Leadership Team.

The Audit Committee is responsible for oversight of the governance, risk management and internal control environment at the Council.

Internal Audit Charter 2019-20

The Statutory Finance Officer, Head of Paid Service and Monitoring Officer are responsible for ensuring that the Council complies with the Council's governance framework, of which internal audit forms an integral role.

Role of Internal Audit in Fraud Related Work

Managing the risk of fraud is the responsibility of line management. The Statutory Finance Officer has specific responsibilities in relation to the detection and investigation of fraud and may request internal audit to assist with the investigation of suspected fraud or corruption. The Corporate Fraud Team also reports to the Head of Audit and Risk and therefore appropriate links are in place to ensure a prompt response to serious fraud issues. The Head of Audit and Risk should be notified of all suspected or detected fraud, corruption or impropriety, to inform their opinion on the control environment and their audit plan.

Internal Audit Plan

The Head of Audit and Risk should develop and maintain a strategy for economically and efficiently providing the Statutory Finance Officer, with objective evaluation of, and opinions on, the effectiveness of the Council's risk management, governance and internal control arrangements.

On an annual basis, the Head of Audit and Risk will submit to the Corporate Leadership Team and Audit Committee an internal audit plan for review and approval, including risk assessment criteria. The internal audit plan includes timing as well as budget and resource requirements for the next financial year. The Head of Audit and Risk will communicate the impact of resource limitations and significant interim changes to the Corporate Leadership Team and the Audit Committee.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk based methodology, including input from senior managers. Prior to submission of the plan to the Corporate Leadership Team for approval the plan will be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the quarterly activity reporting process.

Scope of Internal Audit Work – Opinion Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

Governance

Internal audit must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation;
- Ensuring effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organisation; and
- Co-ordinating the activities of and communicating information among the Audit Committee, external and internal auditors and management.

Internal Audit Charter 2019-20

Risk Management

Internal audit must evaluate the effectiveness and contribute to the improvement of risk management processes by assessing how:

- Organisational objectives support and align with the organisation's mission;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the organisation's risk appetite; and
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the Audit Committee to carry out their responsibilities.

Internal Control

Internal audit must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Economical, effective and efficient use of resources;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity corruption or bribery; and
- Compliance with laws, regulations, policies, procedures and contracts.

Non - Opinion Work

Where internal audit is requested to provide advice, consultancy, investigatory or project support work the request will be assessed by the Head of Audit and Risk. Such assignments will be undertaken where it is considered that the following criteria will be met:

- The work aligns with the available skills and resources within internal audit.
- The assignment will contribute to strengthening the control framework.
- Accepting the assignment would not give rise to a conflict with planned assurance work or the general requirement for internal audit to maintain independence.

Such assignments may be included as part of the internal audit annual plan or resourced through utilisation of contingency specifically set aside in the plan for this purpose. Approval must be sought from the Audit Committee for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.

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Delivery of Internal Audit Work

Engagement Planning

For each engagement, a Client Notification will be prepared, and agreed with relevant managers. The Client Notification will establish the objectives, scope and timing for the audit assignment, and reporting requirements.

Internal Auditors are not tasked with reviewing any systems for which they have previously held operational responsibility for. This is applied for a three year period to ensure that objectivity is not compromised.

As the Head of Audit and Risk has operational responsibilities for the management of other areas in Risk Services any audit assurance work related to these areas is managed by the Audit Manager with no involvement from the Head of Audit and Risk. On these occasions the scope of the work and agreement of the report are undertaken in conjunction with the Head of Audit and Risk's line manager (Statutory Finance Officer), to help avoid the risk of conflicts of interest.

Performing the Engagement

Auditors are required to identify, analyse, evaluate and document sufficient information to achieve the review's objectives. This evidence supports their conclusions, professional judgments and recommendations and therefore must be factual and accurate. This data is held in compliance with the Council's Retention Schedule. Engagements are supervised to ensure objectives are achieved and quality is assured.

Where key systems are being operated on behalf of the Council or where key partnerships are in place the Head of Audit and Risk must ensure arrangements are in place to form an opinion on their effectiveness.

Where the Council operates systems on behalf of other bodies, the Head of Audit and Risk must be consulted on the audit arrangements proposed or in place.

It is management's responsibility to ensure the provision for relevant audit rights of access in any contract or Service Level Agreement the Council enters into, either as provider or commissioner of the service.

Reporting and Monitoring

A written report will be prepared and issued by the Head of Audit and Risk or designee following the conclusion of each internal audit engagement and will be distributed in accordance with internal protocols. Internal audit results will also be communicated to the Audit Committee.

The internal audit report includes management's response and corrective action taken or to be taken in regard to the specific findings and prioritised recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The Head of Audit and Risk will agree reporting arrangements with the Statutory Finance Officer which will include procedures for the:

Internal Audit Charter 2019-20

-
- Distribution and timing of draft audit reports;
 - Council's responsibilities in respect of responding to draft audit reports;
 - Distribution of finalised audit reports;
 - Follow up by internal audit of agreed recommendations; and
 - Escalation of recommendations where management responses are judged inadequate in relation to the identified risks.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and high risk recommendations. All significant findings will remain in an open issues file until cleared. It is the responsibility of the manager to ensure agreed recommendations are implemented and for them to provide relevant evidence to internal audit. The findings and results of follow up reviews are communicated to the Audit Committee and used to inform future audit planning.

The Head of Audit and Risk will present a formal report annually to the Corporate Leadership Team and Audit Committee giving an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management, and internal control (including any reliance placed on work by other assurance providers). This report will conform to the PSIAS for the Head of Internal Audit Opinion statement, and will provide a summary of the work to support the opinion. It will be timed to support the production of the Council's Annual Governance Statement. Reports of progress against the planned work will be presented to the Audit Committee on a quarterly basis during the year.

A statement will also be made on the conformance with the PSIAS, the results of the quality assurance and improvement program and any external assessor's improvement recommendations, disclosure of any impairments or limitations. If an unfavourable opinion is given, the reasons for this must be specified.

Communicating the Acceptance of Risk

If the Head of Audit and Risk concludes that management has accepted a level of risk that may be unacceptable to the organisation, this will be discussed with the relevant senior manager. If the Head of Audit and Risk determines that the matter has not been resolved, then the matter will be communicated to the S151 officer, Chief Executive and the Audit Committee.

Responsibilities of the Council

The Council is responsible for ensuring that Internal Audit is provided with all necessary assistance and support to ensure that it meets the required standards.

The Statutory Finance Officer will make appropriate arrangements for the provision of an internal audit service. This will include the formal adoption of this Charter by the Corporate Leadership Team and Audit Committee and the adoption of corresponding elements in the Financial Regulations.

The Council will ensure it has taken all necessary steps to provide internal audit with information on its objectives, risks, and controls to allow the proper execution of the audit plan and adherence to internal audit standards. This

Internal Audit Charter 2019-20

will include notifying internal audit of any significant changes in key control systems which may affect the internal audit plan.

The Council, through the Corporate Leadership Team and other relevant managers, will respond promptly to audit plans, reports and recommendations.

Responsibility for monitoring and ensuring the implementation of agreed recommendations rests with the Council.

Skills and Competencies

Head of Audit and Risk

The Head of Audit and Risk will be appointed by the Council and will have sufficient skill, experience and competencies to work with the leadership team and the Audit Committee and influence the risk management, governance and internal control of the Council. The Head of Audit and Risk is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS. In addition to internal audit skills, the Head of Audit and Risk will specify any other professional skills that may be needed by the internal audit team. The Head of Audit and Risk will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and the Code of Ethics.

Internal Audit Staff

Internal audit must be appropriately staffed in terms of grades, qualification levels and experience. Internal auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme. The Head of Audit and Risk is responsible for appointing the staff of internal audit and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Head of Audit and Risk is responsible for allocating appropriately qualified auditors to specific assignments, from within the internal audit team and when using auditors from partner internal audit teams or other external sources.

Each job role within the internal audit structure will detail skills and competencies within the approved job description and person specification. In line with Council policy and the PSIAS, each member of the team will be assessed against these predetermined competencies and annual objectives. Any development and training plans will be regularly reviewed, monitored and agreed with the audit team members. This assessment will also take into account competency changes as needed i.e. to reflect changing technology and legislation. Auditors are also required to maintain a record of their continual professional development in line with their professional body.

Periodic Assessment

The Head of Audit and Risk is responsible for providing periodically a self-assessment on the internal audit activity regarding its conformity to the Audit Charter (purpose, authority, responsibility) and performance relative to the audit plan.

Internal Audit Charter 2019-20

In addition, the Head of Audit and Risk will communicate to the Corporate Leadership Team and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

Quality Assurance and Improvement Programme

The internal audit service will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Head of Audit and Risk will communicate to the Corporate Leadership Team and Audit Committee on the internal audit activity's quality assurance programme, including results of ongoing internal assessments and external assessment conducted at least every five years.

Internal Audit Resources

If the Head of Audit and Risk or the Committee consider that the level of audit resources or the terms of reference in any way limit the scope of internal audit, or prejudice the ability of internal audit to deliver a service consistent with the Mission, the Definition of Internal Auditing and the Standards, they should advise the Chief Executive and the Statutory Finance Officer accordingly.

Review

This Charter will be the subject of annual review by the Head of Audit and Risk and will be formally presented to the Corporate Leadership Team and Audit Committee for approval.

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Report to:	AUDIT COMMITTEE
Relevant Officer:	Nick Raynor, Senior Manager, Audit and Risk Advisory, Deloitte LLP
Date of Meeting:	7 March 2019

EXTERNAL AUDIT PLAN 2018/2019

1.0 Purpose of the report:

1.1 To consider Deloitte's Audit Plan 2018/2019.

2.0 Recommendation(s):

2.1 To note the plan and make any recommendations as considered appropriate.

3.0 Reasons for recommendation(s):

3.1 To ensure overview of the Council's External Audit Plan.

3.2a	Is the recommendation contrary to a plan or strategy adopted or approved by the Council?	No
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3.2b	Is the recommendation in accordance with the Council's approved budget?	Yes
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3.3 Other alternative options to be considered:

3.4 None.

4.0 Council Priority:

4.1 The relevant Council Priority is organisational resilience.

5.0 Background Information

5.1 The Council's external auditors are required to review and report on the Council's:

- Financial statements (including the Annual Governance Statement), providing an opinion on the accounts; and

- Use of Resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (value for money conclusion).
- 5.2 The audit planning process and risk assessment is an ongoing process and the assessment and fees in the plan will be kept under review and updated where required.
- 5.3 Does the information submitted include any exempt information? No
- 5.4 **List of Appendices:**
Appendix 9(a): Planning report to the Audit Committee for the year ending 31 March 2019.
- 6.0 Legal considerations:**
- 6.1 None.
- 7.0 Human Resources considerations:**
- 7.1 See attached report at Appendix 9(a).
- 8.0 Equalities considerations:**
- 8.1 None.
- 9.0 Financial considerations:**
- 9.1 See attached report at Appendix 9(a).
- 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.



Planning report to the Audit Committee for the year ending 31 March 2019

25 February 2019

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Partner introduction

The key messages in this report:

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Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our planning report to the Audit Committee for the 2018/19 audit. I would like to draw your attention to the key messages of this paper:

Audit Plan	<ul style="list-style-type: none">• We have completed our handover with KPMG, including review of their prior year file.• We are developing our understanding of the Council through discussion with management and review of relevant documentation from across the Council.• Based on these procedures, we have developed this plan in collaboration with the Council to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk.
Key risks	<ul style="list-style-type: none">• We have taken an initial view as to the significant audit risks the Council faces. These are presented as a summary dashboard on page 11.• Value for Money significant risks have been identified relating to financial standing and the Council’s response to the recent Ofsted findings, see pages 16 to 18.• In addition to the above we are currently undertaking a review of the Council’s processes and controls around the statutory ring-fence for the Housing Revenue Account, the results of which may impact on the identified risks.
Regulatory change	<ul style="list-style-type: none">• Our audit is carried out under the Code of Audit Practice issued by the National Audit Office.

Paul Thomson
Lead audit partner

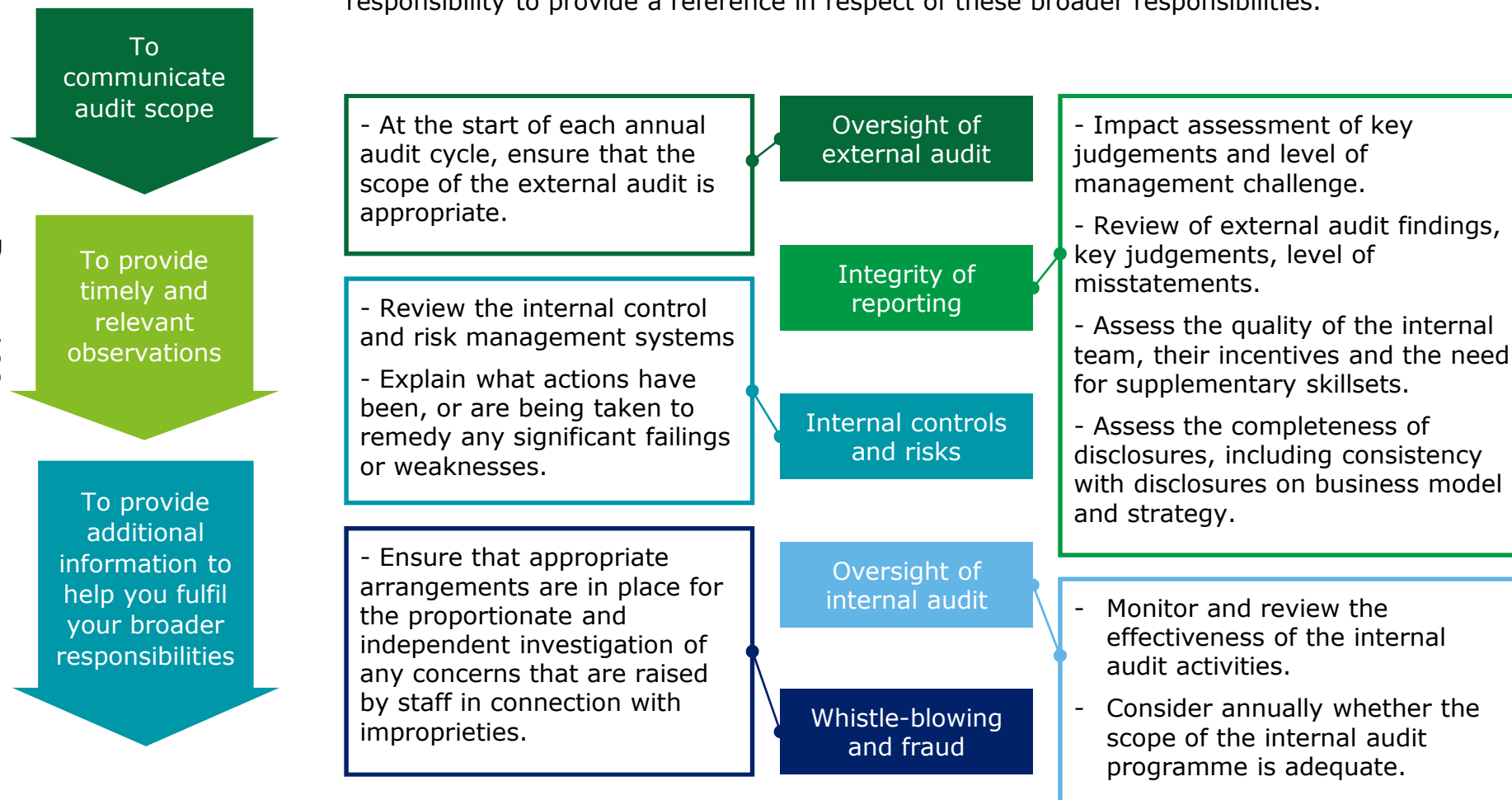
Responsibilities of the Audit Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit Committee?

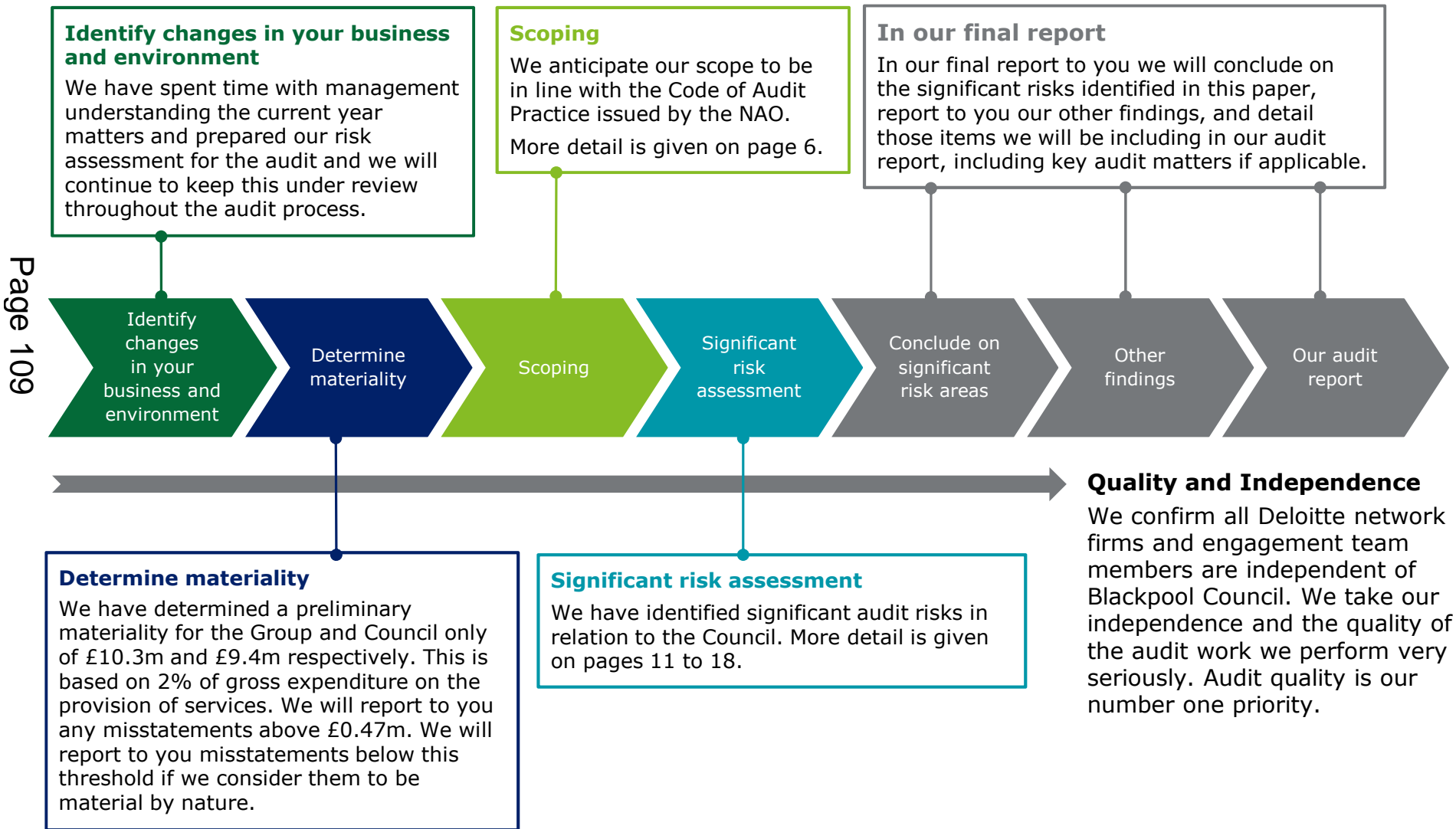
As a result of regulatory change in recent years, the role of the Audit Committee has significantly expanded. We set out here a summary of the core areas of Audit Committee responsibility to provide a reference in respect of these broader responsibilities.

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Our audit explained

We tailor our audit to your business and your strategy



Scope of work and approach

We have four key areas of responsibility under the Audit Code

Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK) ("ISA (UK)") as adopted by the UK Auditing Practices Board ("APB") and Code of Audit Practice issued by the National Audit Office ("NAO"). The Council will prepare its accounts under the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA and LASAAC.

We are also required to issue a separate assurance report to the NAO on the Council's separate return required for the purposes of its audit of the Whole of Government Accounts and departmental accounts.

Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

As part of our work we will review the remuneration report and annual report and compare with other available information to ensure there are no material inconsistencies. We will also review any reports from other relevant regulatory bodies and any related action plans developed by the Council.

Value for Money conclusion

We are required to satisfy ourselves that the Council has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

To perform this work, we are required to:

- plan our work based on consideration of the significant risks of giving a wrong conclusion; and
- carry out as much work as is appropriate to enable us to give a safe conclusion on the arrangements to secure VFM.

Our work therefore includes a detailed risk assessment based on the risk factors identified in the course of our audits. This is followed by specific work focussed on the risks identified.

We then provide a conclusion on these arrangements as part of our final reporting to you.

Group audit

We will be undertaking our scoping of the components for the Group audit as part of our interim work and will communicate directly with the auditors of the significant components in relation to the work that we require them to carry out to support our audit opinion on the group accounts. In the prior year the following were identified as significant in the context of the group audit:

- Blackpool Coastal Housing;
- Blackpool Transport Limited;
- Blackpool Entertainment Company Limited;
- Regional and City Airports (Blackpool); and
- Blackpool Operating Company Limited.

We will notify the Committee of any changes once we have completed our scoping and will reassess the significance of the subsidiaries throughout our audit.

Scope of work and approach

Our approach

Liaison with internal audit

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work. We will discuss the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Council's staff.

Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

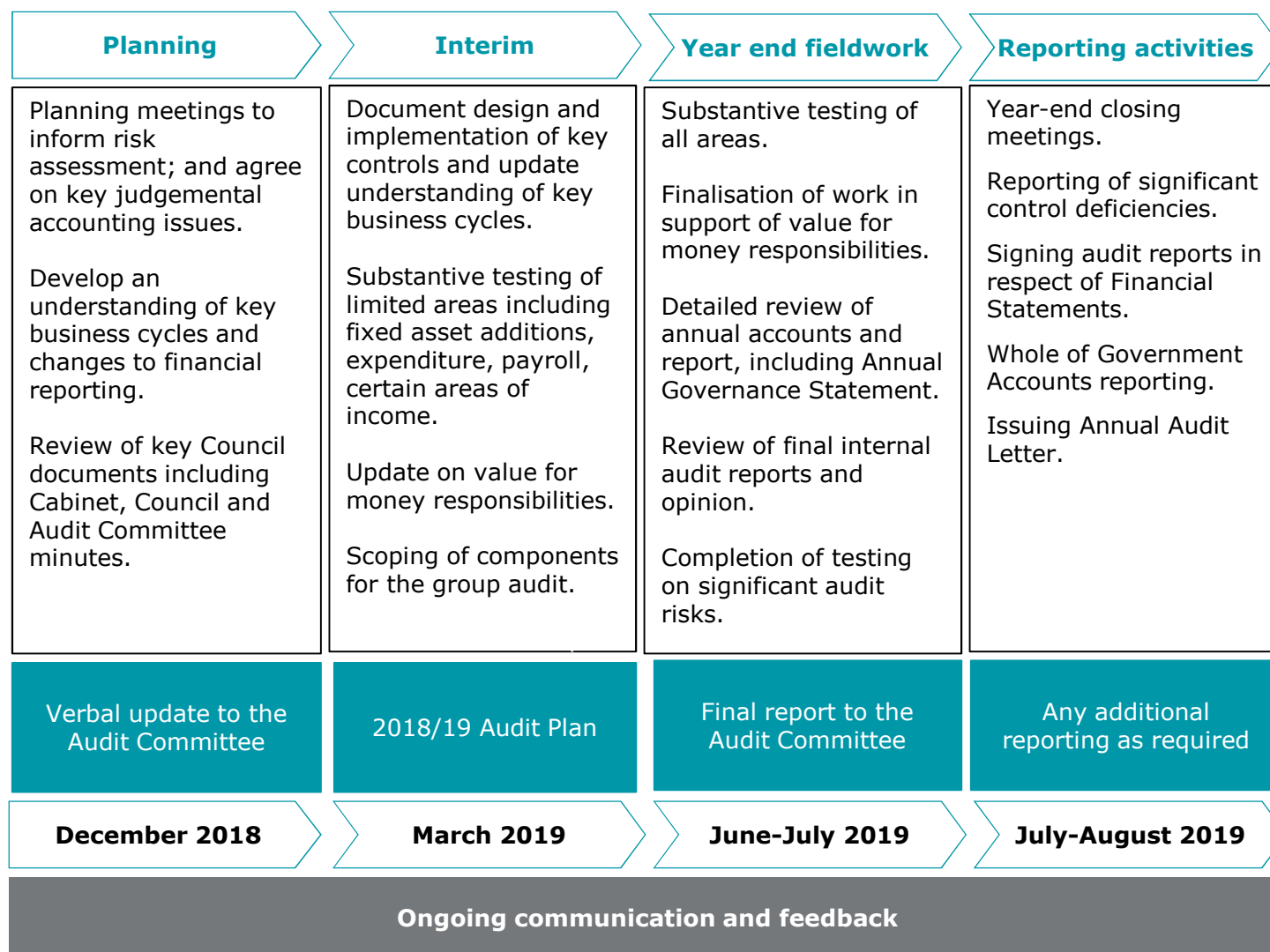
We recommend the Council complete the Code checklist during drafting of their financial statements.

We would welcome early discussion on the planned format of the financial statements, and whether there is scope for simplifying or streamlining disclosures (including consideration of the recent CIPFA publication on streamlining local government accounts), as well as the opportunity to review a skeleton set of financial statements and an early draft of the annual report ahead of the typical reporting timetable to feedback any comments to management.

Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



Materiality

Our approach to materiality

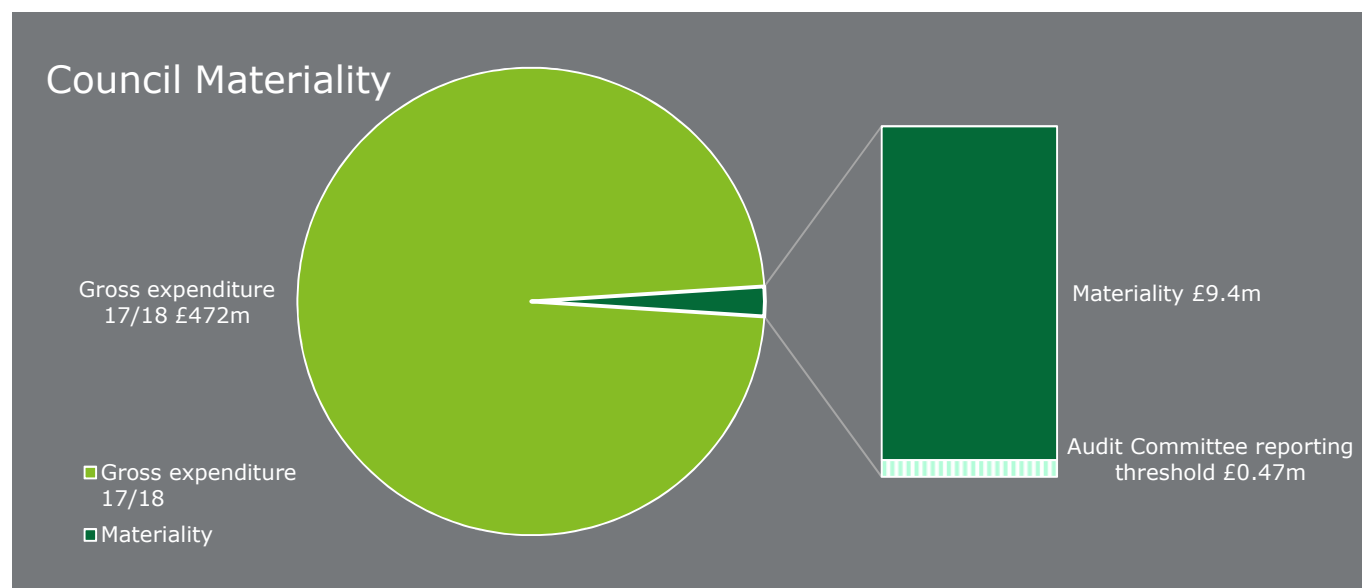
Basis of our materiality benchmark

- The audit partner has determined the preliminary materiality for the Group as £10.3m and the Council only materiality as £9.4m, based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements. We will communicate the other component materialities to the committee once we have completed our group assessment.
- We have used 2% of gross expenditure based on the 2017/18 audited accounts as the benchmark for determining our preliminary materiality.

- We will re-visit the determined materiality based on the actual reported year end position.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of £0.47m.
- We will report to you misstatements below this threshold if we consider them to be material by nature.



Although materiality is the judgement of the audit partner, the Audit Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

Significant risks

Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the annual report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- the disclosures made by the Audit Committee in their previous Audit Committee report;
- our assessment of materiality; and
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements.

Deloitte view

Management must carefully consider the principal risks, uncertainties and accounting estimates of the Council.

Principal risk and uncertainties

- Corporate governance
- Resource management
- Brexit
- Capacity and resilience
- Increasing pressure on Children's services
- Cyber threats
- Responding to emergencies
- Social care funding

Changes in your business and environment

- Ofsted inspection on Children's social care services (November-December 2018).
- See page 17 for more information
- Contribution of £100m into the loan fund.
- Brexit.

IAS 1 Critical accounting estimates

- Future levels of funding
- Property valuations
- Recognition of PPE in relation to Academies
- Pension liabilities
- PFI scheme accounting
- Provisions and contingencies
- Fair Value measurements

















NAO – Auditor Guidance Note 06

The National Audit Office has identified going concern, new accounting standards (IFRS15 and IFRS 9) and the guaranteed minimum pension as key issues for 2018-19. Whilst we do not consider these to represent significant risks we will carefully review the approach being taken by the Council to address these issues.

The next page summarises the significant risks that we will focus on during our audit. Of the significant risks identified in the prior year by KPMG we consider all the risks to be relevant in the current year except for their risks in relation to faster close as it related to a matter specific to the prior year rather than ongoing issues. All the risks mentioned in the prior year Audit Committee report are included as significant risks in this year's audit plan. We have also included expenditure as a new significant risk.

Significant risks

Significant risk dashboard

Risk	Material	Fraud risk	Planned approach to controls	Level of management judgement	Management paper expected	Slide no.
Completeness and Cut off of expenditure			D+I			12
Property Valuations			D+I			13
Pension Liabilities			D+I			14
Management Override of Controls			D+I			15

We have also identified the following significant risks in relation to our Value for Money opinion:

- Financial sustainability
- Ofsted findings

See pages 16-18.

D+I: Assessing the design and implementation of key controls



Low level of management judgement



Moderate level of management judgement



High level of management judgement

Significant risks

Risk 1 – Completeness and cut-off of expenditure

Risk identified	<p>Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. We have rebutted this risk, and instead believe that a fraud risk lies with the completeness and cut-off of expenditure (as well as management override of controls as detailed on page 15). We identify this as relating to expenditure excluding payroll costs, depreciation and amortisation and expenditure which is grant backed.</p> <p>There is an inherent fraud risk associated with the under recording of expenditure in order for the Council to report a more favourable year-end position.</p>
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Our response	<p>Our work in this area will include the following:</p> <ul style="list-style-type: none">• We will obtain an understanding of the design and implementation of the key controls in place in relation to recording completeness and cut-off of expenditure (excluding payroll, depreciation and amortisation, and expenditure which is grant backed);• We will perform focused testing in relation to the completeness and cut-off of expenditure (excluding the areas set out above) including detailed reviews of provisions and accruals; and,• We will review and challenge the assumptions made in relation to year-end estimates and judgements to assess completeness and accuracy of recorded expenditure.
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Significant risks

Risk 2 – Property Valuations

Risk identified	<p>The council held £380m of property assets at 31 March 2017 which increased to £381m as at 31 March 2018. The movement was due to additions and transfers from assets under construction of £19m, offset by depreciation of £14m, £3m of disposals, and downwards revaluations of £1.5m as a result of the Council undertaking a valuation exercise during 2017/18.</p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date.</p> <p>The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a four year cycle. As a result of this, however, individual assets may not be revalued for three years. Any changes to factors used in the valuation process could materially affect the value of the Council's assets as at year end.</p> <p>There is therefore a risk that that the value of property assets materially differ from the year end fair value.</p>
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Our response	<p>Our work in this area will include the following:</p> <ul style="list-style-type: none">• We will test the design and implementation of key controls in place around the valuation of property;• We will review any revaluations performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis, by suitably qualified individuals and using appropriate inputs;• We will review the approach used by the Council to assess the risk that assets not subject to revaluation are materially misstated;• We will use our valuation specialists, Deloitte Real Estate, to support our review and challenge the appropriateness of the Council's assumptions on its assets values; and• We will test a sample of revalued assets and re-perform the calculation assessing whether the movement has been recorded through the correct line of the accounts.
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Significant risks

Risk 3 – Pension Liabilities

Risk identified

The net pension liability is a material element of the Council's balance sheet. The valuation of the Scheme relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. Furthermore there are financial and demographic assumptions used in the calculation of the Council's valuation – e.g. the discount rate, inflation rates, mortality rates. These assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data.

There is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not reasonable. This could have a material impact to the net pension liability accounted for in the financial statements.

Our response

Our work in this area will include the following:

- We will obtain an understanding of the design and implementation of the key controls in place in relation to review of the assumptions by the Council and over information sent to the Scheme actuary;
 - We will evaluate the competency, objectivity and independence of the actuarial specialist;
 - We will review the methodology and appropriateness of the assumptions used in the valuation, utilising a Deloitte Actuary to provide specialist assesment of the variables used;
 - We will engage with the Pension Fund Auditors to gain further assurance over the completeness and accuracy of pension data provided to the Pension Fund;
 - We will review the pension related disclosures in the financial accounts; and,
 - We will consider the valuation of pension assets.
-

Significant risks

Risk 4 – Management override of controls

Risk identified

In accordance with ISA 240 (UK) management override of controls is a significant risk due to fraud for all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgements in the financial statements include those which we have selected to be the significant audit risks, (completeness and cut-off of expenditure, Pension valuations and the Council's property valuations) and any one off and unusual transactions where management could show bias. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Our response

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

- We will test the design and implementation of key controls in place around journal entries and key management estimates;
 - We will risk assess journals and select items for detailed testing. The journal entries will be selected using computer-assisted profiling based on characteristics which we consider to be of increased interest;
 - We will review accounting estimates on both an individual and cumulative level for biases that could result in material misstatements due to fraud; and,
 - We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the entity and its environment.
-

Value for Money

Risk assessment areas of focus

We are required to be satisfied the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Under the guidance issued by the National Audit Office, we are required to perform a risk assessment to identify any potential areas of significant risk to value for money that require further substantive work to be performed. Based on our work to date we have identified two VfM significant risks which we will be focusing our work on in the current year:

- Financial sustainability; and
- Ofsted findings.

In addition to monitoring the key areas set out on the following pages, our continuous risk assessment will cover the areas noted below.

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Our response

Our work in this area will include:

- Interviews with Director of Finance, and senior operational staff as required;
 - Review of the Council's draft Annual Report, Annual Governance Statement and Board papers and minutes;
 - Consideration of issues identified in our financial statements audit work;
 - Consideration of the Council's financial results, including delivery of savings, and the Council's plan; and
 - Review of any reports from regulators e.g. Ofsted, issued in the year.
-

Significant risks

VfM Risk 1 – Financial Sustainability

Risk identified	<p>The Council's budget for 2018/19 was approved at the Council meeting on 9 March 2018, setting a savings target of £5.5m. As at the end of December, the Council is forecasting to deliver an overspend of £3.8m, mainly driven by the increased levels of demand in Children's Services. The need for savings continues to have a significant impact on the Council's financial sustainability.</p> <p>The Council, like most of local government, faces significant challenges over the short and medium term due to the ongoing cuts in funding and increased demand for services.</p>
Our response	<p>As part of our risk assessment, we will consider information from a combination of sources, including:</p> <ul style="list-style-type: none">• Discussions with management;• Review of the Council's Annual Report;• Review of 2018/19 savings and 2019/20 budget;• Consideration of issues identified through our other audit and assurance work;• Consideration of the Council's operational performance; and• Review of correspondence with any regulators received in year that is likely to result in unanticipated expenditure.

Significant risks

VfM Risk 2 – Ofsted Findings

Risk identified

In November and December 2018 Ofsted conducted an inspection of children's social care services. Following this inspection the Children's Services were given an overall rating in the report (January 2019) of 'Inadequate'.

The Inspectors acknowledged an improvement in leadership and a focus on improvement following the appointment of the new Director of Children's Services but concluded that this wasn't to the level to ensure safe and effective services for all children due to the level of the previous decline.

We have therefore identified a significant VfM risk over the delivery of the improvements required as a result of the Ofsted report.

Our response

Our work in this area will involve:

- Review of any subsequent correspondence with Ofsted;
- Consideration of the findings and conclusions made in the Ofsted report, including review of the Council's progress to date in delivering actions to address the findings; and
- Review of management progress in developing an action plan and the arrangements put in place by the Council to deliver improvement.

Due to the number of issues raised and the limited period of time available to the Council in which to address these issues to a satisfactory extent there is a possibility that we will be required to qualify our opinion in relation to Value for Money.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our audit plan, includes our consideration of key audit judgements and our planned scope.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Use of this report

This report has been prepared for the Audit Committee on behalf of the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Other relevant communications

We will update you if there are any significant changes to the audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Leeds | 25 February 2019

Appendices

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Fraud responsibilities and representations

Responsibilities explained



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the risk of fraud in expenditure and management override of controls as key audit risks for your organisation.



Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

We will request the following to be stated in the representation letter signed on behalf of the Council:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Fraud responsibilities and representations

Inquiries

We will make the following inquiries regarding fraud:



Management:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries.



Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2019 in our final report to the Audit Committee.
Fees	There are no non-audit fees for 2018/19.
Non-audit services	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have not other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

Independence and fees

The professional fees expected to be charged by Deloitte in the period from 1 April 2018 to 31 March 2019 are as follows:

	Current year £
Financial statement audit including Whole of Government and procedures in respect of Value for Money assessment	84,818
Agree variation relating to HRA review (estimated fee)	15,000
Total audit	99,818
Audit related assurance services – Housing Benefit	10,500
Total assurance services	10,500
Total fees	110,318

Our approach to quality

AQR team report and findings

We maintain a relentless focus on quality and our quality control procedures and continue to invest in and enhance our overall firm Audit Quality Monitoring and Measuring programme.

In June 2018 the Financial Reporting Council ("FRC") issued individual reports on each of the eight largest firms, including Deloitte, on Audit Quality Inspections which provides a summary of the findings of its Audit Quality Review ("AQR") team for the 2017/18 cycle of reviews.

We take the findings of the AQR seriously and we listen carefully to the views of the AQR and other external audit inspectors. We remediate every finding regardless of its significance and seek to take immediate and effective actions, not just on the individual audits selected but across our entire audit portfolio. We are committed to continuously improving all aspects of audit quality in order to provide consistently high quality audits that underpin the stability of our capital markets.

We have improved the speed by which we communicate potential audit findings, arising from the AQR inspections and our own internal reviews to a wider population, however, we need to do more to ensure these actions are embedded. In order to achieve this we have launched a more detailed risk identification process and our InFlight review programme. This programme is aimed at having a greater impact on the quality of the audit before the audit report is signed. Consistent achievement of quality improvements is our aim as we move towards the AQR's 90% benchmark.

All the AQR public reports are available on its website. <https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

The AQR's 2017/18 Audit Quality Inspection Report on Deloitte LLP

"The overall results of our reviews of the firm's audits show that 76% were assessed as requiring no more than limited improvements, compared with 78% in 2016/17. Of the FTSE 350 audits we reviewed this year, we assessed 79% as achieving this standard compared with 82% in 2016/17. We are concerned at the lack of improvement in inspection results. The FRC's target is that at least 90% of these audits should meet this standard by 2018/19."

"Where we identified concerns in our inspections, they related principally to aspects of group audit work, audit work on estimates and financial models, and audit work on provisions and contingencies. During the year, the firm has continued to develop the use of "centres of excellence", increasing the involvement of the firm's specialists in key areas of the audit. We have no significant issues to report this year in most of the areas we reported on last year."

"The firm has revised its policies and procedures in response to the revised Ethical and Auditing Standards. We have identified some examples of good practice, as well as certain areas for improvement."

The firm has enhanced its policies and procedures in the following areas:

- Increased use of centres of excellence ("CoE") involving the firm's specialists, including new CoEs focusing on goodwill impairment (established in response to previous inspection findings) and corporate reporting, to address increasing complexity of financial reporting.
- Further methodology updates and additional guidance issued to the audit practice including the audit approach to pension balances, internal controls, data analytics, group audits and taxation.
- A new staff performance and development system was implemented with additional focus on regular timely feedback on performance, including audit quality.
- Further improvements to the depth and timeliness of root cause analysis on internal and external inspection findings.

Our key findings in the current year requiring action by the firm:

- Improve the group audit team's oversight and challenge of component auditors.
- Improve the extent of challenge of management's forecasts and the testing of the integrity of financial models supporting key valuations and estimates.
- Strengthen the firm's audit of provisions and contingencies.

Review of firm-wide procedures. The firm should:

- Enhance certain aspects of its independence systems and procedures.

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