

# Public Document Pack

# Blackpool Council

4 March 2020

To: Councillors Burdess, Callow, Collett, Cox, Critchley, Farrell, Galley, Mitchell and Roberts.

The above members are requested to attend the:

## **AUDIT COMMITTEE**

Thursday, 12 March 2020 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 23 JANUARY 2020** (Pages 1 - 6)

To agree the minutes of the last meeting of the Audit held on 23 January 2020 as a true and correct record.

### **3 BUDGETARY CONTROL AUDIT FOLLOW-UP** (Pages 7 - 12)

To consider a progress report on the recommendations made in the internal audit report of Budgetary Control issued on the 31 January 2019.

- 4 STRATEGIC RISK REGISTER - INEFFECTIVE GOVERNANCE** (Pages 13 - 24)
- To consider a progress report on individual risks identified in the Council's Strategic Risk Register.
- 5 RISK SERVICES REPORT QUARTER THREE** (Pages 25 - 52)
- To provide the Audit Committee with a summary of the work completed by Risk Services in quarter three of the 2019/2020 financial year.
- 6 INTERNAL AUDIT PLAN 2020/2021** (Pages 53 - 68)
- To obtain approval for the Internal Audit Plan 2020/2021.
- 7 INTERNAL AUDIT CHARTER** (Pages 69 - 82)
- To consider the updated Internal Audit Charter for 2020/2021.
- 8 FRAUD PREVENTION CHARTER** (Pages 83 - 132)
- To provide details of the Council's Fraud Prevention Charter 2020/2021 and the outcome of the CIPFA fraud benchmarking exercise 2019.
- 9 STRATEGIC RISK REGISTER 2020/2021** (Pages 133 - 152)
- To present the Council's revised Strategic Risk Register to the Audit Committee.
- 10 EXTERNAL AUDIT PLAN 2019/2020** (Pages 153 - 182)
- To consider Deloitte's Audit Plan 2019/2020.
- 11 DATE OF NEXT MEETING**
- To note the date and time of the next meeting of the Committee as 30 April 2020, commencing at 6.00pm.

**Venue information:**

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

**Other information:**

For queries regarding this agenda please contact Elaine Ireland, Democratic Governance Senior Adviser, Tel: 01253 477255, e-mail: [elaine.ireland@blackpool.gov.uk](mailto:elaine.ireland@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](http://www.blackpool.gov.uk).

### **Present:**

Councillor Galley (in the Chair)

Councillors

Burdess  
Callow

Cox  
Critchley

Hugo  
Mitchell

Roberts

Ms Y Russell, Independent Member

### **In Attendance:**

Mr John Blackledge, Director of Community and Environmental Services

Mr Alan Cavill, Director of Communications and Regeneration

Mrs Tracy Greenhalgh, Head of Audit and Risk

Mr Neil Jack, Chief Executive

Dr Arif Rajpura, Director of Public Health

Ms Chloe Shore, Community Engagement and Partnership Manager

Mr Steve Thompson, Director of Resources

Mr Mark Towers, Director of Governance and Partnerships

Mrs Elaine Ireland, Democratic Governance Senior Adviser

Mr Nick Rayner, Senior Manager, Deloitte

### **Also Present:**

Councillor Mrs Callow, Chair of the Scrutiny Leadership Board

## **1 DECLARATIONS OF INTEREST**

Councillor Hugo declared a personal interest in relation to agenda item 3 Community Engagement Audit Follow-Up due to her position as trustee of the CVS Blackpool, Wyre and Fylde.

## **2 MINUTES OF THE LAST MEETING HELD ON 27 NOVEMBER 2019**

The Committee agreed that the minutes of the meeting held on 27 November 2019 be signed by the Chairman as a true and correct record.

## **3 COMMUNITY ENGAGEMENT AUDIT FOLLOW-UP**

Ms Chloe Shore, Community Engagement and Partnership Manager presented the Committee with a progress report on the recommendations made following the internal audit review of Community Engagement. The scope of the audit had been to review and assess the arrangements in place for engagement with the community across the Council's service areas in order to assist the Community Engagement team in embedding a strategic,

## MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 23 JANUARY 2020

effective and consistent approach to engagement.

Ms Shore informed the Committee that a steering group had been established in order to provide departmental updates and that tracking of large 'one off' engagement activities would be the aim as it would be unmanageable to track the high volume of every individual engagement that occurred. When asked how the criteria for a larger activity was determined, Ms Shore clarified that this would vary between projects but that anything which would potentially generate a large amount of interest and which would affect a predetermined percentage of the community would be considered, with the Steering Group to discuss and make the final decision.

In relation to R1 'We recommend that the Council produces a Community Engagement Strategy, which should build on existing engagement mechanisms' Ms Shore updated that whilst the initial draft of the policy had been produced, feedback was being gathered in order to inform the final version. In addition, the Committee was informed that a Members' meeting would be held the following week in order to receive their feedback prior to finalisation of the policy. Committee Members questioned how the introduction of the Community Engagement Policy had improved working practices across the Council, with Ms Shore stating that the policy had resulted in a more consistent focus and delivery across departments and that she had received positive feedback regarding the improvements.

A question was raised regarding R3 'We recommend that the Community Engagement team establishes a working link with partner organisation engagement functions to allow for better local engagement coordination, avoidance of duplication and where possible sharing of intelligence and data'. The Committee asked which external partners the team would like further involvement from, with Ms Shore responding that initial conversations had been held with the police and that further collaboration was hoped for. She further explained that she attended external meetings with key partner organisations to help prevent duplication and to share intelligence.

Discussion was held around the importance of informing Members of any potential community engagement activities, as well as a comprehensive directory of services which Councillors could use to direct interested constituents. Ms Shore informed the Committee that community engagement training had been offered in 2019 but that further training could be arranged if required. She went on to explain that the Steering Group had only recently been established but that the information from its meetings could be forwarded to the Members' Support team for distribution to the relevant Councillors. Ms Shore also made it clear that Members were welcome to email her directly with any queries.

Further information was sought by the Committee in relation to R16 'We recommend that the decision to place the community engagement function in Public Health is reviewed to provide the function with the best positioning and platform to affect community engagement across the Council.' Ms Shore updated that the Transformation Manager was undertaking a review to determine where community engagement would be best placed within the Council, with clarification provided that Public Health encompassed a wide range of provisions not limited to health services.

## MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 23 JANUARY 2020

Ms Shore concluded by outlining the beneficial outcomes of the internal audit recommendations, advising that they had resulted in a more consistent approach across the Council.

### **4 STRATEGIC RISK REGISTER - FAILURE TO KEEP PEOPLE SAFE**

The Committee considered a progress report outlining the individual risks identified within the Strategic Risk – Failure to Keep People Safe, from the Council’s Strategic Risk Register.

Mr Steve Thompson, Director of Resources provided an overview of the sub-risk ‘Death or Injury to a Member of Staff’, outlining the Health and Safety systems and procedures in place. In relation to the monitoring of staff sickness levels, a question was raised on whether illness caused specifically by mental health issues was monitored and supported. Mr Thompson confirmed that sickness levels were monitored and that absences attributable to mental health issues were identified where possible, explaining that the underlying causes of illness were not always evident. Mr Neil Jack, Chief Executive further clarified that mental health awareness was addressed departmentally as well as by a Council as a whole and that early referral to Occupational Health Services was an important part of the process.

Assurance was sought that the maintenance of buildings under the control of the Council’s Wholly Owned Companies was as vigorously monitored as all other Council buildings. Mr Thompson verified this to be the case, explaining that property compliance audits were being implemented across all of the companies.

Mrs Diane Booth, Director of Children’s Services addressed the sub-risk ‘Death, Serious Injury or Harm of a Vulnerable Child’. She explained that a robust improvement plan was in place within Children’s Services which was supported by the Council’s partners. The Committee was informed that the Commissioner was satisfied with current progress and that co-working with key partners was improving. She highlighted the key risks to the effective delivery of the improvement plan as recruitment and financial limitations. The difficulties experienced nationally in the recruitment and retention of suitably experienced social care staff was discussed, with Mrs Booth outlining a number of provisions being implemented to try and address this hurdle. She added further assurance that due to the high level of scrutiny from outside bodies and the improvements being implemented across the service, the gross risk scores had decreased.

Mr Neil Jack, Chief Executive answered Members’ questions on the sub-risk ‘Death, Serious Injury or Harm of a Vulnerable Adult’. Mr Jack emphasised the strong links with health providers and explained that the Council’s Principal Social Worker for adults was undertaking deep dive reviews of a number of service provisions. Members were informed that examples of good practice were examined in order to assess what worked well in order that such examples could be shared and learnt from in a positive way. In response to a question on how samples were selected for the in-depth audit of three or four cases per quarter, Mr Jack explained that due to the complexity of the cases, the focus would be on the identification of areas where improvements would be beneficial or where a particular issue had been raised by providers or service-users.

## **MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 23 JANUARY 2020**

In relation to the sub-risk 'Death or Injury to a Member of the Public' Mr John Blackledge, Director of Community and Environmental Services provided additional information on the controls in place. Discussion was held around the need to consult with affected residents in cases where the removal of trees may cause concern, with Mr Blackledge agreeing that clear communication with residents would be beneficial. The implementation of improved electronic monitoring of playgrounds was highlighted, with a target date for introduction cited as March 2020.

Mr Alan Cavill, Director of Communications and Regeneration informed Members of the measures in place to address identified risks associated with beach access. The Committee was informed that a beach patrol team was employed all year round and was supplemented by additional staffing in the summer season where risks increased. North and South look out points were in place, with plans being considered to introduce a look out point in the central area. The beach patrol team was equipped with a range of equipment, including quad bikes, to help them respond quickly and lifesaving equipment was subject to a regular and frequent inspection regime by the team. Assurance was sought that the safety signs on the promenade provided the correct information to help maintain the safety of members of the public. Mr Cavill confirmed that the required safety notices were in place at each entry point to the beach and that these underwent regular checks.

Mr John Blackledge responded to Members' questions in relation to the sub-risk 'Residents Do Not Feel Safe in Their Communities.' He explained that responsibility for the Council's Closed-Circuit Television (CCTV) had now transferred to his directorate and as such he would be entering into discussions with partner agencies about funding and improved function of the CCTV network. In order to further inform any decisions regarding the feasibility of modernising the current system, an internal audit of the Council's CCTV would be completed sooner than previously planned to ensure that a thorough and robust overview of the system was completed.

Dr Arif Rajpura, Director of Public Health informed the Committee that new Drug and Alcohol Strategies were in the process of being prepared. Support for the pursuit of a minimum unit pricing scheme for alcohol was expressed, with Dr Rajpura stressing the beneficial impact such a scheme would bring.

The Committee noted the end date of funding for the Fulfilling Lives project as April 2021 and questioned whether another provision would be replacing its valuable contribution. Dr Rajpura advised that work was ongoing with the Clinical Commissioning Group (CCG) to identify a health care model for the group, with the aim of securing funding from the CCG to continue the work started by Fulfilling Lives. In conjunction with the introduction of an app aimed at enabling those in need of support for alcohol use to access help themselves, as well as the potential remodelling of the service, Dr Rajpura anticipated positive improvements to be evident within the next 12 months.

### **5 ANNUAL GOVERNANCE STATEMENT 2018/2019 HALF-YEAR REVIEW**

Mr Mark Towers, Director of Governance and Partnerships presented the Half-Year Review and explained that the Annual Governance Statement represented a review of the system of

## **MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 23 JANUARY 2020**

internal control within the Council, with a significant part of this being the action plan designed to further enhance the governance framework.

With regards to mid-term progress, Mr Towers reported that many actions had either already been implemented or would be fully implemented by the financial year-end.

Committee Members sought additional information on the targeted use of social media for specific groups of residents and were informed that the Communications team would be targeting specific messages to relevant individuals in line with their interests, as well as still using more traditional forms of marketing and communication.

The impact of the newly established joint working arrangements with the Department for Work and Pensions was questioned. Mrs Tracy Greenhalgh, Head of Audit and Risk advised that it was too early into the arrangements to identify direct outcomes but that she would provide a further update to the Committee at a future meeting.

Mr Towers advised that the Officer Good Governance Steering Group was overseeing the implementation plan. He noted that government constraints limited progression of some issues but that overall progress had been good.

### **6 ANNUAL AUDIT LETTER 2018/2019**

Mr Nick Rayner, Senior Manager, Deloitte presented the Annual Audit Letter 2018/2019. In response Mr Thompson raised the Council's query over the proposed fee increase submitted within the report. Following discussion the Committee agreed that a Task and Finish group should be established, comprising of suitable Council Officers, representatives from Deloitte and a selection of Members from the Audit Committee in order to consider the matter of the increased fee. The findings of the group would come before the Audit Committee at its meeting on 30 April 2020.

### **7 AOB**

Councillor Galley informed the Committee that Ms Yvonne Russell would be standing down from her role as Independent Member with immediate effect. He extended the Committee's thanks to Ms Russell for her valuable contribution to the work of the Committee, over a near two and a half year period.

### **8 DATE OF NEXT MEETING**

The date and time of the next meeting of the Committee was noted as 12 March 2020, commencing at 6pm.

## MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 23 JANUARY 2020

### Chairman

(The meeting ended at 7.47pm)

Any queries regarding these minutes, please contact:  
Elaine Ireland, Democratic Governance Senior Adviser  
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<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Relevant Officers:</b>	Phil Redmond, Chief Accountant
<b>Date of Meeting</b>	12 March 2020

## BUDGETARY CONTROL 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 Budgetary Control issued on the 31 January 2019.

### 2.0 Recommendation(s):

- 2.1 To consider the actions being implemented to address the audit recommendations relating to Budgetary Control.

### 3.0 Reasons for recommendation(s):

- 3.1 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:

N/a

### 4.0 Council Priority:

- 4.1 The relevant Council priority is organisational resilience.

### 5.0 Background Information

- 5.1 At its meeting in June 2019, the Audit Committee agreed to invite Heads of Service to the meeting to provide an update in relation to internal audit recommendation implementation.

- 5.2 The report being considered at this meeting relates to Budgetary Control with the scope and assurance statement as follows:

#### Scope

The scope of the audit was to ensure that adequate and effective controls are in place to minimise financial risk in relation to budgetary control.

### 5.3 Overall Opinion and Assurance Statement

Overall it has been assessed that there is an adequate system of budgetary control. However there is scope to further enhance controls in the areas around journal transfers and training.

Does the information submitted include any exempt information?

No

**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 N/a

**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>	The i-Pool course 'Financial Management Training' should be reviewed and updated and rolled out to existing budget holders and those new in post with financial responsibilities.	2	Agreed.	Chief Accountant	30th April 2019	<p>The Financial Management i-pool course has been reviewed, updated and sent to the i-pool systems administrator for them to upload it into the i-pool system and replace the existing course.</p> <p>The next step is to relaunch it via the HUB.</p>

	<i>Recommendation</i>	<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
<b>R2</b>	Local schemes of delegation should be implemented for each directorate in line with the Corporate Scheme of Delegation requirements. This will help to identify or confirm staff with financial management responsibility and should act as a prompt to ensuring that managers and budget holders are clear of their financial management responsibilities for example ensuring that it is included in job descriptions where appropriate.	2	Agreed. The Trainee Accountant is in the process of updating the Corporate Scheme of Delegation. It will be clarified as part of this process that local schemes of delegation should be in place and that staff with financial management responsibility are aware of this.	Chief Accountant	30th June 2019	The Corporate Scheme of Delegation has been forwarded to the Cabinet Member and is awaiting approval.  As part of this exercise 5 Local Schemes of Delegation have been implemented.
<b>R3</b>	Consideration should be given to producing exception reports for services with high volume transactions to assist in the monitoring process.	2	Chief Accountant to liaise with the Finance Managers to agree an approach.	Chief Accountant	30th April 2019	Exception reports have been put in place for Adult Services.  Live office reports are available for other services that have high volume transactions.
<b>R4</b>	A review of the number of officers with access rights to perform a journal should be undertaken, limiting it to those officers who need it and if possible limiting the cost centres that can be used.	2	Agreed.	Senior Accountant, Systems and Capital team	30th April 2019	Implemented.
<b>R5</b>	All journal transfers should be appropriately authorised.	2	Agreed. This will be picked up with Finance Managers.	Chief Accountant / Finance Managers	31st March 2019	Implemented.

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>	<i>Progress</i>
<b>R6</b>	The cash limited budget regime should be consistently applied or the policy should be amended to reflect current practices.	<b>3</b>	The policy will be reviewed as part of the Medium Term Financial Sustainability Strategy when it is next updated.	Director of Resources	31st March 2020	The Medium Term Financial Sustainability Strategy will be updated after the Spending Review 2020 which is expected later this year.  The policy will then be reviewed.
<b>R7</b>	The service should continue to review all of the user roles and profiles within the Finance teams and roll this out across the Council to align the authorisation limits in Cedar to the Corporate Scheme of Delegation.	<b>2</b>	Agreed. The review is currently underway.	Chief Accountant	30th June 2019	Now that the update of the Scheme of Delegation has been completed the review of user roles and profiles will be undertaken.

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<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Relevant Officers:</b>	Steve Thompson, Director of Resources Neil Jack, Chief Executive Mark Towers, Director of Governance and Partnerships
<b>Date of Meeting</b>	12 March 2020

## STRATEGIC RISK REGISTER – INEFFECTIVE GOVERNANCE

### 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 ineffective governance.

### 3.0 Reasons for recommendation(s):

3.1 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:  
N/A

### 4.0 Council Priority:

4.1 The relevant Council priority is organisational resilience.

### 5.0 Background Information

5.1 At its meeting in June 2019, the Audit Committee agreed to continue to invite Strategic Risk Owners to attend future meetings to provide updates and progress reports in relation to the individual risks identified on the Strategic Risk Register.

Does the information submitted include any exempt information? No

### List of Appendices:

Appendix 4(a): Strategic Risk Register Progress Report – Ineffective Governance

**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 N/A

**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 strategic risks are being effectively managed. The Corporate Leadership Team have previously considered the report.

**11.0 Internal/ External Consultation undertaken:**

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

**12.0 Background papers:**

12.1 None.

## Strategic Risk Register Progress Report

### Strategic Risk: Ineffective Governance

No	Risk	Sub No.	Sub-Risk	% Overall Weighting	Impact / Consequences	Opportunity	Gross Risk Score			Controls and Mitigation	Nett Risk Score			Further Actions	Risk Manager	CLT Risk Owner	Target Date	Council Priority
							I	L	GS		I	L	NS					
7	Ineffective Governance	7a	Data theft, leakage and breaches.	30%	Significant fines from the Information Commissioner. Reputational damage.	Increased understanding of the Council's information assets. Robust procedures to safeguard data held by the Council.	4	5	20	Statutory Data Protection Officer appointed. Updated Retention Schedule in place for the Council. Revised Privacy Notices developed and uploaded to the Council's website. Process in place to ensure that all documents and equipment is identified as part of the office moves process to reduce the risk of a data breach. Mandatory GDPR training rolled out to all staff with IT access and face to face training available for senior managers. Data breach procedure implemented. DPIA process implemented.	4	4	16	Ensure that GDPR training is rolled out to staff who do not have IT access. Finalise the Council's Information Asset Register. Continued development of robust processes regarding starters / leavers and retrieval of kit for high risk areas such as agency and casual staff. Compliance audit programme to be developed and introduced across the Council by the Information Governance Team.	Head of Information Governance Head of Information Governance Head of ICT	Director of Governance and Partnerships Director of Governance and Partnerships Director of Resources	March 2020 March 2020 March 2020	Organisational Resilience
		7b	Increased risk of fraud.	20%	Erosion of internal controls and less resource to tackle fraud.	Increased use of forms of sanctions.	4	5	20	Fraud Prevention Charter in place and reviewed annually. Robust election procedures in place including a risk plan for all elections held. The risk of procurement fraud is included in the iPool training course relating to procurement. Participation in the National Fraud Initiative Anti-Money Laundering Policy and Procedure in place supported by an iPool course. Annual internal and external audit plans in place. Mandatory fraud awareness training in place for key staff.	4	3	12	Implement joint working for investigations with the Department for Work and Pensions.	Head of Audit and Risk	Director of Resources	July 2019	

## Strategic Risk Register Progress Report

No	Risk	Sub No.	Sub-Risk	% Overall Weighting	Impact / Consequences	Opportunity	Gross Risk Score			Controls and Mitigation	Nett Risk Score			Further Actions	Risk Manager	CLT Risk Owner	Target Date	Council Priority
							I	L	GS		I	L	NS					
7	Ineffective Governance	7c	Non-compliance with statutory requirements and internal procedures.	20%	External challenge.	Delivery of good services.	4	5	20	Statutory legal and financial officers in place.	4	3	12	Develop an information pack for Managers to use with casual and agency staff for CLT approved mandatory training. Deliver the action plan arising from the Annual Governance Statement 2018/19.	Head of HR and Organisational Development  Good Governance Group	Chief Executive  Director of Governance and Partnerships	March 2020  March 2020	Organisational Resilience
					Quality of service compromised.					Assurance mechanisms such as internal audit, external audit, peer review and external assessments. Awareness of standards required and awareness of the consequence of failure raised through channels such as DMTs and SLT. Corporate compliance calendar in place and rolled out across the Senior Leadership Team. Constitution and Financial Regulations in place. Good Governance Group in place which oversees the production and delivery of the Annual Governance Statement. Improved HR systems for probation, appraisals, recruitment and safeguarding checks. Suite of mandatory training in place.  Programme of audits relating to key governance issues such as executive decisions and corporate compliance.								
		7d	Lack of effective risk management embedded across the Council.	20%	Ineffective decision making.	Potential to make savings through effectively managing risks.	4	5	20	Risk management framework and toolkit in place.	4	3	12	Implement the recommendations arising from the internal audit report of risk management in 2018/19.	Head of Audit and Risk	Director of Resources	March 2020	Organisational Resilience
					Increased insurance claims.					Service and strategic level risk registers in place with a quality review in the last 12 months. SharePoint sites for risk management developed to assist with the sharing of information. Corporate, departmental and thematic risk management groups in place. Risk management considered as part of decision making process.								
		7e	Failure to effectively manage equality and diversity legislation.	10%	Legal challenge due to not adhering too the Equality Act Public Duty.	Fulfil policy objectives for fairness.	4	4	16	Equality and Diversity Officer in post.	4	3	12	Ensure that the wholly owned companies boards are aware of their responsibilities in relation to the public sector equality duties.	Head of Audit and Risk	Director of Resources	March 2020	Organisational Resilience
					Direct discrimination and harassment.					Compliance assessments undertaken across directorates. Embedded process for impact assessments. Appropriate HR policies in place. Corporate Equality Steering Group in place. Equality and diversity training in place for managers and employees.								
					Reputational damage.													
<b>Overall Nett Risk Score</b>											<b>13.20</b>							

## Strategic Risk Register Progress Report

<b>Sub-Risk: Data theft, leakage and breaches. (weighting 30%)</b>		<b>Gross Risk Score</b>	<b>Nett Risk Score</b>
		<b>20</b>	<b>16</b>
		<i>Risk Score in 2018/19</i>	<b>15</b>
<b>Risk Owner: Director of Governance and Partnerships / Director of Resources</b>			
<b>Existing Controls in Place:</b>			
<ul style="list-style-type: none"> <li>• Statutory Data Protection Officer appointed.</li> <li>• Updated Retention Schedule in place for the Council.</li> <li>• Revised Privacy Notices developed and uploaded to the Council's website.</li> <li>• Process in place to ensure that all documents and equipment is identified as part of the office moves process to reduce the risk of a data breach.</li> <li>• Mandatory GDPR training rolled out to all staff with IT access and face to face training available for senior managers.</li> <li>• Data breach procedure implemented.</li> <li>• DPIA process implemented.</li> </ul>			
<b>Actions:</b>			
<b>Actions</b>	<b>Risk Manager</b>	<b>Current Position</b>	<b>Outcomes / Results</b>
<p>Ensure that GDPR training is rolled out to staff who do not have IT access.</p> <p>(Target Date: March 2020)</p>	<p>Head of Information Governance</p>	<ul style="list-style-type: none"> <li>• The IG Team identified and rolled out GDPR training to all staff that do not have IT access in October 2019.</li> <li>• The IG Team requested confirmation of completion and has regularly sent reminders to Managers. The IG team is targeting 95% completion by the end of March 2020 to comply with the NHS DSPT Submission.</li> </ul> <p><i>(NHS DSPT Submission - The Data Security and Protection Toolkit is an online self-assessment tool that allows organisations to measure their performance against the National Data Guardian's</i></p>	<ul style="list-style-type: none"> <li>• Raises employee awareness of their responsibilities in ensuring the Council complies with the GDPR and it mitigates the risk of personal data breaches.</li> <li>• Requirement for NHS DSPT Submission.</li> <li>• Requirement for ICO Audit.</li> </ul>

## Strategic Risk Register Progress Report

		<i>10 data security standards. All organisations that have access to NHS patient data must use this toolkit to provide assurance that they are practising good data security and that personal information is handled correctly).</i>	
<p>Finalise the Council's Information Asset Register.</p> <p>(Target Date: March 2020)</p>	Head of Information Governance	<ul style="list-style-type: none"> <li>• The IG Team has completed an initial draft of an Information Asset Register.</li> <li>• The IG Team has now broadened this piece of work and incorporated it into the creation of its Record of Processing Activities (RoPA) which includes additional information such as the lawful basis for processing and a review of privacy information.</li> <li>• The IG Team has made significant progress but given its wider scope which requires co-ordination with all services across the Council the target completion date for a final version is now June 2020.</li> </ul>	<ul style="list-style-type: none"> <li>• An improved understanding and visibility of the Council's information assets better enables it to comply with the GDPR, including data security.</li> <li>• Requirement for NHS DSPT Submission.</li> <li>• Requirement for ICO Audit.</li> </ul>
<p>Continued development of robust processes regarding starters / leavers and retrieval of kit for high risk areas such as agency and casual staff.</p> <p>(Target Date: March 2020)</p>	Head of ICT	<ul style="list-style-type: none"> <li>• A new process has been implemented for Council employees to ensure that robust arrangements are in place for new starters / leavers. This process has been subject to a recent internal audit and was considered to be adequately controlled.</li> <li>• HR and IT are collaborating to build more robust processes to on-board and off-board different types of IT users (including agency staff, contractors, NHS staff, students and partners) to improve overall control, with the objective of implementing a process which captures all categories of employees. Internal audit made a priority one recommendation in relation to this so the</li> </ul>	<ul style="list-style-type: none"> <li>• Improved data security controls reducing the risk of data breaches.</li> <li>• Timely return of IT kit to enable this to be re-used therefore reducing costs.</li> </ul>

## Strategic Risk Register Progress Report

		<p>action will continue to be followed-up until implemented.</p>	
<p>Compliance audit programme to be developed and introduced across the Council by the Information Governance Team.</p> <p>(Target Date: March 2020)</p>	<p>Head of Information Governance</p>	<ul style="list-style-type: none"> <li>• The IG Team has developed a short GDPR audit that is to be rolled out and undertaken with individual services across the Council. The audit is designed to be a short 'health check' which is not burdensome on the participant but provides assurance on compliance with the fundamental principles of the GDPR. This programme is anticipated to begin in March 2020 with an initial sample of services from different directorates.</li> <li>• The IG Team completes and submits an annual online self-assessment tool to NHS Digital called the NHS DSPT Submission. Internal audit are scheduled to audit the Council's 2019/20 submission in May 2020.</li> <li>• The Council accepted an invitation from the Information Commissioner (ICO) to undertake a consensual audit which will take place week commencing the 21<sup>st</sup> September 2020. The focus of this audit is to <i>'determine whether the Council has implemented policies and procedures to regulate the processing of personal data and whether that processing is carried out in accordance with such policies and procedures.'</i></li> </ul>	<ul style="list-style-type: none"> <li>• Provides assurance regarding the Council's compliance with the GDPR.</li> <li>• Identifies any areas of non-compliance or areas where the Council can benefit from best practice which reduces the risk to the Council.</li> </ul>

## Strategic Risk Register Progress Report

<b>Sub-Risk: Increased risk of fraud (weighting 20%)</b>		<b>Gross Risk Score</b>	<b>Nett Risk Score</b>
		<b>20</b>	<b>12</b>
<i>Risk Score in 2018/19</i>		<b>20</b>	<b>15</b>
<b>Risk Owner: Director of Resources</b>			
<b>Existing Controls in Place:</b>			
<ul style="list-style-type: none"> <li>• Fraud Prevention Charter in place and reviewed annually.</li> <li>• Robust election procedures in place including a risk plan for all elections held.</li> <li>• The risk of procurement fraud is included in the iPool training course relating to procurement.</li> <li>• Participation in the National Fraud Initiative.</li> <li>• Anti-Money Laundering Policy and Procedure in place supported by an iPool course.</li> <li>• Annual internal and external audit plans in place.</li> <li>• Mandatory fraud awareness training in place for key staff.</li> </ul>			
<b>Actions:</b>			
Actions	Risk Manager	Current Position	Outcomes / Results
Implement joint working for investigations with the Department for Work and Pensions.  (Target Date: July 2019)	Head of Audit and Risk	<ul style="list-style-type: none"> <li>• Joint working arrangements between the Council's Corporate Fraud Team and the Department for Work and Pensions have been implemented.</li> <li>• The process enables referrals between both organisations, and the ability to jointly investigate and prosecute cases of fraud where a DWP benefit and Council Tax Reduction Scheme are in payment.</li> <li>• Whilst there has been limited referral activity to date it is hoped that the relationship will continue to strengthen going forward.</li> </ul>	<ul style="list-style-type: none"> <li>• More efficient investigation for some types of fraud.</li> </ul>

## Strategic Risk Register Progress Report

<b>Sub-Risk: Non-compliance with statutory requirements and internal procedures. (weighting 20%)</b>		<b>Gross Risk Score</b>	<b>Nett Risk Score</b>
		<b>20</b>	<b>12</b>
<i>Risk Score in 2018/19</i>		<b>20</b>	<b>12</b>
<b>Risk Owner: Chief Executive / Director of Governance and Partnerships</b>			
<b>Existing Controls in Place:</b>			
<ul style="list-style-type: none"> <li>• Statutory legal and financial officers in place.</li> <li>• Assurance mechanisms such as internal audit, external audit, peer review and external assessments.</li> <li>• Awareness of standards required and awareness of the consequence of failure raised through channels such as DMTs and SLT.</li> <li>• Corporate compliance calendar in place and rolled out across the Senior Leadership Team.</li> <li>• Constitution and Financial Regulations in place.</li> <li>• Good Governance Group in place which oversees the production and delivery of the Annual Governance Statement.</li> <li>• Improved HR systems for probation, appraisals, recruitment and safeguarding checks.</li> <li>• Suite of mandatory training in place.</li> <li>• Programme of audits relating to key governance issues such as executive decisions and corporate compliance.</li> </ul>			
<b>Actions:</b>			
<b>Actions</b>	<b>Risk Manager</b>	<b>Current Position</b>	<b>Outcomes / Results</b>
Develop an information pack for Managers to use with casual and agency staff for CLT approved mandatory training.  (Target Date: March 2020)	Head of HR and Organisational Development	<ul style="list-style-type: none"> <li>• Work has been undertaken with each mandatory module iPool owner to create a '7 minute briefing' for each topic.</li> <li>• The iRecruit system will be enhanced to identify at the earliest opportunity whether the successful candidate will be an IT user or not. Where it is identified they are not, the '7 minute briefing' pack will be sent out with their contract of employment and when they sign and return their contract it will confirm they have read the 7 minute briefs.</li> <li>• Where Managers believe that the 7 Minute briefs are not sufficient for purpose due to</li> </ul>	<ul style="list-style-type: none"> <li>• All employees complete mandatory training.</li> </ul>

## Strategic Risk Register Progress Report

		<p>the type of role the employee undertakes, it will be their responsibility to arrange/utilise toolbox talks or the provided workbooks/face to face training to further enhance knowledge. It will also be the Manager's responsibility to log completion of any additional training with OWD so it can be recorded.</p> <ul style="list-style-type: none"> <li>• A backtrack exercise will be undertaken for all existing employees/workers either utilising support from SLT and Managers to confirm they have been read, or by posting information to home addresses.</li> </ul>	
<p>Deliver the action plan arising from the Annual Governance Statement 2018/19.</p> <p>(Target Date: March 2020)</p>	<p>Good Governance Group</p>	<ul style="list-style-type: none"> <li>• The Good Governance Group continue to monitor the delivery of the actions identified in the Annual Governance Statement.</li> <li>• A half-year review was reported to Audit Committee in January 2020 and highlighted progress to date.</li> <li>• The next meeting of the Good Governance Group has been scheduled for March 2020 when the review of outstanding actions will be undertaken as part of the preparation of the Annual Governance Statement for 2019/20.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved governance arrangements across the Council.</li> </ul>

## Strategic Risk Register Progress Report

<b>Sub-Risk: Lack of effective risk management embedded across the Council. (weighting 20%)</b>		<b>Gross Risk Score</b>	<b>Nett Risk Score</b>
		<b>20</b>	<b>12</b>
<i>Risk Score in 2018/19</i>		<b>20</b>	<b>12</b>
<b>Risk Owner: Director of Resources</b>			
<b>Existing Controls in Place:</b>			
<ul style="list-style-type: none"> <li>• Risk management framework and toolkit in place.</li> <li>• Service and strategic level risk registers in place with a quality review in the last 12 months.</li> <li>• SharePoint sites for risk management developed to assist with the sharing of information.</li> <li>• Corporate, departmental and thematic risk management groups in place.</li> <li>• Risk management considered as part of decision making process.</li> </ul>			
<b>Actions:</b>			
<b>Actions</b>	<b>Risk Manager</b>	<b>Current Position</b>	<b>Outcomes / Results</b>
Implement the recommendations arising from the internal audit report of risk management in 2018/19.  (Target Date: March 2020)	Head of Audit and Risk	<ul style="list-style-type: none"> <li>• The recommendations made in the internal audit report are being addressed and updates in relation to progress are reported to the Corporate Risk Management Group at each meeting.</li> <li>• Potential solutions for a risk management system are being considered however are proving costly. This is an area which will continued to be explored over the next 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>• Further embed the Council's risk management arrangements.</li> </ul>

## Strategic Risk Register Progress Report

<b>Sub-Risk: Failure to effectively manage equality and diversity legislation. (weighting 20%)</b>		<b>Gross Risk Score</b>	<b>Nett Risk Score</b>
		<b>16</b>	<b>12</b>
<i>Risk Score in 2018/19</i>		<i>n/a</i>	<i>n/a</i>
<b>Risk Owner: Director of Resources</b>			
<b>Existing Controls in Place:</b>			
<ul style="list-style-type: none"> <li>• Equality and Diversity Officer in post.</li> <li>• Compliance assessments undertaken across directorates.</li> <li>• Embedded process for impact assessments.</li> <li>• Appropriate HR policies in place.</li> <li>• Corporate Equality Steering Group in place.</li> <li>• Equality and diversity training in place for managers and employees.</li> </ul>			
<b>Actions:</b>			
<b>Actions</b>	<b>Risk Manager</b>	<b>Current Position</b>	<b>Outcomes / Results</b>
Ensure that the wholly owned company's boards are aware of their responsibilities in relation to the public sector equality duties.  (Target Date: March 2020)	Head of Audit and Risk	<ul style="list-style-type: none"> <li>• A timetable to undertake equality and diversity self-assessments with each of the companies is now in place and will be delivered by the Senior Equality and Diversity Advisor over the next two years. The Council is providing this free of charge to ensure that the companies understand and accept their responsibilities under the legislation.</li> <li>• An equality and diversity training course has been developed for the wholly owned companies and is provided by the Senior Equality and Diversity Advisor on request.</li> </ul>	<ul style="list-style-type: none"> <li>• The Councils wholly owned companies are aware of their responsibilities under the Public Sector Equality Duties.</li> <li>• Legally compliant decision making demonstrating that equality and diversity issues are effectively considered.</li> </ul>

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Relevant Officer:</b>	Tracy Greenhalgh, Head of Audit and Risk
<b>Date of Meeting</b>	12 March 2020

## RISK SERVICES QUARTER THREE REPORT

### 1.0 Purpose of the report:

1.1 To provide the Audit Committee with a summary of the work completed by Risk Services in quarter three of the 2019/2020 financial year.

### 2.0 Recommendation(s):

2.1 To note the content 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:

N/A

### 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.

5.2 The Risk Services Quarterly Report is reported to the Corporate Leadership Team prior to being presented at Audit Committee.

5.3 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.

Does the information submitted include any exempt information?

No

**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 N/A

**8.0 Equalities considerations:**

8.1 N/A

**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 N/A

**12.0 Internal/ External Consultation undertaken:**

12.1 The Risk Services Quarterly Report was approved by the Corporate Leadership Team on 11 February 2020.

**13.0 Background papers:**

13.1 N/A

## Risk Services Quarter Three Report 1<sup>st</sup> October to 31<sup>st</sup> December 2019

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## Blackpool Council: Risk Services

### Third Quarter Summary

#### Service Developments

##### 1.1 Internal Audit

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

Directorate	Internal Audits
Adult Services	<ul style="list-style-type: none"><li>• Care at Home (external provision)</li><li>• Executive Decisions</li></ul>
Children's Services	<ul style="list-style-type: none"><li>• Children's Homes</li><li>• Troubled Families Compliance</li></ul>
Chief Executives	<ul style="list-style-type: none"><li>• Commissioning</li></ul>
Communication and Regeneration	<ul style="list-style-type: none"><li>• Opportunity Area Funding</li><li>• Parking Services</li></ul>
Community and Environmental	<ul style="list-style-type: none"><li>• Flood Management</li></ul>
Corporate	<ul style="list-style-type: none"><li>• Organisational Culture</li></ul>
Governance and Partnerships	<ul style="list-style-type: none"><li>• Wedding Chapel</li></ul>
Resources	<ul style="list-style-type: none"><li>• Non-contracted ICT software</li><li>• Water Self-Supply Licence</li><li>• Council Tax Financial Control Assurance Testing</li><li>• Client Finances</li></ul>

Details of the scope and final outcome for each of the above audits will be reported to Audit Committee in the Risk Services quarterly report once the fieldwork has been completed and draft report agreed.

##### 1.2 Corporate Fraud

The focus of the team's proactive work in the quarter has been predominately focused on the coordination and delivery of the National Fraud Initiative. Preparations are underway to review the Fraud Charter and Proactive work programme for 2020/21.

The scheduled six-monthly proactive review of Purchase Card expenditure for the period 1<sup>st</sup> April to 30<sup>th</sup> September 2019 has been completed. The review has shown an overall increase in compliance in respect of the attachment of receipts and approvals across the Council. The Corporate Leadership Team have been notified of the results for their individual Directorates.

The vacant Corporate Fraud Officer has now been recruited to with the post holder joining the Council in January. This will ensure that the team is fully staffed and will be able to address some of the capacity issues which have been faced over the past year, ensuring an increased focus on proactive work.

The Corporate Fraud Support Officer has successfully passed their Accredited Counter Fraud Specialist qualification and therefore is fully qualified to undertake fraud investigations.

##### 1.3 Risk and Resilience

The team have been working with Council services to obtain the necessary information for the insurance renewals for April 2020 onwards. The renewals will be placed under the long term agreements which were procured for April 2019 for a period of up to five years.

The team has started to roll out the new template for business continuity plans. Initially, this is being done with Adult Services, Public Health and Governance and Partnerships. It is hoped that these directorates will be complete by February at which stage the next part of the roll-out will be agreed.

An iPool business continuity module has been developed and is currently being piloted prior to being rolled out.

## Blackpool Council: Risk Services

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 and all risk management groups are now using SharePoint.

### 1.4 **Health and Safety**

The team have completed a number of health and safety management system audits in the quarter including for Adults Initial Contact Service, Central Vehicle Maintenance Unit and Environmental Protection.

Current projects being undertaken by the team include a review of the corporate warning register and an assessment of the cost benefit of a bespoke health and safety system to help streamline reporting arrangements and increase corporate oversight.

The team are receiving lots of requests for the provision of bespoke health and safety training as services identify the need to train staff to mitigate against specific health and safety risks and hazards.

The team are currently reviewing the Health and Safety Management Arrangements to ensure that these are up to date and reflect the Council's current structure.

### 1.5 **Equality and Diversity**

The compliance assessment of Children's Services with the Public Sector Equality Duty is currently in progress and work has started on delivering the programme with the Council's wholly owned companies.

Support is being provided as part of the budget setting process to advise Directors on how to ensure that the equality impact of decisions is adequately considered.

## **Performance**

### **Risk Services performance indicators**

Performance Indicator (Description of measure)	2019/20 Target	2019/20 Actual
Professional and technical qualification as a percentage of the total.	85%	80%

### **Internal Audit Team performance indicators**

Performance Indicator (Description of measure)	2019/20 Target	2019/20 Actual
Percentage audit plan completed (annual target).	90%	55%
Percentage draft reports issued within deadline.	96%	97%
Percentage audit work within resource budget.	92%	94%
Percentage of positive satisfaction surveys.	85%	92%
Percentage compliance with quality standards for audit reviews.	85%	92%

## Blackpool Council: Risk Services

### *Risk and Resilience Team performance indicators*

Performance Indicator (Description of measure)	2019/20 Target	2019/20 Actual
Percentage of Council service business continuity plans up to date.	100%	91%
Percentage of risk registers revised and up to date at the end of the quarter.	100%	77%
Number of risk and resilience training and exercise sessions held (annual target).	6	7
Number of trained Emergency Response Group Volunteers. (for monitoring purposes only – responsibility lies with Adult Social Care)	50	39
Percentage of property risk audit programme completed (annual target).	100%	100%

The following services have fully updated all of their business continuity plans:

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

Plans which are outstanding or have not been updated in the other directorates is as follows:

#### **Children's Services**

- Emergency Duty Team
- Safeguarding, Quality and Review

#### **Communications & Regeneration**

- Adult Learning
- Leisure Assets
- Communications
- Museum Project

#### **Community & Environmental Services**

- Central Vehicle Maintenance Unit

Only 77% of risk registers had been updated by the end of the quarter. The following services have fully updated their risk registers:

- Adult Services
- Community and Environmental Services
- Public Health
- Governance and Partnerships
- Resources

## Blackpool Council: Risk Services

Risk registers which had not been updated by the deadline included:

### Chief Executives

- Corporate Delivery
- Executive Management Support
- Housing Strategy

### Children's Services

- Children's Commissioning

### Communication and Regeneration

- Adult Learning
- Car Parking
- Communications
- Growth and Prosperity
- Libraries
- Planning
- Visit Blackpool

### *Health and Safety performance indicators*

Performance Indicator (Description of measure)	2019/20 Target	2019/20 Actual
RIDDOR Reportable Accidents for Employees	0	6
Training Delivered to quarterly plan	100%	100%

There were three RIDDOR cases relating to employees were reported in the quarter which included:

- Public Protection – Employee had a slip / trip fall.
- Highways Services - Employee had a slip / trip fall.
- Highways Services – Employee was hit by object.

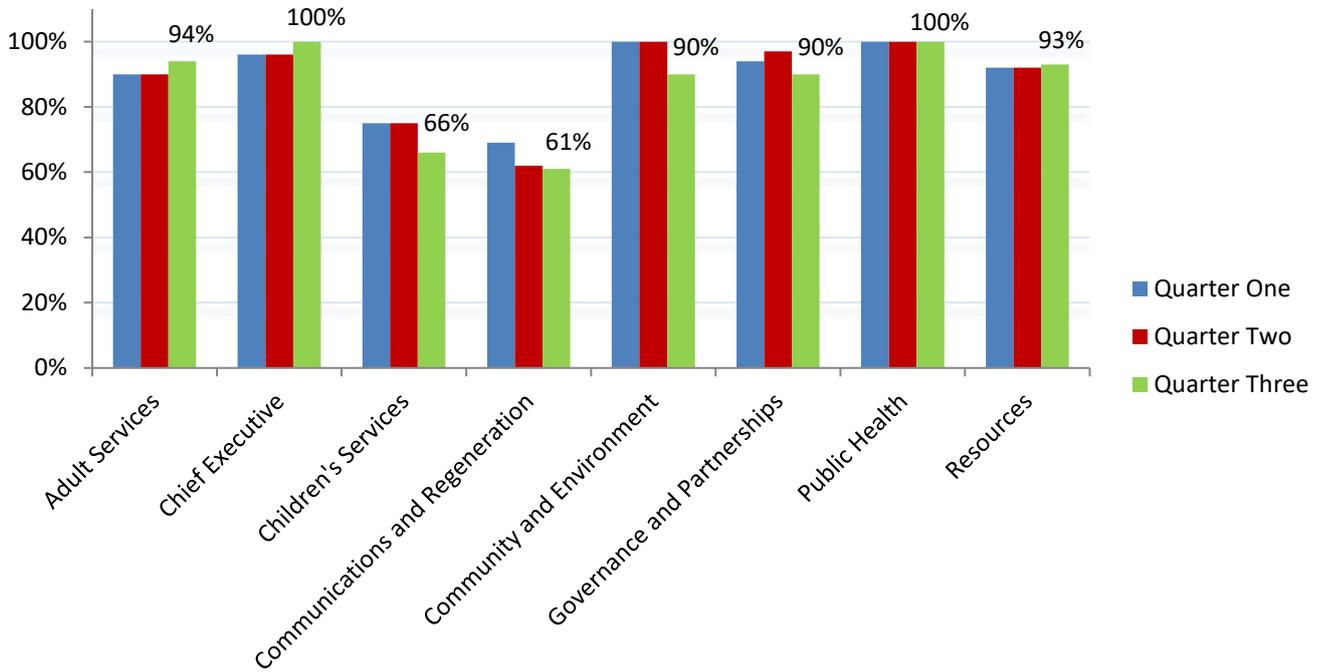
### *Equality and Diversity performance indicators*

Performance Indicator (Description of measure)	2019/20 Target	2019/20 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%	81%

### *Corporate Fraud Team performance indicators*

Performance Indicator (Description of measure)	2019/20 Target	2019/20 Actual
% of agreed Council employees completed i-Pool fraud awareness course.	100%	82%

### Mandatory Fraud Awareness Training by Directorate



Note: The decrease in both overall and directorate percentage completion rates appears to be the result of staff turnover.

## Blackpool Council: Risk Services

<u>CORPORATE FRAUD</u> <u>STATISTICS - 2019/2020</u>	Number of Cases Brought Forward from 2018/19	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 2019-20									
Council Tax - Single Person Discount	9	36	13	19	£3,661.35	32	0	0	0	0	13
Council Tax Reduction (CTR)	3	10	1	6	£469.01	7	0	0	0	0	6
Business Rates	0	2	0	1	-	1	0	0	0	0	1
Procurement	1	0	0	1	-	1	0	0	0	0	0
Fraudulent Insurance Claims	7	1	0	0	-	0	0	0	0	0	8
Social Care	2	0	1	0	-	0	1	0	0	0	1
Economic & Third Sector Support	0	0	0	0	-	0	0	0	0	0	0
Gross Misconduct (Disciplinary Code)	1	3	2	0	-	0	0	2	0	0	2
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	1	0	1	-	1	0	0	0	0	1
Abuse of Position - Manipulation of Financial or Non-Financial Data	0	0	0	0	-	0	0	0	0	0	0
General Financial Fraud	0	3	0	1	-	1	0	0	0	0	2
Disabled parking concessions	1	3	0	2	-	2	0	0	0	0	2
NFI 2018/19	82	2343	431	1896	£234,340.55	2327	0	0	0	0	98
<b>Totals:</b>	<b>107</b>	<b>2402</b>	<b>448</b>	<b>1927</b>	<b>£238,470.91</b>	<b>2372</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>134</b>

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

*Internal Audit reports issued in period*

Directorate	Review Title	Assurance Statement								
Adult Services	Coopers Way Respite Service	<p><b>Scope</b></p> <p>The scope of the audit was to undertake an establishment visit to ensure compliance with key controls.</p> <p><b>Overall Opinion and Assurance Statement</b></p> <table border="1" data-bbox="746 591 1465 629"> <tr> <td colspan="2" style="text-align: center;"><b>Split Assurance</b></td> </tr> </table> <p>We consider that overall the controls in place are adequate with some risk identified and assessed with several changes necessary. We do have concerns that medication training and competency assessments are not been carried out in line with the Medication Policy and therefore has assessed this as inadequate.</p> <p><b>Number of Recommendations Made</b></p> <table border="1" data-bbox="746 925 1465 1039"> <tr> <td>Priority 1</td> <td style="text-align: center;">1</td> </tr> <tr> <td>Priority 2</td> <td style="text-align: center;">6</td> </tr> <tr> <td>Priority 3</td> <td style="text-align: center;">0</td> </tr> </table> <p><b>Management Response</b></p> <p><u>Medication:</u></p> <p>Due to increased staffing numbers coming into employment, this pushed the demand for training beyond the capacity available across the division. This was identified as a risk area by managers and a new approach was already being explored prior to the audit.</p> <p>The Care and Support Division senior management team have revised the Medication Policy.</p> <p>A new I-Pool Training module has been developed and being used to support ‘medication refresher training’ across the workforce and complements existing training available.</p> <p>Medication Competency Assessment documentation has been reviewed and a rolling programme implemented to ensure all staff are receiving an assessment within every 12 month period.</p> <p>Additional resources have been allocated to support the completion of staff Competency Assessments and these are now incorporated into the training matrix.</p>	<b>Split Assurance</b>		Priority 1	1	Priority 2	6	Priority 3	0
<b>Split Assurance</b>										
Priority 1	1									
Priority 2	6									
Priority 3	0									

## Blackpool Council: Risk Services

Directorate	Review Title	Assurance Statement
		<p><u>Quality Assurance:</u></p> <p>There is a dedicated Registered Manager in place and quality assurance checks are being completed within agreed timescales and regular senior management establishment visits are planned every 6 weeks. Records of quality assurance checks and senior management site visits are retained by the service for audit purposes and regulatory compliance (Care Quality Commission - CQC).</p> <p><u>DBS:</u></p> <p>The Council was aware of likely changes to the DBS process in response to GDPR and they were being considered and worked through corporately. New arrangements are now in place to support the application and renewal of DBS checks across the Council. The arrangements are being monitored by the Council's Recruitment Safeguard Lead supported by a working group of representatives from different departments.</p> <p><u>Workforce Allocation:</u></p> <p>A Standard Operating Procedure is in place to support workforce allocation to ensure fair and equitable balance of staff deployment.</p>

<p>Adult Services</p>	<p>Extra Support Service</p>	<p><b><u>Scope</u></b></p> <p>The scope of the audit was to undertake an establishment visit to ensure compliance with key controls.</p> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" data-bbox="746 407 1465 443"> <tr> <td style="text-align: center;"><b>Split Assurance</b></td> </tr> </table> <p>We consider that overall the controls in place are adequate with some risk identified and assessed with several changes necessary. We do have concerns that medication training and competency assessments are not been carried out in line with the Medication Policy and therefore has assessed this as inadequate.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" data-bbox="746 741 1465 853"> <tr> <td>Priority 1</td> <td style="text-align: center;">1</td> </tr> <tr> <td>Priority 2</td> <td style="text-align: center;">6</td> </tr> <tr> <td>Priority 3</td> <td style="text-align: center;">1</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p><u>Medication:</u></p> <p>Due to increased staffing numbers coming into employment, this pushed the demand for training beyond the capacity available across the division. This was identified as a risk area by managers and a new approach was already being explored prior to the audit.</p> <p>The Care and Support Division senior management team have revised the Medication Policy.</p> <p>A new I-Pool Training module has been developed and being used to support ‘medication refresher training’ across the workforce and complements existing training available.</p> <p>Medication Competency Assessment documentation has been reviewed and a rolling programme implemented to ensure all staff are receiving an assessment within every 12 month period. Additional resources have been allocated to support the completion of staff Competency Assessments and these are now incorporated into the training matrix.</p> <p>Managers are aware of the reporting requirement for Medication Errors and how these are recorded for regulatory compliance purposes.</p> <p><u>Quality Assurance:</u></p> <p>A Transition Policy is under development within the Extra Support Service to support the transitions between services and the Social Crisis Apartments, which are supported by this service.</p> <p><u>DBS:</u></p> <p>The Council was aware of likely changes to the DBS process in response to GDPR and they were being considered and</p>	<b>Split Assurance</b>	Priority 1	1	Priority 2	6	Priority 3	1
<b>Split Assurance</b>									
Priority 1	1								
Priority 2	6								
Priority 3	1								

## Blackpool Council: Risk Services

Directorate	Review Title	Assurance Statement							
		worked through corporately. New arrangements are now in place to support the application and renewal of DBS checks across the Council. The arrangements are being monitored by the Council's Recruitment Safeguard Lead supported by a working group of representatives from different departments.							
Chief Executives	Housing Rents Financial Control Assurance Testing	<p><b><u>Scope</u></b></p> <p>The scope of the audit was to ensure that adequate and effective controls are in place to minimise financial risk in relation to housing rents.</p> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>Adequate</b></td> </tr> </table> <p>Overall we have assessed that there is an adequate system of controls over the social housing rents system. However there is scope to further enhance controls by reviewing the process for checking rents which have been manually adjusted in the system and ensuring that appropriate identification for tenants is in place.</p> <p>Furthermore where we sought evidence of compliance with the key financial controls it was found that the evidence demonstrated that there was a satisfactory level of compliance in all areas tested.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="width: 60%;">Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Priority 2</td> <td style="text-align: center;">1</td> </tr> <tr> <td>Priority 3</td> <td style="text-align: center;">3</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>Management agreed that formal policies and procedure should be reviewed as soon as reasonably practicable and include the correct version number.</p> <p>Management agreed that a process should be put in place to verify manual adjustments made in the Orchard housing management system.</p> <p>The formula rent figures produced by the Head of Finance should be verified by an independent officer to ensure the figures have been calculated correctly and there are no formulaic errors in the spreadsheet which management have agreed to address.</p> <p>Management agreed that steps should be taken to ensure that two suitable forms of ID have been provided, a proof of ID form has been completed, signed and dated by the member of staff undertaking the check and that a more consistent approach is applied to the information recorded on the form.</p>	<b>Adequate</b>	Priority 1	0	Priority 2	1	Priority 3	3
<b>Adequate</b>									
Priority 1	0								
Priority 2	1								
Priority 3	3								

## Blackpool Council: Risk Services

Directorate	Review Title	Assurance Statement							
Children's Services	Post OFSTED and YOT Inspection Governance	<p><b><u>Scope</u></b></p> <p>The scope of the audit was to review the governance framework for post Children's Services inspections improvement.</p> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>Adequate</b></td> </tr> </table> <p>We consider the controls in place regarding post inspections improvement governance to be adequate, with some risks identified and several changes necessary to improve controls.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td style="text-align: center;">Priority 2</td> <td style="text-align: center;">7</td> </tr> <tr> <td style="text-align: center;">Priority 3</td> <td style="text-align: center;">1</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>Management agreed that the memorandum of understanding with health will be finalised.</p> <p>Management have developed a quality audit timetable for the Youth Offending Team (YOT) and this is due to be rolled out.</p> <p>Management confirmed that a YOT performance dashboard has now been developed and finalised and that a performance reporting framework is in place for Children's social care which will be subject to ongoing review and development.</p> <p>A workshop has taken place to start the process to develop a Children and Young People strategy which will be co-produced with children and young people.</p> <p>Management agreed to update the Children's Social Care and Early Years risk register to include risks relating to the post inspection Children's Social Care and Youth Offending Team improvement plans.</p>	<b>Adequate</b>	Priority 1	0	Priority 2	7	Priority 3	1
<b>Adequate</b>									
Priority 1	0								
Priority 2	7								
Priority 3	1								

## Blackpool Council: Risk Services

Directorate	Review Title	Assurance Statement							
Children's Services	Early Help Sustainability	<p><b><u>Scope</u></b></p> <p>The scope of our audit was to review the potential impact and risks in light of the Troubled Families funding, which currently supports a key part of the Council's Early Help policy commitment, potentially coming to an end.</p> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>Adequate</b></td> </tr> </table> <p>The Families In Need (FIN) team delivers an Early Help service similar to many other Local Authorities. Although we have made some suggested operational improvements, our review concentrated on the readiness of the service should the Troubled Families Programme end. The continuation of some future funding remains, providing adequate time to thoroughly assess the options set out in the report. As there is sufficient time available to position the future early intervention offering and with the current fully operating offering, we consider that the controls in place are adequate overall with some risks identified and assessed and several changes necessary.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="width: 70%;">Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Priority 2</td> <td style="text-align: center;">8</td> </tr> <tr> <td>Priority 3</td> <td style="text-align: center;">0</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>Management confirmed that a new strategy for Early Help has been drafted and shared with the Corporate Leadership Team. The implementation of this will be considered in light of any future changes to funding.</p> <p>An exercise has been undertaken to ensure that the current funding available will be maximised and it is forecast that 610 families will be worked with in the forthcoming year.</p> <p>Management accept that a web-based system should be implemented to more effectively manage the early help process and help share information between partners. This is something which will be considered in the future by the Safeguarding Board.</p>	<b>Adequate</b>	Priority 1	0	Priority 2	8	Priority 3	0
<b>Adequate</b>									
Priority 1	0								
Priority 2	8								
Priority 3	0								

<p>Communication and Regeneration</p>	<p>Business Support</p>	<p><b>Scope</b></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> <li>• The aims of and the impacts from the Business Support service; and</li> <li>• Key linkages to sub regional and other Council business support services.</li> </ul> <p><b>Overall Opinion and Assurance Statement</b></p> <table border="1" data-bbox="746 517 1465 555"> <tr> <td style="text-align: center;"><b>Adequate</b></td> </tr> </table> <p>It is considered overall that there adequate controls in place regarding Business Support, with a number of services having identified benefits and with some risks identified and several changes necessary to improve controls.</p> <p><b>Number of Recommendations Made</b></p> <table border="1" data-bbox="746 779 1465 891"> <tr> <td>Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Priority 2</td> <td style="text-align: center;">9</td> </tr> <tr> <td>Priority 3</td> <td style="text-align: center;">7</td> </tr> </table> <p><b>Management Response</b></p> <p>Management agreed that strategic objectives for the service will be put in place and linked to resources. A Council wide vision and approach for its interactions with businesses will be developed and agreed. Coordination and communication mechanisms across different service areas will be considered.</p> <p>Management agreed to undertake further research and customer feedback to identify the particular reasons for the comparatively low level of start-ups and self – employment in Blackpool and how the service can best support local businesses.</p> <p>Management agreed to review how support is provided such as the drop-in service, increased digital delivery of Business Support services through the Blackpool Unlimited portal, further website targeting and the impact of events. The development of a ‘business friendly’ guide for the service will be considered.</p> <p>Management agreed to strengthen performance and target data including the business growth funding leveraged measure and job targets. The potential for more effective use of the Evolutive system for data management will also be explored.</p> <p>The level, type and complexity of Airport Enterprise Zone enquiries requiring business support over the next few years will be identified and the development of a costed service level agreement for an agreed package of support from the Business Support Team to the Airport Enterprise Zone will be considered.</p>	<b>Adequate</b>	Priority 1	0	Priority 2	9	Priority 3	7
<b>Adequate</b>									
Priority 1	0								
Priority 2	9								
Priority 3	7								

## Blackpool Council: Risk Services

Directorate	Review Title	Assurance Statement							
Community and Environmental	Layton Depot Management	<p><b><u>Scope</u></b></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> <li>• Governance and depot management;</li> <li>• Depot security and access arrangements;</li> <li>• Vehicle and stock management (including fuel);</li> <li>• Staff attendance and absence management; and</li> <li>• Cash handling arrangements.</li> </ul> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>Adequate</b></td> </tr> </table> <p>Layton Depot management is still evolving following some recent changes in roles and responsibilities, but we found a proactive management team, who are focussed on delivering the necessary services to resident and Blackpool visitors. We consider that the controls in place are adequate with some risk identified and the implementation of the recommendations made in this report will help address these.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="width: 60%;">Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Priority 2</td> <td style="text-align: center;">8</td> </tr> <tr> <td>Priority 3</td> <td style="text-align: center;">5</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>Management agreed that once roles and responsibilities have been settled that each key service area will define some basic operational/action plans, incorporating KPI's where appropriate.</p> <p>Management agreed to ensure that sufficient time is allocated to the statutory duties that sit alongside being the Operator License holder.</p> <p>Management agreed to undertake a thorough review of driver operations to ensure that vehicles are fit for purpose.</p> <p>Management agreed to further enhance security arrangements at Layton Depot.</p> <p>Fuel savings potential will be reviewed and actively monitored to ensure that potential savings are realised.</p> <p>Management agreed that the fuel delivery will be checked to ensure the correct quantities have been delivered and that all fuel invoices are correct.</p>	<b>Adequate</b>	Priority 1	0	Priority 2	8	Priority 3	5
<b>Adequate</b>									
Priority 1	0								
Priority 2	8								
Priority 3	5								

<p>Corporate</p>	<p>Managing Leavers</p>	<p><b><u>Scope</u></b></p> <p>The scope of this audit was to review:</p> <ul style="list-style-type: none"> <li>• Procedures in place to ensure that when a member of staff leaves the Council appropriate controls are in place to ensure that risks including loss of equipment, access to systems and buildings, service continuity and payroll and pension processes are adequately addressed.</li> <li>• The review included permanent staff, temporary staff, casuals, agency staff, student placements, secondments, shared staffing arrangements and staff employed by other organisations who access Council systems and buildings.</li> <li>• The review also included new starter processes to the extent that these present a risk when staff leave.</li> </ul> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" data-bbox="746 891 1465 929"> <tr> <td style="text-align: center;"><b>Split Assurance</b></td> </tr> </table> <p>We consider that the controls in place are generally adequate with most risks identified and assessed and only minor control improvement required. Some progress has been made in the integration of Active Directory with the Selima HR system however there is scope to strengthen this further by including all employee groups, and therefore this element of the scope of this review is currently considered inadequate.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" data-bbox="746 1299 1465 1411"> <tr> <td>Priority 1</td> <td style="text-align: center;">1</td> </tr> <tr> <td>Priority 2</td> <td style="text-align: center;">2</td> </tr> <tr> <td>Priority 3</td> <td style="text-align: center;">2</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>It was identified that all employee groups should be recorded including agency staff, contractors, NHS staff, students and partners to improve overall control. To address this HR and IT are collaborating and working on building more robust processes to on-board and off-board these different types of IT users with the objective of implementing a process which captures all categories of employees.</p> <p>Management agreed that a process will be put in place to ensure that records are updated immediately following the return of ICT equipment and that this is consistently applied.</p> <p>Management agreed that the IT account expiry date should be used as a trigger to alert ICT to check that ICT equipment has been returned and if not, to follow this up with the relevant manager.</p>	<b>Split Assurance</b>	Priority 1	1	Priority 2	2	Priority 3	2
<b>Split Assurance</b>									
Priority 1	1								
Priority 2	2								
Priority 3	2								

## Blackpool Council: Risk Services

Directorate	Review Title	Assurance Statement							
Corporate	Complaints	<p><b><u>Scope</u></b></p> <p>The scope of this audit was to review key operational controls including:</p> <ul style="list-style-type: none"> <li>• Whether the complaints policy/procedure is fit for purpose and has been effectively communicated;</li> <li>• Whether roles and responsibilities for dealing with complaints are clearly defined and understood;</li> <li>• Whether all complaints are recorded and are considered on a timely basis and are investigated objectively and in a consistent manner;</li> <li>• Whether statutory duties and obligations regarding complaints are being met; and</li> <li>• The mechanism to provide management with assurance over the effectiveness of the complaints procedure.</li> </ul> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>Adequate</b></td> </tr> </table> <p>The Council has in place a working complaint system, although it requires strengthening and the level of emphasis and engagement across the Council to meet deadlines and statutory obligations needs to be more consistent. We consider that the controls in place are adequate with risks identified and assess, several changes necessary.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="width: 70%;">Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Priority 2</td> <td style="text-align: center;">2</td> </tr> <tr> <td>Priority 3</td> <td style="text-align: center;">14</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>There are separate policy documents for Children’s Services and Adult Services, however these documents are now almost five years old. Management agreed to update these and ensure to be consistency with the Council’s Corporate Customer Feedback policy. In addition, steps will be taken to ensure that all Council’s working practices relating to complaints are aligned to the statutory duties outlined in legislation.</p> <p>Management agreed to implement a number of best practice recommendations including delivering refresher training, improving system functionality and improving consistency in terms of information provided to customers.</p>	<b>Adequate</b>	Priority 1	0	Priority 2	2	Priority 3	14
<b>Adequate</b>									
Priority 1	0								
Priority 2	2								
Priority 3	14								

## Blackpool Council: Risk Services

Directorate	Review Title	Assurance Statement							
Corporate	Corporate Governance	<p><b><u>Scope</u></b></p> <p>The scope of our audit was to review the supporting evidence for the 2018 – 19 Council Annual Governance Statement to provide assurance in relation to the robustness of the document.</p> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>Adequate</b></td> </tr> </table> <p>It is considered overall that there are adequate controls in place regarding the Annual Governance Statement, with some risks identified and several good practice changes suggested to improve controls.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Priority 1</td> <td style="text-align: center;">0</td> </tr> <tr> <td style="text-align: center;">Priority 2</td> <td style="text-align: center;">2</td> </tr> <tr> <td style="text-align: center;">Priority 3</td> <td style="text-align: center;">7</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>It was agreed that the Good Governance Group would explore the potential of developing a partnership framework and a mechanism to report on value for money activities.</p> <p>Management agreed to a number of best practice recommendations to be considered when producing the Annual Governance Statement 2019/20 to further support the statement and highlight areas of particular strength.</p>	<b>Adequate</b>	Priority 1	0	Priority 2	2	Priority 3	7
<b>Adequate</b>									
Priority 1	0								
Priority 2	2								
Priority 3	7								

## Blackpool Council: Risk Services

Directorate	Review Title	Assurance Statement							
Corporate	Compliance with Corporate Arrangements	<p><b><u>Scope</u></b></p> <p>The scope of the audit was to assess compliance by Council services with a number of corporate arrangements.</p> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><b>Inadequate</b></td> </tr> </table> <p>Whilst the audit identified adequate levels of compliance in some areas, this was not consistent across the Council. Therefore, we consider that consistent compliance with corporate arrangements is currently inadequate. Examples where gaps were identified include completion of mandatory iPool training, register of interest forms and individual performance appraisals.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Priority 1</td> <td style="text-align: center;">1</td> </tr> <tr> <td style="text-align: center;">Priority 2</td> <td style="text-align: center;">0</td> </tr> <tr> <td style="text-align: center;">Priority 3</td> <td style="text-align: center;">0</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>The Corporate Leadership Team accept that compliance needs to be improved and this message has been delivered to the Senior Leadership Team. Compliance with arrangements will continued to be monitored with a further audit taking place in 2020/21.</p>	<b>Inadequate</b>	Priority 1	1	Priority 2	0	Priority 3	0
<b>Inadequate</b>									
Priority 1	1								
Priority 2	0								
Priority 3	0								

## Blackpool Council: Risk Services

Directorate	Review Title	Assurance Statement							
Corporate	Contract Management and Social Value	<p><b><u>Scope</u></b></p> <p>The scope of this audit was to review key operational controls including:</p> <ul style="list-style-type: none"> <li>• Training and capacity of service managers to effectively manage contract delivery;</li> <li>• Organisational and operational structure to support effective contract management;</li> <li>• Arrangements to measure social value delivery; and</li> <li>• A selection of contracts to ascertain strength of contract management arrangements.</li> </ul> <p><b><u>Overall Opinion and Assurance Statement</u></b></p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td><b>Inadequate</b></td> </tr> </table> <p>There is an immediate need to bolster and enhance contract monitoring knowledge and practice across the Council to ensure that best value is being derived from our contracts. The implementation of effective contract management is inconsistent across the Council and therefore we consider that the controls in place are currently inadequate.</p> <p><b><u>Number of Recommendations Made</u></b></p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td>Priority 1</td> <td>2</td> </tr> <tr> <td>Priority 2</td> <td>5</td> </tr> <tr> <td>Priority 3</td> <td>2</td> </tr> </table> <p><b><u>Management Response</u></b></p> <p>Management agreed to take a report to the Corporate Leadership Team to re-iterate to all budget holders the need for their service contract managers to follow the Council's contract management guidance. This should also include budget holders undertaking spot checks of the robustness of arrangements in their service areas.</p> <p>Management agreed to ask the Corporate Leadership Team to consider making the iPool contract management course mandatory for those employees required to manage contracts, through which additional training needs can be identified by services and picked up through the IPA process.</p> <p>Clearer process are being implemented for procurement activity across Children's Services and the Commissioning Team will be reviewing the contract arrangements in place. Capacity has been increased to devise a quality monitoring process for contract management across Children's Services.</p> <p>Social care contracts, particularly where standard templates have been utilised, will be reviewed to ensure that social value is captured.</p> <p>A new Social Value Coordinator post has been created and recruited to which will create capacity and resource to further strengthen arrangements.</p>	<b>Inadequate</b>	Priority 1	2	Priority 2	5	Priority 3	2
<b>Inadequate</b>									
Priority 1	2								
Priority 2	5								
Priority 3	2								

## **Blackpool Council: Risk Services**

### ***Progress with Priority 1 audit recommendations***

A review of priority one recommendations was undertaken in the quarter and the following actions have now been signed off as addressed:

- Estates and Investment Portfolio x 1 recommendation
- Direct Payments x 1 recommendation
- Growth and Prosperity x 1 recommendation

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:

- Public Health Outcomes x 1 recommendation
- Community Engagement x 1 recommendation
- ICT Security / Unstructured File Stores x 1 recommendation

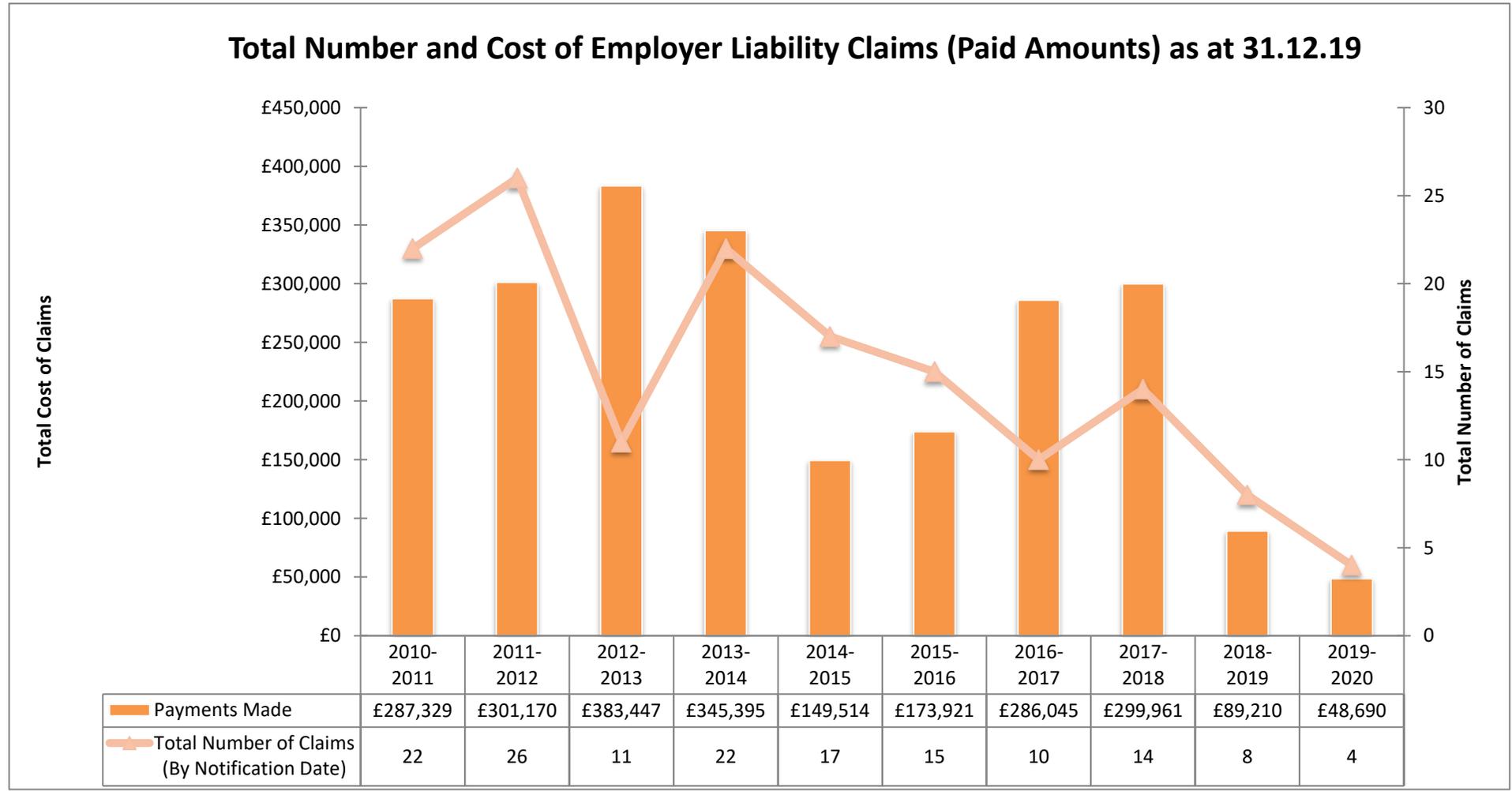
### ***The Regulation of Investigatory Powers Act 2000***

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 2019 the Council authorised no RIPA's.

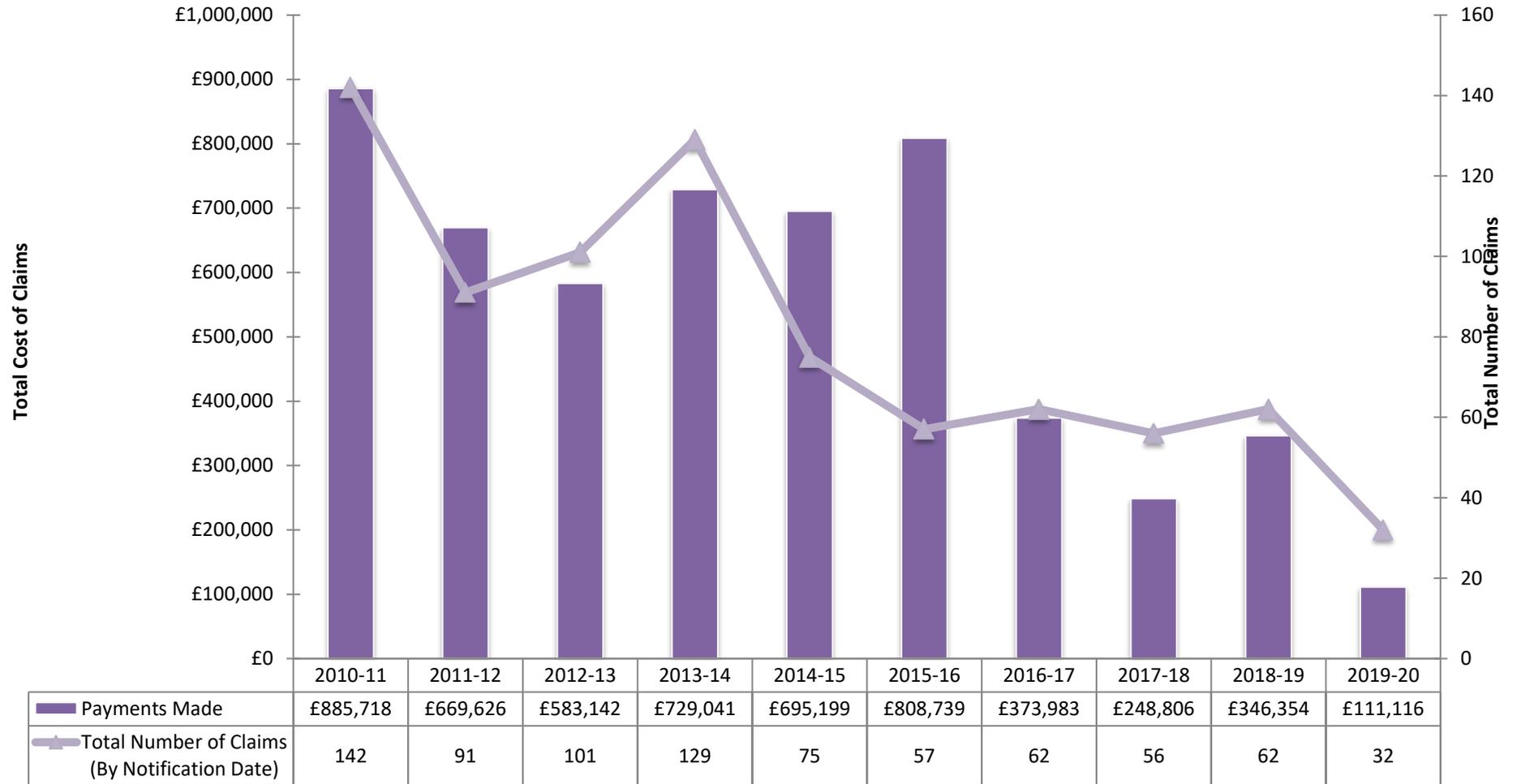
### ***Insurance claims data***

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



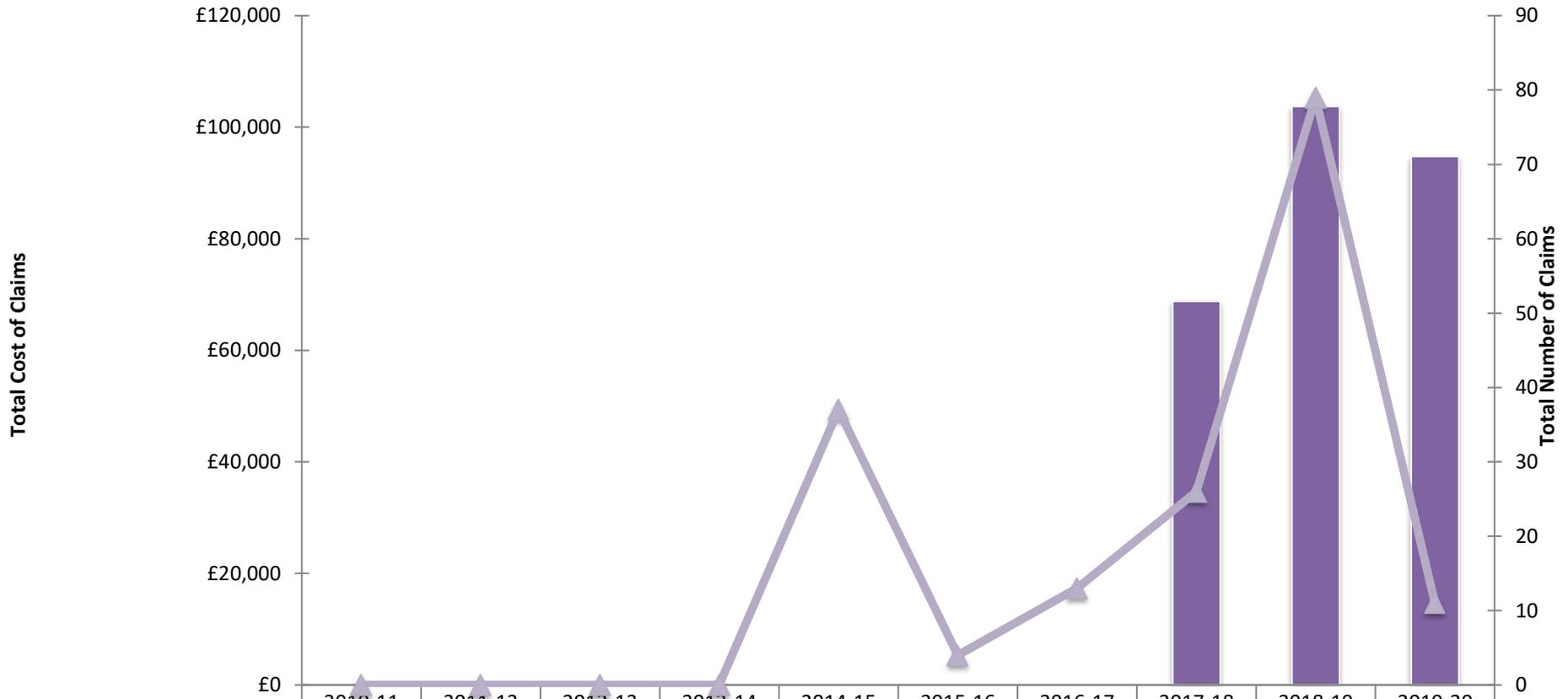
**Total Number and Cost of Public Liability Claims (Paid) as at 31.12.19**



**Total Number and Cost of Public Liability Highways Claims (Paid) as at 31.12.19**



**Total Number and Cost of Sensitive Claims/Notifications (Paid) as at 31.12.19**



Payments Made	£0	£0	£0	£0	£0	£0	£0	£68,803	£103,722	£94,792
Total Number of Claims/Notifications (By Notification Date)	0	0	0	0	37	4	13	26	79	11

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<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Relevant Officer:</b>	Tracy Greenhalgh, Head of Audit and Risk
<b>Date of Meeting:</b>	12 March 2020

## INTERNAL AUDIT PLAN 2020/2021

### 1.0 Purpose of the report:

1.1 The purpose of this report is to obtain approval for the Internal Audit Plan 2020/2021.

### 2.0 Recommendation(s):

2.1 To approve the Internal Audit Plan for 2020/2021.

### 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:  
N/A

### 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.

5.2 Compliance testing accounts for approximately forty per cent of the allocated audit resource to complement risk based audit work with a robust set of compliance testing.

5.3 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.

Does the information submitted include any exempt information?

No

**List of Appendices:**

Appendix 6(a) – Internal Audit Plan 2020/2021

**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.

10.2 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 19 February 2020.

**13.0 Background papers:**

13.1 N/A

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## Internal Audit Annual Plan 2020-2021

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## Internal Audit Annual Plan 2020-21

### 1. Introduction

- 1.1 The purpose of this report is to obtain approval for the Internal Audit Plan for 2020/21. 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 six operational audit staff 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 2020.
- 3.3 The demand for audit work in 2020/2021 has exceeded the available resource and therefore a decision has been taken to focus on the areas with the highest perceived risk or those

## Internal Audit Annual Plan 2020-21

which have not 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 2020/2021 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 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 2020-21**

***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 2020-21

- 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 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 The provision of advice, consultancy and project support 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 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.
- 5.2 Work of this nature 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.

## **6. Strategic Audit Work**

- 6.1 The Head of Audit and Risk is involved in a number of workstreams including 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 the Council's Wholly Owned Companies.
- 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.

## **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 2019/20 year will be available in April / May 2020.

**Internal Audit Annual Plan 2020-21**

8.2 Performance indicators are 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;
- 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 2020/21.

Tracy Greenhalgh CMIIA, MSc  
Head of Audit and Risk  
12<sup>th</sup> February 2020

## Appendix A - Planned Risk Based and Compliance Reviews

Directorate	Service / Topic	Provisional Timings	Allocated Days	Strategic Risk	Type of Audit
<b>Operational Audit Work</b>					
Adult Services	Personal Budgets	Q1	20	Increased risk of fraud.	Risk
<i>Adult Services Risk Based Audit Allocation</i>			<b>20</b>		
Adult Services	Day Centre Care (Keats and Langdale)	Q2	10	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
Adult Services	Care at Home (Internal Provision)	Q3	10	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
<i>Adult Services Compliance Audit Allocation</i>			<b>20</b>		
<b>Adult Services Total Operational Audit Days</b>			<b>40</b>		
Chief Executives / Community and Environmental Services	Regulation and Private Sector Housing	Q2	20	Large, poor quality, private rented sector in inner Blackpool continues to drive transience and deprivation.	Risk
Chief Executives	Workforce Development and Planning	Q4	20	Lack of capacity to deliver Council services.	Risk
<i>Chief Executive Risk Based Audit Allocation</i>			<b>40</b>		
Chief Executive	Safeguarding (Recruitment)	Q1	15	Non-compliance with statutory requirements and internal procedures.	Compliance
<i>Chief Executive Compliance Audit Allocation</i>			<b>15</b>		
<b>Chief Executive Total Operational Audit Days</b>			<b>55</b>		
Children's Services / Community and Environmental Services	School Meals	Q1	20	Non-compliance with statutory requirements and internal procedures.	Risk
Children's Services	Financial Systems Developments	Q4	20	Non-compliance with statutory requirements and internal procedures.	Risk
Children's Services	School Improvement Strategy	Q4	20	Lack of educational attainment / appropriate training to meet the needs of the economy.	Risk

<i>Children's Services Risk Based Audit Allocation</i>			<i>60</i>		
Children's Services	Highfurlong School	TBC	2	Non-compliance with statutory requirements and internal procedures.	School Visit
Children's Services	Our Lady Of The Assumption RC Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	School Visit
Children's Services	St Kentigerns RC Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	School Visit
Children's Services	St Nicholas C.E. Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	School Visit
Children's Services	St. John's C.E. Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	School Visit
Children's Services	Woodlands School	TBC	2	Non-compliance with statutory requirements and internal procedures.	School Visit
Children's Services	Pupil Referral Unit	TBC	2	Non-compliance with statutory requirements and internal procedures.	School Visit
Children's Services	Troubled Families	Quarterly	10	Preventative / early intervention services are unfunded or need to be made sustainable.	Compliance
<i>Children's Services Compliance Audit Allocation</i>			<i>24</i>		
<b>Children's Services Total Operational Audit Days</b>			<b>84</b>		
Communication and Regeneration	Corporate Print Services	Q1	20	Non-compliance with statutory requirements and internal procedures.	Risk
Communication and Regeneration	Tourism / Destination Management	Q4	20	Visitors negative perception of Blackpool.	Risk
Communication and Regeneration	Blackpool Museum	Q2	20	Residents negative perception of Blackpool.	Risk
Communication and Regeneration	Growth and Prosperity Masterplan	Q3	20	Visitors negative perception of Blackpool.	Risk
Communication and Regeneration	Enterprise Zone	Q3	20	Increased deprivation and unemployment.	Risk
Communication and Regeneration	Strategic Leisure Assets	Q1	20	Visitors negative perception of Blackpool.	Risk
<i>Communication and Regeneration Risk Based Audit Allocation</i>			<i>120</i>		

Communication and Regeneration	Tourist Information Centres	Q1	5	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
<i>Communication and Regeneration Compliance Audit Allocation</i>			<b>5</b>		
<b>Communication and Regeneration Total Operational Audit Days</b>			<b>125</b>		
Community and Environmental	Anti-Social Behaviour	Q1	20	Residents do not feel safe in their communities.	Risk
Community and Environmental	Enforcement Activity	Q3	20	Residents do not feel safe in their communities.	Risk
<i>Community and Environmental Services Risk Based Audit Allocation</i>			<b>40</b>		
Community and Environmental	Operator's (O) Licence Compliance	Q1	15	Non-compliance with statutory requirements and internal procedures.	Compliance
Community and Environmental	Household Waste Recycling Centre	Q2	5	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
Community and Environmental	Highways Maintenance Grant	Q2	15	Non-compliance with statutory requirements and internal procedures.	Compliance
<i>Community and Environmental Services Compliance Audit Allocation</i>			<b>35</b>		
<b>Community and Environmental Services Total Operational Audit Days</b>			<b>75</b>		
Corporate	Business Loans Fund	Q1	20	Increased deprivation and unemployment.	Risk
Corporate	IT Admin Rights	Q3	20	Data theft, leakage and breaches.	Risk
Corporate	Climate Change	Q4	20	Sustainability of the Council.	Risk
Corporate	Lessons Learned from Major Projects	Q3	20	Service failure.	Risk
Corporate	Management of Investment Properties	Q2	20	Sustainability of the Council.	Risk
<i>Corporate Risk Based Audit Allocation</i>			<b>100</b>		
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	Follow-Up of Peer Review	Q1	15	Inadequate change management	Compliance

	Outcomes				
<i>Corporate Compliance Audit Allocation</i>			<i>50</i>		
<b>Corporate Total Operational Audit Days</b>			<b>150</b>		
Governance and Partnerships	GDPR (Individual Rights)	Q4	20	Data theft, leakage and breaches.	Risk
<i>Governance and Partnerships Risk Based Allocation</i>			<i>20</i>		
Governance and Partnerships	Bereavement Service	Q3	5	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
Governance and Partnerships	Executive Decisions	Q2	15	Non-compliance with statutory requirements and internal procedures.	Compliance
<i>Governance and Partnerships Compliance Audit Allocation</i>			<i>20</i>		
<b>Governance and Partnerships Total Operational Audit Days</b>			<b>40</b>		
Public Health	Health Protection Arrangements	Q3	20	Residents do not feel safe in their community.	Risk
<i>Public Health Risk Based Allocation</i>			<i>20</i>		
<b>Public Health Total Operational Audit Days</b>			<b>20</b>		
Resources	Energy Management	Q2	20	Sustainability of the Council	Risk
Resources	Social Care Benefits Team	Q4	20	Non-compliance with statutory requirements and internal procedures.	Risk
Resources		Treasury Management / Prudential Borrowing	Q3	20	Insufficient funding to deliver Council services.
<i>Resources Risk Based Allocation</i>			<i>60</i>		
Resources	Business Rates	Q2	20	Non-compliance with statutory requirements and internal procedures.	Financial Control Assurance Testing
Resources	Cashiers / Payments	Q3	20	Non-compliance with statutory requirements and internal procedures.	Financial Control Assurance Testing
<i>Resource Compliance Audit Allocation</i>			<i>40</i>		

<b>Resources Total Operational Audit Days</b>			<b>100</b>		
<b>Overall Number of Operational Audit Days</b>			<b>689</b>		
<b>Strategic Audit Work</b>					
Corporate	HR and Finance System Implementations	As required	20	Inadequate Change Management	Project Support
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	100	-	-
<b>Total Number of Strategic Audit Days</b>			<b>230</b>		
<b>External Work</b>					
External Work	School Voluntary Funds	TBC	5	-	-
External Work	Clevr Money	TBC	4	-	-
External Work	Operating Company	TBC	20	-	-
External Work	Wholly Owned Companies	TBC	140	-	-
<b>Total Number of External Audit Days</b>			<b>169</b>		
<b>Total Number of Audit Days</b>			<b>1,088</b>		

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<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Relevant Officer:</b>	Tracy Greenhalgh, Head of Audit and Risk
<b>Date of Meeting:</b>	12 March 2020

## INTERNAL AUDIT CHARTER 2020/2021

### 1.0 Purpose of the report:

1.1 The purpose of the report is to consider the updated Internal Audit Charter for 2020/2021.

### 2.0 Recommendation(s):

2.1 To approve the Internal Audit Charter 2020/2021.

### 3.0 Reasons for recommendation(s):

3.1 To ensure that 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:  
N/A

### 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 CIAA 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 Charter follows the model document provided by the Chartered Institute of Internal Auditors.

Does the information submitted include any exempt information? No

**List of Appendices:**

Appendix 7(a) – Internal Audit Charter 2020/2021

**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:**

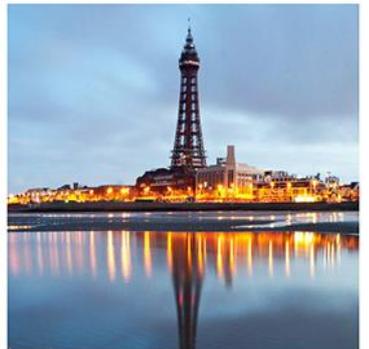
12.1 All members of Internal Audit contributed to the development of the Charter prior to it being taken to the Corporate Leadership Team and Audit Committee for approval.

**13.0 Background papers:**

13.1 Public Sector Internal Audit Standards.

# Internal Audit Charter 2020-21

Blackpool Council



# Internal Audit Charter 2020-21

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## **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 is 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 2020-21

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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 2020-21

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## **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 communicate 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 2020-21

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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 2020-21

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The Statutory Finance Officer, Head of Paid Service and Monitoring Officer are responsible for ensuring that the Council complies with the Councils governance framework, of which internal audit form 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 2020-21

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## **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.

# Internal Audit Charter 2020-21

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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 a Senior Auditor 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 2020-21

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- 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 Statutory Finance 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 2020-21

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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 and experienced 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 2020-21

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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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<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Relevant Officer:</b>	Tracy Greenhalgh, Head of Audit and Risk
<b>Date of Meeting:</b>	12 March 2020

## FRAUD PREVENTION CHARTER 2020/2021

### 1.0 Purpose of the report:

- 1.1 To provide details of the Council's Fraud Prevention Charter 2020/2021 and the outcome of the CIPFA fraud benchmarking exercise 2019.

### 2.0 Recommendation(s):

- 2.1 To approve the Fraud Prevention Charter for 2020/2021.

### 3.0 Reasons for recommendation(s):

- 3.1 To ensure that the Council has 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:  
N/A

### 4.0 Council Priority:

- 4.1 The relevant Council Priority is organisational resilience.

### 5.0 Background Information

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

- 5.2 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.

- 5.3 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.

5.4 For information Appendix 8(b) provides the results of this year's CIPFA Fraud and Corruption Tracker (CFaCT) survey. The Senior Counter Fraud Adviser completes the annual CIPFA Fraud and Corruption Tracker survey on behalf of the Council, the results of which gives a national picture of fraud, bribery and corruption across UK local authorities and the actions being taken to prevent it. This outcome report aims to:

- help organisations understand where fraud losses could be occurring
- provide a guide to the value of detected and prevented fraud loss
- help senior leaders understand the value of anti-fraud activity
- assist operational staff to develop pro-active anti-fraud plans

5.5 The results of the tracker survey have been used to assist with the development of the Council's Fraud Prevention Charter.

Does the information submitted include any exempt information?

No

**List of Appendices:**

Appendix 8(a) – Fraud Prevention Charter 2020/2021

Appendix 8(b) – CIPFA Benchmarking 2019

**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 Consultation has been undertaken with key stakeholders across the Council.

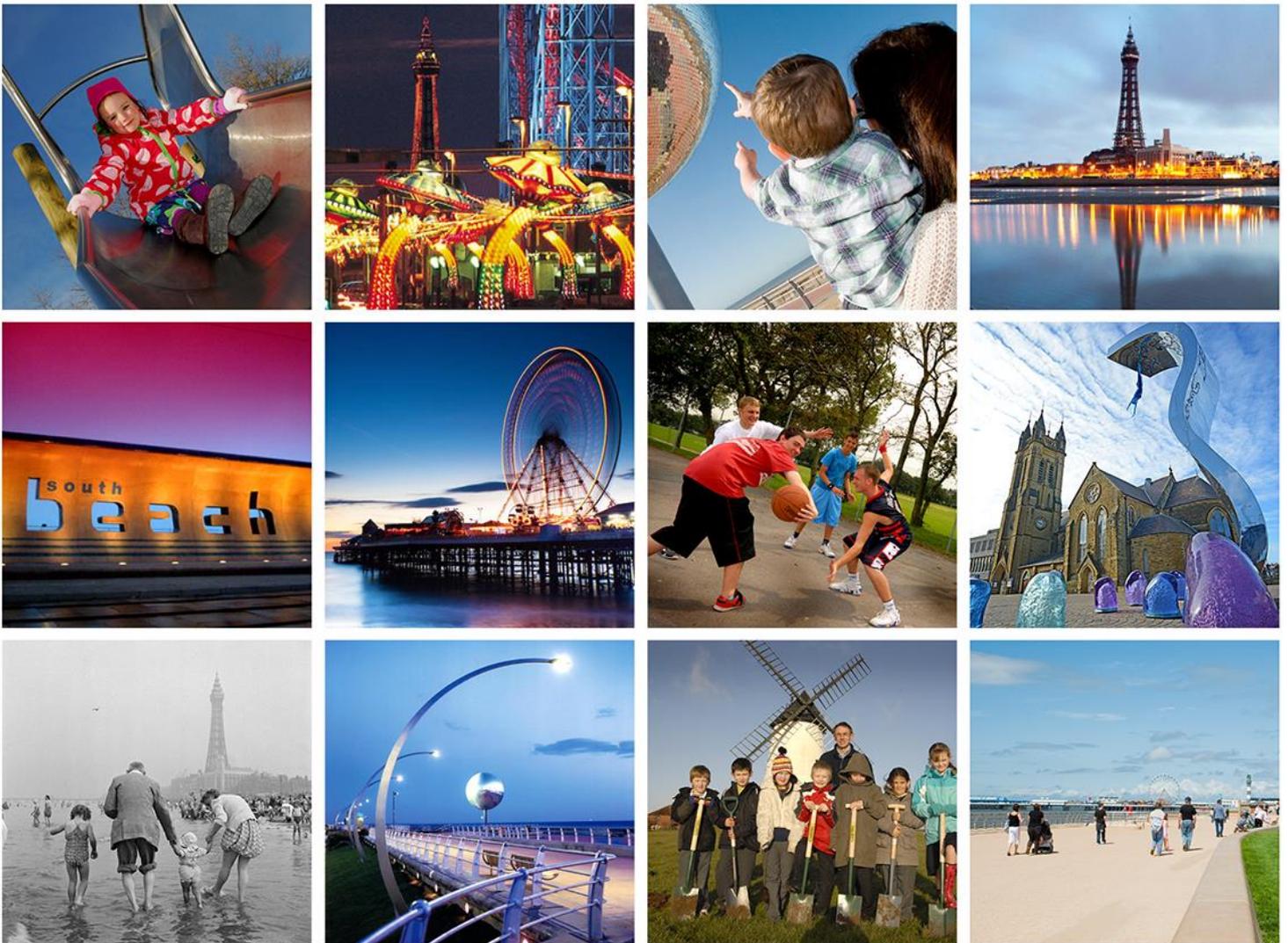
**13.0 Background papers:**

13.1 N/A

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# Fraud Prevention Charter 2020/21

Blackpool Council



## Overview

Blackpool Council is committed to the prevention and detection of fraud and corruption. It is important that Blackpool Council uses its 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 which is a national document and consists of:

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

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 substantive Council staff, freelance, casual, temporary and 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, staff 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 in the Bribery Act 2010. Corruption includes offering, giving, soliciting or accepting 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 Fraud Act 2006.
- Bribery Act 2010.
- The Police and Criminal Evidence Act 1984 (PACE).
- The Theft Acts of 1968 and 1978.
- Criminal Procedures and Investigations Act 1996.
- Data Protection Act 2018.
- The Regulation of Investigatory Powers Act 2000.
- Investigatory Powers Act 2016.
- Proceeds of Crime Act 2002 (POCA).
- Serious Crime Act 2015.
- The Public Interest Disclosure Act 1998 (Whistleblowing).
- The Human Rights Act 1998.

## ***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 provides 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 procedures, 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.

It is the responsibility of all staff to be alert to any potential 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 and/or third party checks, 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. The Audit and Risk Team 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 have a reasonable suspicion of fraud, bribery, corruption, theft or irregularity you must immediately report it to either the Head of Audit and Risk or the Senior Counter Fraud Advisor. It is important to remember that it is better to be proved wrong over genuine concerns than not to report those concerns and be proved right should fraud subsequently be discovered.

Concerns should be reported to:

- Your Head of Service or Director.
- The Head of Audit and Risk.
- The Corporate Fraud Team.
- Or via the Council Whistleblowing Policy and Procedure.

When a member of staff reports suspicions their information will be taken seriously and dealt with in a considerate way. Officers receiving the information should report it to the Head of Audit and Risk or Senior Counter Fraud Advisor 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(s) in an attempt 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 Head of Audit and Risk or Senior Counter Fraud Advisor.
- Discuss the case with anyone within the Council other than the people listed above.
- Seize or 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 or Senior Counter Fraud Advisor to ensure appropriate procedures are followed and any necessary support is provided.

You must not attempt to personally conduct investigations, interviews or question anyone, unless specifically 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 and where a subsequent investigation does not substantiate the allegation, it is important that the potential damage to the individual's reputation is minimised.

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 Corporate Fraud Team, Head of Audit and Risk, 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.

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

Where fraud, bribery and corruption have occurred management must take all 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 or 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 sanctions 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 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 in order 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, the reported outcomes of the CIPFA Fraud and Corruption Tracker 2019, and 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"> <li>• Robust ICT policies in place.</li> <li>• Software and hardware solutions implemented as required.</li> <li>• Managed through the Strategic Risk Register.</li> <li>• Ability for the team to 'buy-in' specialist computer audit support where necessary.</li> <li>• Good working relationship between the Corporate Fraud Team and ICT.</li> </ul>	5	4	20	-	-
Council Tax Fraud.	4	5	20	<ul style="list-style-type: none"> <li>• Participation in the NFI data matching exercise.</li> <li>• Pre-employment checks undertaken to confirm debt and exemption status.</li> <li>• Process in place to enable the Council Tax team and the public to make referrals of suspected fraud to the Corporate Fraud Team.</li> </ul>	4	4	16	<ul style="list-style-type: none"> <li>• Undertake a proactive exercise relating to existing employees to identify any potential issues.</li> <li>• Undertake a proactive exercise to data match council tax status with temporary benefits.</li> </ul>	Corporate Fraud Team
Procurement fraud and Creditors (including petty cash and purchase cards.	5	5	25	<ul style="list-style-type: none"> <li>• Six-monthly purchase card transaction report issued to Chief Officers by the Corporate Fraud Team to obtain assurance on expenditure.</li> <li>• A cyclical programme of internal audits focusing on the key financial controls.</li> </ul>	5	3	15	<ul style="list-style-type: none"> <li>• Complete the CIPFA Procurement Fraud checklist to provide assurance that the Council are actively mitigating the risk.</li> <li>• Develop a programme of exception testing on creditor transactions.</li> </ul>	Corporate Fraud Team

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
				<ul style="list-style-type: none"> <li>Corporate Procurement Team have a number of controls built into the tender process as part of due diligence.</li> <li>Corporate Procurement Team provides Chief Officers with details of all expenditure each quarter via SpendPro.</li> <li>Corporate Gifts and Hospitality and Register of Interest Policy and Register in place.</li> </ul>					
Lack of capacity to proactively deal with corporate fraud.	5	4	20	<ul style="list-style-type: none"> <li>Qualified corporate fraud team in place.</li> <li>The corporate fraud team and internal audit team report to the same Head of Service therefore facilitating the effective sharing of intelligence.</li> <li>Risk assessment of all referrals received to enable resource to be appropriately targeted.</li> <li>Attendance at the Lancashire and Greater Manchester Fraud Investigators Group to share best practice to help develop internal procedures.</li> <li>Participation in the National Fraud Initiative which</li> </ul>	5	3	15	<ul style="list-style-type: none"> <li>Develop the use of IDEA software within Corporate Fraud Team to enable targeting proactive resources for fraud and error testing.</li> <li>Make better use of legislation (e.g. RIPA) during investigations.</li> <li>Undertake a review of software in use by the Corporate Fraud Team.</li> <li>Develop a process for enhanced data sharing between internal departments external organisations in the investigation of serious crime.</li> <li>Undertake a review of the benefits of continued</li> </ul>	Corporate Fraud Team

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
				<p>enables data sharing across a number of public bodies therefore helping to focus resource appropriately.</p> <ul style="list-style-type: none"> <li>Implemented joint working with the DWP on council tax / benefit fraud investigation.</li> </ul>				subscription to the National Anti-Fraud Network (NAFN).	
Lack of fraud awareness by employees and residents.	4	4	16	<ul style="list-style-type: none"> <li>Roll out of i-pool fraud awareness course to all employees identified as mandatory.</li> <li>Fraud Awareness course completion rate currently at 82%.</li> <li>Ability for residents to refer fraud via <a href="http://www.blackpool.gov.uk">www.blackpool.gov.uk</a>.</li> <li>Developed relationships with the Communications Team to facilitate proactive communications about fraud prevention.</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Review the corporate fraud pages on the Hub to ensure that these contain up to date and useful information for employees and managers.</li> <li>Develop material promoting the work of the Corporate Fraud Team for distribution / display within Council buildings.</li> <li>Review Blackpool Council's website to ensure that it is up to date and includes relevant information for residents.</li> </ul>	Corporate Fraud Team
Business Rate Fraud.	4	4	16	<ul style="list-style-type: none"> <li>Procedures in place within the revenue service to prevent fraud.</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>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.</li> </ul>	Corporate Fraud Team
Money Laundering.	4	4	16	<ul style="list-style-type: none"> <li>Anti-Money Laundering Policy in place.</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Formally appoint and train a Deputy Money Laundering Reporting Officer and amend</li> </ul>	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		
				<ul style="list-style-type: none"> <li>• Anti-money laundering training course developed and available via i-pool.</li> <li>• Designated Money Laundering Reporting Officer in post.</li> <li>• Controls in place and due diligence undertaken by Business Loans Fund Panel.</li> </ul>				Money Laundering Policy accordingly.	
Expenses Fraud.	4	4	16	<ul style="list-style-type: none"> <li>• Claims cannot be paid without management authorisation.</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	Corporate Fraud Team
Housing and Tenancy Fraud.	4	4	16	<ul style="list-style-type: none"> <li>• Assurances from Blackpool Coastal Housing that adequate controls are in place to identify potential fraudulent activity.</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>• Liaise with Blackpool Coastal Housing to explore the potential of undertaking a proactive exercise on tenancy and right to buy fraud.</li> </ul>	Corporate Fraud Team
Disabled Parking Fraud.	4	4	16	<ul style="list-style-type: none"> <li>• Links in place between the Corporate Fraud Team, Civil Enforcement Officers and Customer First.</li> <li>• Participation in the NFI data matching exercise.</li> <li>• A programme of proactive exercises undertaken including the Civil Enforcement Officers and Corporate Fraud Team.</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>• Further engagement with the Civil Enforcement Officers to embed a proactive approach to blue badge fraud prevention in day to day operations.</li> </ul>	Corporate Fraud Team

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
Payroll, Recruitment and Pension Fraud.	4	4	16	<ul style="list-style-type: none"> <li>• A cyclical programme of internal audits focusing on the key financial controls.</li> <li>• Participation in the NFI data matching exercise.</li> <li>• Pre-employment checks undertaken to confirm debt and exemption status.</li> <li>• A suite of exception reports configured in the payroll system which are checked by payroll clerks on a monthly basis.</li> <li>• A suite of forms / eforms which require management authorisation before posts can be created / changes to posts actioned.</li> <li>• Segregation of duties between the HR and payroll team and through the use of the Lancashire Pension Scheme.</li> <li>• Procedures in place to ensure that Recruiting Managers and HR undertake appropriate due diligence prior to appointing a new employee.</li> <li>• DBS checking process in place for posts identified as requiring basic or enhanced clearance.</li> </ul>	4	2	8		

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
Insurance fraud.	4	4	16	<ul style="list-style-type: none"> <li>• Participation by the fraud team in the highways risk management group.</li> <li>• Established relationships between corporate fraud, legal services and highways</li> <li>• Reduced numbers of referrals received.</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>• Review process for receiving insurance fraud referrals and finalise the insurance fraud procedure.</li> <li>• Improved conversion rate from fundamental dishonesty civil cases to criminal fraud prosecutions.</li> </ul>	Corporate Fraud Team
Inability to recover losses incurred due to fraud.	4	4	16	<ul style="list-style-type: none"> <li>• Pursue civil, disciplinary and criminal sanctions.</li> <li>• Identify and recover all losses identified during investigation process and recovery action sought through Proceeds of Crime Act (POCA), insurance, payroll and legal means.</li> <li>• Prosecution Policy in place.</li> </ul>	4	2	8	-	-
Social Care fraud.	4	3	12	<ul style="list-style-type: none"> <li>• Specific fraud awareness training delivered to the Direct Payments Team.</li> <li>• Undertaken visits to a 'best practice' authority to develop processes.</li> <li>• Developed links with staff in Adult Services to facilitate the effective sharing of information relating to potential fraud.</li> <li>• Carried out a pilot exercise using NFI deceased data and this will be repeated annually going forward.</li> </ul>	4	2	8	-	-

Risk	Gross Risk Score			Controls and Mitigations	Net Risk Score			Further Actions required	Risk Owner
	I	L	GS		I	L	NS		
				<ul style="list-style-type: none"> <li>Work undertaken with the direct payments team to 'fraud proof' processes.</li> </ul>					
Debt Fraud.	4	3	12	<ul style="list-style-type: none"> <li>Pre-employment checks undertaken to confirm debt against the Council status.</li> </ul>	4	2	8	-	-
Manipulation of Data (financial and non-financial).	4	3	12	<ul style="list-style-type: none"> <li>Annual internal audit and external audit programmes undertaken.</li> <li>Performance management reporting in place.</li> </ul>	4	2	8	-	-
Investment Fraud.	4	3	12	<ul style="list-style-type: none"> <li>Treasury Management Panel in place.</li> <li>Business Loans Fund Panel in place.</li> </ul>	4	2	8	-	-

## Proactive Anti-Fraud Action Plan

During 2020/21 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. In peak times there may be 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
Undertake a proactive exercise relating to existing employees council tax accounts to identify any potential issues.	Corporate Fraud Team	March 2021
Undertake a proactive exercise to data match council tax status with temporary benefits.	Corporate Fraud Team	September 2020
Complete the CIPFA Procurement Fraud checklist to provide assurance that the Council are actively mitigating the risk.	Corporate Fraud Team	March 2021
Develop a programme of exception testing on creditor transactions.	Corporate Fraud Team	March 2021
Develop the use of IDEA software within Corporate Fraud Team to enable targeting proactive resources for fraud and error testing.	Corporate Fraud Team	March 2021
Make better use of legislation (e.g. RIPA) during investigations.	Corporate Fraud Team	March 2021
Undertake a review of software in use by the Corporate Fraud Team.	Corporate Fraud Team	March 2021
Develop a process for enhanced data sharing between internal departments external organisations in the investigation of serious crime.	Corporate Fraud Team	March 2021
Undertake a review of the benefits of continued subscription to the National Anti-Fraud Network (NAFN).	Corporate Fraud Team	March 2021
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	June 2020
Develop material promoting the work of the Corporate Fraud Team for distribution / display within Council buildings.	Corporate Fraud Team	March 2021

Action	Lead	Priority
Review Blackpool Council's website to ensure that it is up to date and includes relevant information for residents.	Corporate Fraud Team	June 2020
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	September 2020
Formally appoint and train a Deputy Money Laundering Reporting Officer and amend Money Laundering Policy accordingly.	Head of Audit and Risk	September 2020
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 2021
Explore the potential of undertaking a proactive exercise on tenancy and right to buy fraud in conjunction with Blackpool Coastal Housing.	Corporate Fraud Team	December 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	June 2020
Review the process for receiving referrals and finalise the insurance fraud procedure with a view to improved conversion rates from fundamental dishonesty civil cases to criminal fraud prosecutions.	Corporate Fraud Team	March 2021

## **Review**

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

# fraud and corruption tracker

Summary Report 2019



**CIPFA COUNTER  
FRAUD CENTRE**

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# Foreword



**Rob Whiteman**  
Chief Executive, CIPFA

As stewards of public money, it's the responsibility of each and every public sector organisation to take an active role in the fight against corruption, bribery and fraud. The impact of financial crime on the public sector is enormous. The diversion of funding from vital public services undermines public trust, financial sustainability, organisational efficiency and makes the vulnerable people in our communities that much worse off.

The CIPFA Fraud and Corruption Tracker (CFaCT) aims to provide a current national picture of public sector fraud and corruption for local authorities and to help identify counter fraud actions that must be taken. The report's findings provide valuable insights designed to help counter fraud practitioners in local government better understand national trends and emerging risks.

This publication is part of CIPFA's commitment to support the public sector and promote the principles of strong public financial management and good governance. Not only do our findings shed valuable light on the fraudulent activities happening in public organisations across our country, but they also showcase the important role that counter fraud measures play in the larger fight against fraud and corruption.

The findings from the 2019 CFaCT survey should not be understated. Understanding the emerging risks that similar sectors face can help organisations in the broader public sector increase their individual awareness, collaborate more effectively and take tailored action to prevent illegal activity from growing in the public sphere.

By working together, all agencies involved in protecting public resources can improve clarity and efficiency in tackling fraud. Ultimately the improved outcomes that result will benefit all communities.

The survey was supported by:



# The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre (CCFC) was launched in 2014. Building on CIPFA's 130-year history of championing excellence in public finance management, we offer a range of products and services to help organisations detect, prevent and recover fraud losses. We support the national counter fraud and anti-corruption strategy for local government, Fighting Fraud and Corruption Locally and were named in the UK Government's 2014 Anti-Corruption Plan and in the 2017–22 Anti-Corruption Strategy as having a key role to play in combating corruption, both within the UK and abroad. Through the annual CFaCT survey, we lead on measuring and monitoring fraud, bribery and corruption activity across local government.



**CIPFA COUNTER  
FRAUD CENTRE**

## Acknowledgements

CIPFA would like to thank all the organisations that completed the survey along with those that helped by supporting, contributing insights and best practices, including:

- Local Government Association
- Home Office
- The Fighting Fraud and Corruption Locally board



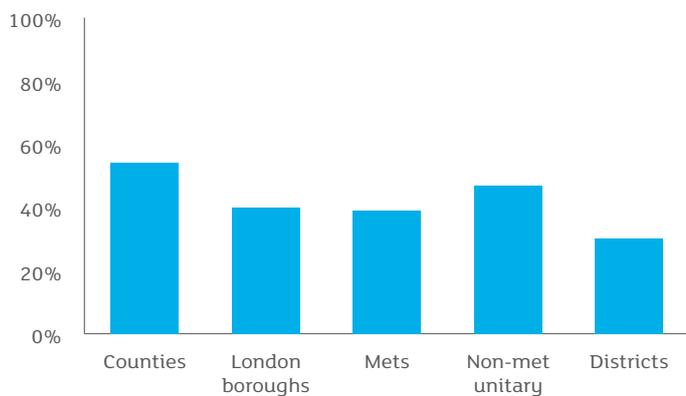
# Introduction

CIPFA recognises that each pound lost to fraud represents a loss to the public purse and reduces the ability of the public sector to provide services to people who need them. According to the Annual Fraud Indicator 2017, which provides the latest set of government sanctioned estimates, fraud costs the public sector at least £40.3bn annually, £7.8bn of which is specifically in local government.

Fraud is a widespread cause of concern in the public sector and remains a constant financial threat to local authorities. This is an ongoing issue in the sector and partners such as the Local Government Association (LGA), the National Audit Office and the Home Office actively work towards new ways of finding solutions to the challenges unique to government.

CIPFA conducted its fifth annual CFaCT survey in May 2019, with the aim of creating a national picture of the types of fraud and amount prevented or detected in local authorities. The results were received from local authorities in all UK regions, allowing CIPFA to estimate the total figures for fraud across England, Scotland, Wales and Northern Ireland.

## Response rate



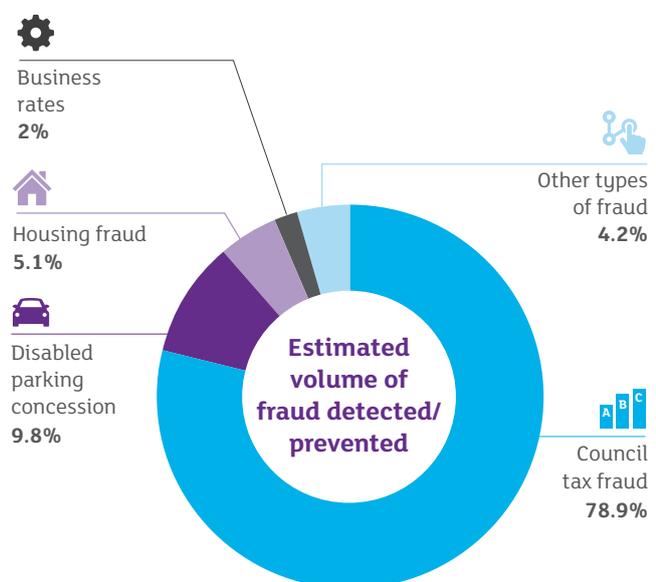
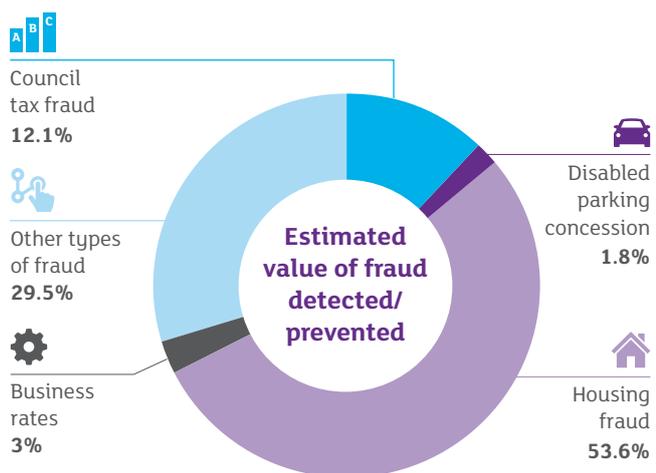
## This report highlights the following:

- the types of fraud identified in the 2018/19 CFaCT survey
- the monetary cost of fraud in 2018/19
- the impact of counter fraud and prevention activities to improve the public sector budget
- the emerging risks and threats impacting the fraud and corruption landscape.



# Executive summary

For local authorities in the UK, CIPFA has estimated that the total value of fraud detected or prevented in 2018/19 is approximately £253m, averaging roughly £3,600 per fraud case. In 2017/18 there was an estimated value of £302m with a similar average of £3,600 per case detected or prevented.



The decrease in the total value can be largely attributed to the successful work by public authorities in housing, which has seen a year-on-year reduction in the total number of unlawfully sublet properties and false right to buy applications.

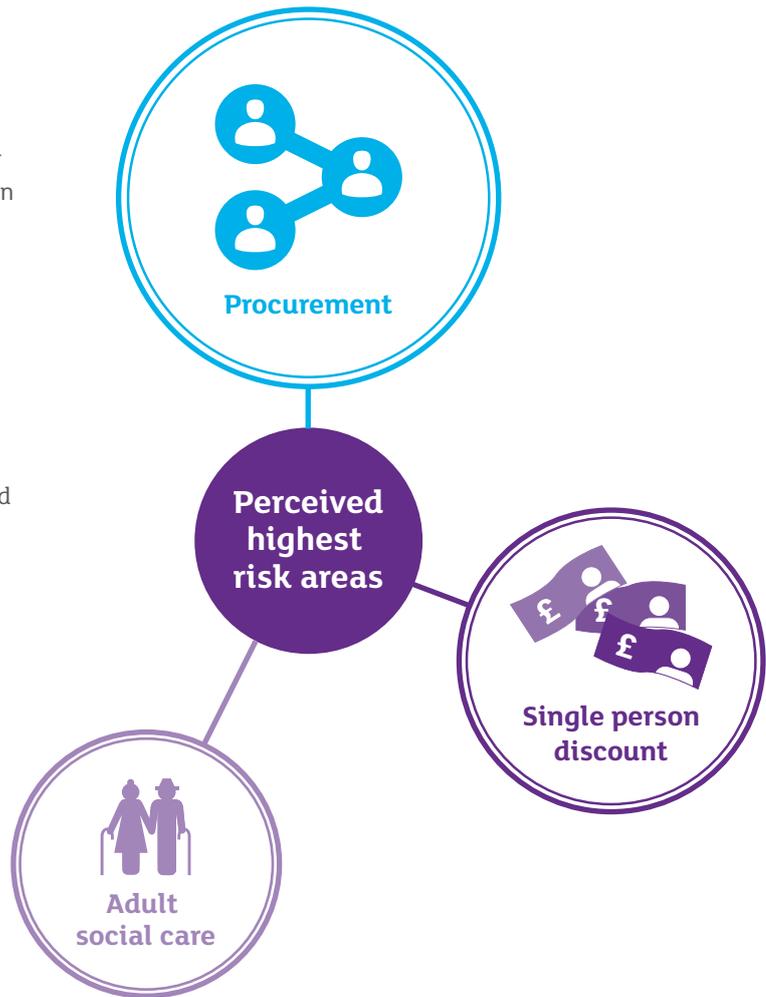
Improvements in the review of allocations and applications by many local authorities have limited the risk of new fraud cases and strengthened overall degrees of prevention. Together with low rates of tenancy turnover associated with the current social housing stock, this prevention strategy has been highly effective.

Councils reported that approximately 71,000 instances of fraud had been detected or prevented in 2018/19, which is lower than the approximate 80,000 reported by CIPFA in 2017/18. Council tax fraud represents 78% of these identified instances of fraud with an estimated value of £30.6m followed by disabled parking concession (Blue Badge scheme) and housing frauds representing 10% and 5% of the total cases of UK public sector fraud, respectively.

The area that has grown the most in the last year is council tax single person discount (SPD) with an estimated increase of £3.6m since 2017/18.

The three highest perceived fraud risk areas for 2018/19 remain unchanged from the previous iteration of this survey: procurement, council tax SPD and adult social care respectively.

Survey results show that nationally, the primary perceived issue that respondents think needs to be addressed to effectively tackle the risk of fraud and corruption is capacity – ie sufficient counter fraud resource. Better data sharing and effective fraud risk management follow as secondary and tertiary areas for improvement. Results from respondents have shown that they expect to increase the number of counter fraud specialist staff by 9% over the next year, a continuation of an upward trend for employing counter fraud specialists in councils.



In the last year, the value of fraud detected and prevented by local authorities in the UK was

**£253m**



# Major fraud areas

For 2018/19, the CFaCT survey has shown that the four main areas of fraud (by volume) that local authorities are tackling are:

- council tax
- disabled parking (Blue Badge)
- housing
- business rates.

## A B C Council tax

Council tax has continued to be the largest area of identified fraud over the last three years and is the top fraud risk for districts and unitaries, 43% and 26%, respectively. Although the volume is significantly higher when compared to other fraud risk areas, council tax does not represent the highest cumulative value amongst all surveyed types of fraud, estimated to total £30.6m. This high volume/low value continues to be a leading trend each year.

**Table 1: Estimated council tax fraud**

	2016/17		2017/18		2018/19	
	Volume	Value	Volume	Value	Volume	Value
SPD	50,136	£19.5m	46,278	£15.8m	44,051	£19.4m
CTR	6,326	£4.8m	8,759	£6.1m	8,973	£7.2m
Other	674	£1.1m	2,857	£4.5m	2,831	£4.0m
<b>Total</b>	<b>57,136</b>	<b>£25.5m</b>	<b>57,894</b>	<b>£26.3m</b>	<b>55,855</b>	<b>£30.6m</b>

The total number of detected and prevented fraud cases for council tax fell in 2018/19 after rising in previous years. However, the average values of frauds, especially for SPD, has risen resulting in an increase in the total value.

# 55,855

instances of council tax fraud amounted to



# £30.6m

in the last year



## Disabled parking (Blue Badge)

The survey has identified misuse of the Blue Badge scheme as one of the fraud risk areas that is increasing steadily. Although the number of cases has nearly halved since last year, the national estimated average value per case has increased from £499 to £657 in 2018/19. Although this value does not include cases with a normal cancellation upon death of the individual, the increase is likely to continue with new criteria in guidance released by the Department for Transport and Ministry of Housing, Communities & Local Government (MHCLG).

This guidance states that the Blue Badge scheme now extends to individuals with less ‘visible’ disabilities, such as dementia or anxiety disorder – one of the biggest changes to the scheme in nearly 50 years. These extended criteria came into effect in August 2019 and coincide with the launch of a new task force to aid local authorities in the prevention and detection of Blue Badge fraud.<sup>1</sup>

This indicates that although procurement, council tax SPD and adult social care are identified nationally as the three main fraud risk areas,

Blue Badge fraud is an area of increasing risk and prominence.

Due to the varying nature of cases and local authorities’ individual calculation methods, at present there is no standard means of calculating the value of Blue Badge fraud. It is challenging to directly compare the value of fraud cases detected/prevented across all UK authorities.

For example, Greater London authorities place a higher value against the fraud loss in comparison to other local authorities, with an average value of £3,340 per case compared to counties who had an average of £260 per fraud case; this is partially due parking fees being much higher in Greater London.



**Fraud from the misuse of the Blue Badge scheme is a fraud area that is steadily increasing.**



The average case of Blue Badge fraud has increased from **£499** to **£657**



<sup>1</sup> [www.gov.uk/government/news/review-of-blue-badge-fraud-as-scheme-is-extended-to-those-with-hidden-disabilities](http://www.gov.uk/government/news/review-of-blue-badge-fraud-as-scheme-is-extended-to-those-with-hidden-disabilities)



## Housing and tenancy fraud

In relation to housing fraud, councils record the income lost using different valuations that can range from a notional cost of replacing a property to the average cost for keeping a family in bed and breakfast accommodation for a year. These different approaches make it challenging to formulate clear comparisons. On a national scale, the value of fraud detected or prevented is considered in the two following ways:

- if the cases were pertaining to new-build accommodation
- if the cases were pertaining to temporary accommodation.

**Table 2: Estimated housing fraud**

Type of fraud	2016/17	2017/18	2018/19
	Volume	Volume	Volume
Right to buy	1,284	1,518	652
Illegal sublet	1,829	1,051	826
Other*	2,825	2,164	2,154
<b>Total</b>	<b>5,938</b>	<b>4,733</b>	<b>3,632</b>

\*Other includes tenancy frauds that are neither right to buy nor illegal sublet, and may include succession and false applications.

# 3,632

instances of housing fraud occurred in the UK last year



In cases regarding new-build accommodations an average of £150k per fraud case is applied, compared to £18k for cases regarding temporary accommodations. This can be further explored by examining the comparison by tier (see Table 2).

There has been a steady downward trend in the number of housing and tenancy related frauds detected/prevented, decreasing by roughly 20% year-on-year. This trend likely indicates successful efforts by local authorities to tackle housing fraud and remove illegally sublet properties from the system.



## Business rates

Business rate fraud represents 2% of the total estimated number of fraud cases detected or prevented in 2018/19. This represents a marginal increase from the previous year's figure of 1.7% and is reflected in the fact that councils reported it as the fifth highest fraud risk area on a national scale and third highest specific to districts.

Examples of business rates fraud include fraudulent applications for exemptions, tax

relief and the failure to list properties as being a business address. It often takes a visit from someone in the fraud team to discover the truth.

Even with the increased percentage overall, the estimated loss decreased to £8m from £10m the previous year.

Business rate fraud represents



2%

of all detected and prevented cases of fraud in the UK

## Other types of fraud

This section of the report examines survey responses related to other notable types of fraud that did not emerge as major types of fraud within the national picture. This section includes the following fraud types, among others<sup>2</sup>:

- adult social care
- insurance
- procurement
- no recourse to public funds/welfare assistance
- economic and voluntary sector support and debt
- payroll, recruitment, expenses and pension
- mandate fraud and manipulation of data.



### Adult social care

**Table 3: Estimated adult social care fraud**

Type of fraud	2016/17		2017/18		2018/19	
	Volume	Value	Volume	Value	Volume	Value
Personal budget	264	£2.7m	334	£3.2m	234	£9.6m*
Other	182	£2.8m	403	£3.5m	246	£4.1m
<b>Total</b>	<b>446</b>	<b>£5.5m</b>	<b>737</b>	<b>£6.7m</b>	<b>480</b>	<b>£13.7m*</b>
<b>Average value per fraud</b>		<b>£12k</b>		<b>£9k</b>		<b>£29k*</b>

\*Please note that this figure is inflated by a small number of authorities and though it is not comparable, it shows the scope of fraud possible in this area.

In 2018/19, there was a reversal of the trend of a steady decline in the average value per fraud of adult social care. In 2018/19 the average value of personal budget fraud increased, primarily as a result of a small number of very high value frauds identified in two councils. Excluding these cases, the decline in the value and volume of personal budget frauds continued. Other fraud also showed a decline in numbers of cases identified but the average value increased.

<sup>2</sup> An explanation of each fraud can be found in the Glossary on page 23.



## Insurance fraud

This year's survey reports an estimated number of 318 insurance fraud cases, valued cumulatively at £12.6m. In comparison to the previous year, both the estimated volume and value of insurance fraud cases in the UK more than doubled.

Respondents who identified insurance fraud also reported two confirmed insider fraud cases with a combined value of £43k.

Local authority insurance fraud cases included in this survey are a mixture of both one-off,

high-value employer liability claims (such as injury at work) and frequent, low-value public liability claims (such as 'slips and trips' or property damage).

Through pro-active risk management, many risks faced by councils are being effectively identified, treated and managed. In turn, these actions have led to more effective controls and better review and management of red flags against high risk claims, contributing to higher levels of fraud prevention or detection.



## Procurement fraud

For the third year in a row, procurement fraud is seen as the highest fraud risk area. Services are constantly being procured by councils and fraud can take place at any point in the supply chain, making it difficult to both detect and measure especially once a contract has been awarded. Councils also undertake large value infrastructure and regeneration projects, usually subjected to outsourcing. As councils are responsible for the funding of these large projects, when procurement fraud does occur the sums can be significant.

This year, there was an estimated number of 125 prevented or detected procurement frauds with 12% of cases reported being insider fraud and 5% classified as serious and organised crime. This is a continued decline from 142 estimated fraudulent cases with a value of £5.2m in 2017/18 and 197 cases with a value of £6.2m in 2016/17.

**Table 4: Estimated procurement fraud**

2016/17		2017/18		2018/19	
Volume	Value	Volume	Value	Volume	Value
197	£6.2m	142	£5.2m	125	£20.3m*

\*Please note this figure is attributable to mainly one organisation and though it is not comparable to other respondents, it shows the scope for fraud in this area.

This year, there was an estimated number of

# 125

prevented or detected procurement frauds.

Over the past 12 months MHCLG has been leading a review into the risks of fraud and corruption in local government procurement as committed to in the UK Government's Anti-Corruption Strategy 2017-2022.



## Welfare assistance and no recourse to public funds

In 2018/19, the estimated number of fraud cases related to welfare assistance dropped significantly to 24. In 2017/18 and 2016/17 there were an estimated 109 and 74 cases, respectively. The scope for the volume of cases authorities can receive in this area was demonstrated last year where the average number of cases per authority was over three times the level identified in 2018/19.

2018/19 saw the number of no recourse to public funding cases fall to an estimated 148, down from an estimated 334 cases in the previous year. This decline can possibly be attributed to fewer respondents detecting/preventing fraudulent activity in this area.



## Economic and voluntary sector (grant fraud) and debt

The number of grant fraud cases reported by local authorities responding to the survey has reduced to six cases with an average value per fraud loss of approximately £4,000. In the 2016/17 survey, there were 17 actual cases of grant fraud reported, which increased in 2017/18 to 24 cases with an average estimated loss of £14,000 per case.

The number of debt cases reported has increased to 53, and is valued at over £495,000 this year, compared to 38 reported cases in 2017/18 valued at over £150,000. This year, both the number and value of debt fraud cases increased, despite a decline in the survey's response rate. This might indicate that debt fraud likely has a higher scope for fraudulent activity than previously expected.



**The number of grant fund fraud cases reported by local authorities has gone down to six.**





## Payroll, expenses, recruitment and pension

The total value of the fraud loss for these four areas in 2018/19 was an estimated £9.42m. This figure was inflated by one incident of payroll fraud that was prevented by an authority and though it is not comparable on a national basis, it reflects the scope of fraud for this area.

Measuring the cost of these frauds can be quite difficult as they carry implications that include reputational damage, the costs of further recruitment and investigations into the motives behind the fraud. This could indicate that some organisations are less likely to investigate or report investigations in these areas.

Payroll has had the highest volume and value of fraud out of these four areas (payroll, expenses, recruitment and pension) for every year since 2016/17. Recruitment fraud has the second highest with an estimated average per case of £11,381.

**Table 5: Estimated payroll, expenses, recruitment and pension fraud**

Type	2016/17		2017/18		2018/19	
	Volume	Value	Volume	Value	Volume	Value
Payroll	248	£1.0m	167	£1.01m	168	£8.77m*
Expenses	75	£0.1m	34	£0.03m	32	£0.04m
Recruitment	46	£0.2m	52	£0.49m	33	£0.38m
Pension	228	£0.8m	164	£0.57m	153	£0.23m
<b>Total</b>	<b>597</b>	<b>£2.1m</b>	<b>417</b>	<b>£2.1m</b>	<b>386</b>	<b>£9.42m*</b>

\*Please note this figure is attributable to mainly one organisation and though it is not comparable to other respondents, it shows the scope for fraud in this area.

### Changes in fraud volume



## Manipulation of data (financial or non-financial) and mandate fraud

CIPFA estimates that across the UK in 2018/19 there were 34 cases of manipulation of data fraud, which is an increase from the estimated cases in 2017/18 following a dip compared to the year before that.

There were 322 estimated cases of mandate fraud in 2018/19 compared to 257 estimated cases detected or prevented in 2017/18.

## Serious and organised crime

Organised crime often involves complicated and large-scale fraudulent activities which cross more than one boundary, such as payroll, mandate fraud, insurance claims, business rates and procurement. These activities demand considerable resources to investigate and require organisations to co-operate in order to successfully bring criminals to justice.

The 2018/19 survey identified 24 cases of serious and organised crime, a decrease from the 56 in 2017/18 which had doubled from the year before that. All of this year's cases come from metropolitan, districts, London boroughs and counties. This may indicate that larger and more complex authorities bear a greater risk of being targeted by serious and organised crime. The responses show that councils share a significant amount of data both internally and externally,

with 72% sharing data with the Cabinet Office/ National Fraud Initiative, 52% sharing data with the police and 49% sharing data with their peers (other councils).

Of the organisations that responded, 35% identified serious and organised crime within their organisation's risk register.



# Sanctions

The following shows some of the key findings from sanctions that are being used in CFaCT 2018/19:

- 674 prosecutions were completed in 2018/19. Of these 17 involved insider fraud and 14 of those insider fraud cases were found guilty.
- The number of cautions increased from 9% in 2016/17 to 13% in 2017/18 but reduced to 7% in 2018/19.
- The percentage of other sanctions dropped from 53% in 2016/17 to 46% in 2017/18 but increased to 55% in 2018/19.



# Cyber fraud

Results from the CFaCT survey show that 74% of respondents last underwent a cyber/e-fraud risk assessment during or after 2018/19 and 78% state that the IT team/senior information risk owner is responsible for the management of cyber risk in their organisation.

Twenty seven percent of respondents stated that their organisation had been a victim of hacking/distributed denial of service attacks in the last month.

In response to the threat of cybercrime against local government, the LGA has set up a Cyber Security Programme and a stakeholder group, working to address the issues.

The LGA's Cyber Security Programme received three years of funding from the National Cyber Security Programme (NCSP) in 2018 to help councils remain safe from cyber attacks and put appropriate arrangements in place to deal effectively with a cyber incident should it occur, ie both prevention and response.

# Whistleblowing

This year, 67% of respondents said they annually reviewed their whistleblowing arrangements in line with BS PAS 1998:2008 Whistleblowing Arrangements Code of Practice. Councils also named other codes of practices with which they are aligning.

Of those questioned, 86% confirmed that staff and the public had access to a helpdesk and 70% said that the helpline conformed to the BS PAS1998:2008.

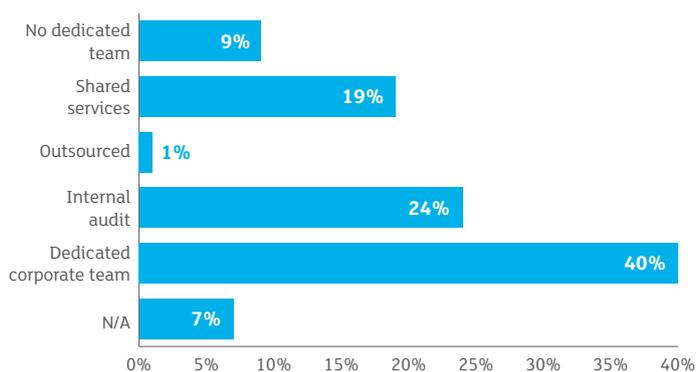
Respondents reported a total of 755 whistleblowing cases logged, made in line with

BS PAS 1998:2008, representing disclosures in all areas – not just with regard to suspected fraudulent behaviour. This is an average of six cases logged per authority, double last year's average of three per authority. Responses showed that the majority of cases were logged by London councils and metropolitan districts.

## Counter fraud structure

Fraud teams across local government continue to detect and prevent a significant amount of fraud, although counter fraud resource is the main perceived issue that need to be addressed to tackle fraud. Councils are responding to this perceived need and expect the number of counter fraud specialist staff to grow by around 9% in the next year, followed by a small increase in 2021.

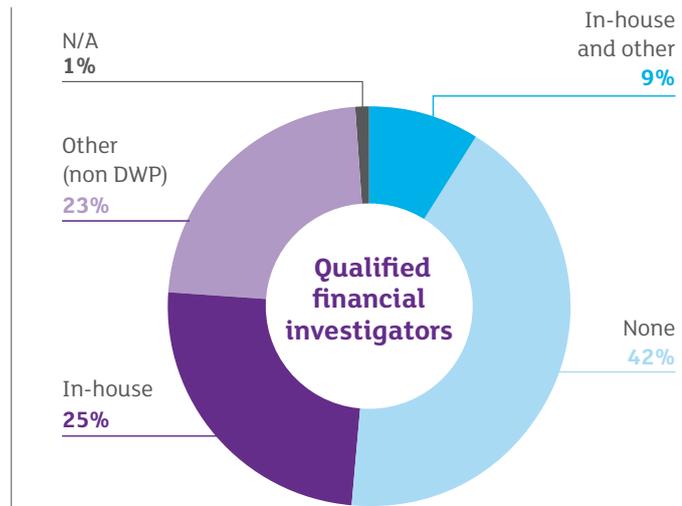
### Counter fraud structure breakdown



Adopting a shared services structure is increasingly popular and this year it was reported that 19% of respondents have such a structure compared to 14% last year. Some smaller authorities have likely adopted this approach for its associated resiliency and cost efficiency.

There has been a decrease in authorities that have a dedicated counter fraud team – from 51% in 2017/18 to 40% in 2018/19. However, it is worth noting there may be a potential bias in this figure as those who have a dedicated counter fraud team are more likely and able to return data for the CFaCT survey.

The number of available in-house qualified financial investigators has increased from 31% in 2017/18 to 44% in 2018/19. In addition, the percentage of authorities that have a non-Department of Work and Pensions (DWP) qualified financial investigator increased from 23% in 2017/18 to 25% in 2018/19. However, the number of authorities that don't have a qualified financial investigator available to their organisation has increased from 41% last year to 43%.



## Joint working/data sharing

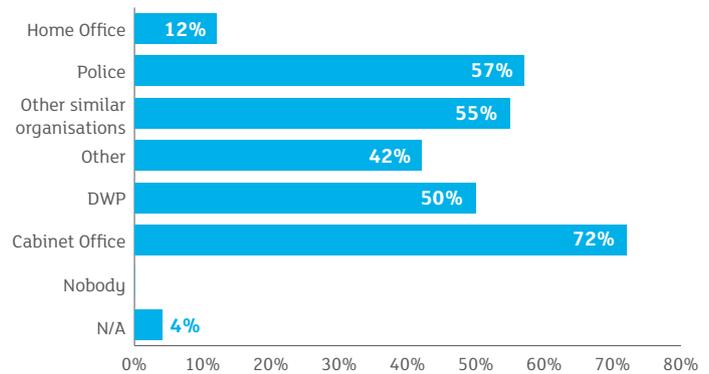
Eighty-nine percent of survey respondents have stated that they share data internally, mainly with housing, council tax and revenue/benefits departments.

Ninety-six percent of local authorities share data externally which is an increase of 2% from 2017/18. This data is mainly shared with Cabinet Office/National Fraud Initiative (72%), police (57%), other authorities/similar organisations (55%) and the DWP (50%).

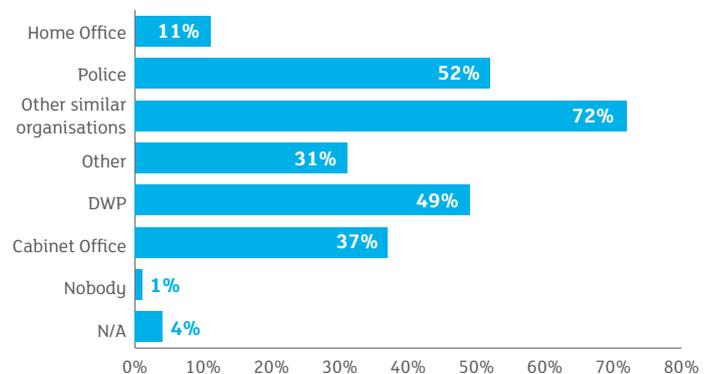
The sort of data that is shared relates to persons of interest, areas of interest and emerging frauds. Some authorities also highlighted that the kind of data they share is for data-matching purposes.

Of the CFaCT respondents, 72% say they work jointly with other similar organisations/peers, 52% work with the police and 49% with the DWP. Further breakdown is shown in the following chart.

### Share/exchange data with:



### Work jointly with:



# Fighting Fraud and Corruption Locally

The Fighting Fraud and Corruption Locally (FFCL) Strategy 2016-2019 was developed by local authorities and counter fraud experts and is currently being reviewed. It is the definitive guide for local authority leaders, chief executives, finance directors and all those with governance responsibilities.



This strategy is available for councils to use freely, so that everyone can benefit from shared good practice, and is aimed at local authority leaders. It provides advice on how to lead and communicate counter fraud and corruption activity for the greatest impact, as well as covering resource management and investment in counter fraud operations.

To measure the effectiveness of its 2016-2019 strategy, the FFCL board includes questions in the CFaCT survey. The questions ask respondents whether they agree or disagree that their organisation is carrying out certain actions, based on FFCL recommendations. The diagram to the left illustrates the results; lines closest to the outside edge indicate strong agreement while those towards the centre indicate disagreement.



The FFCL strategy is the definitive guide for local authority leaders. Everyone can benefit from good practice. ”

# Recommendations

## CIPFA recommends

- **The cumulative value of fraud prevented/ detected by local authorities has declined year-on-year.** Public sector organisations must remain vigilant and determined in identifying and preventing fraud throughout their procurement processes.
- **This year’s findings show that shared services counter fraud structures are becoming more popular amongst authorities.** Effective practices for detecting and preventing fraud should be shared and adopted across the sector. Fraud prevention should be embedded in ‘business as usual’ across an entire organisation to improve the effectiveness of preventative measures.
- **Although the number of qualified investigators has increased over the past year, the survey shows a decline in the number of authorities with a dedicated counter fraud team.** All staff, across all public sector work functions, should receive fraud awareness training in order to better identify fraud risks, fraud attempts and implement effective controls.
- **According to respondents, a lack of adequate counter fraud resources is the main perceived issue that needs to be addressed to effectively tackle fraud.** All organisations should ensure that they have strong counter fraud leadership at the heart of senior decision-making teams. Fraud teams and practitioners should be supported in presenting business cases to resource their work effectively.
- **The survey shows that the overwhelming majority of authorities share data externally, however vast discrepancies exist among the organisations that receive that shared data.** Public sector organisations should continue to maximise opportunities to share data and to explore innovative use of data, including sharing with law enforcement bodies and third party experts.
- **In the past year, 89% of local authorities shared fraud-related data internally.** Where counter fraud functions are decentralised within an authority, counter fraud leads should ensure effective inter-departmental collaboration (ie between housing, IT (cyber security), revenues, etc). For some authorities, necessary collaboration could be achieved through the formation of a counter-fraud working group.
- **In-line with the FFCL Strategy 2016-2019,** the importance of the fraud team’s work should be built into both internal and external communication plans. Publicly highlighting a zero tolerance approach can work to improve the reputation and budget position of authorities.



The importance of the fraud team’s work should be built into both internal and external communications plans. ”



# Appendix 1: Fraud types and estimated value/volume

The table below shows the types of frauds reported in the survey and the estimated volume and value during 2018/19.

Types of fraud	Fraud cases	% of the total	Value	% of the total value	Average
Council tax	55,855	78.9%	£30.6m	12.1%	£548
Disabled parking concession	6,951	9.8%	£4.6m	1.1%	£657
Housing	3,632	5.1%	£135.6m	53.6%	£37,332
Business rates	1,404	2.0%	£7.7m	3.0%	£5,455
Other fraud	616	0.9%	£6.0m	2.4%	£9,779
Adult social care	480	0.7%	£13.7m*	5.4%*	£28,534*
Schools frauds (excl. transport)	391	0.6%	£0.7m	0.3%	£1,893
Mandate fraud	322	0.5%	£4.7m	1.8%	£14,506
Insurance claims	318	0.5%	£12.6m	5.0%	£39,636
Payroll	168	0.2%	£8.8m*	3.5%*	£52,270*
Pensions	153	0.2%	£0.2m	0.1%	£1,498
No recourse to public funds	148	0.2%	£1.4m	0.6%	£9,483
Procurement	125	0.2%	£20.3m*	8.0%*	£161,565*
Debt	77	0.1%	£0.6m	0.2%	£7,278
Manipulation of data	34	0.1%	na	na	na
Recruitment	33	0.1%	£0.4m	0.2%	£11,381
Expenses	32	0.1%	£0.0m	0.0%	£1,124
School transport	31	0.0%	£4.8m	1.9%	£154,601
Welfare Assistance	24	0.0%	£0.0m	0.0%	£1,824
Children social care	19	0.0%	£0.4m	0.2%	£22,076
Economic and voluntary sector support	14	0.0%	£0.1m	0.0%	£4,005
Investments	2	0.0%	na*	na*	na*

\*The figures for investments are not available as only one response was received and thus the amount is not representative of the national average. The other figures in this table are affected by a small number of councils that had high value frauds not indicative of the national average.

## Appendix 2: Methodology

This year's results are based on responses from 142 local authorities. An estimated total volume and value of fraud has been calculated for all local authorities in England, Wales, Scotland and Northern Ireland. Missing values are calculated according to the size of the authority and for each type of fraud an appropriate universal measure of size has been selected, such as local authority housing stock for housing frauds.

From the responses, the number of cases per each unit of measurement is calculated and used to estimate the missing values. Then, for each missing authority, the estimated number of cases is multiplied by the average value per case provided by respondents to give an estimated total value. As an illustration, if the number of housing

frauds per house is 0.01 and a missing authority has 1,000 houses in its housing stock, we estimate the number of frauds as 10. If the average value per case is £100,000 then the total estimated value of fraud for that authority is £1m.

## Appendix 3: Glossary

Definitions below are taken from CIPFA's CFaCT survey, the Annual Fraud Indicator and other government sources.

### **Adult social care fraud:**

Adult social care fraud can happen in a number of ways but the increase in personal budgets gives a greater opportunity for misuse.

### **Investigations cover cases where:**

- direct payments were not being used to pay for the care of the vulnerable adult
- care workers were claiming money for time they had not worked or were spending the allocated budget inappropriately.

### **Blue Badge:**

The Blue Badge is a Europe-wide scheme allowing holders of the permit to parking concessions which are locally administered and are issued to

those with disabilities so they can park nearer to their destination.

At present, a badge issued to a deceased person is classified as fraudulent, even if it is not being used for fraudulent purposes.

### **Business rates fraud:**

Business rates fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to separate evasion and avoidance. Business rate fraud may include the fraudulent applications for exemptions and reliefs and unlisted properties, and fraud staff may be used to visit properties in question.

### **Cautions:**

Cautions relate to a verbal warning given in circumstances where there is enough evidence to prosecute, but it is felt that it is not in the public interest to do so in that instance.

### **Council tax fraud:**

Council tax is the tax levied on domestic properties and collected by district and unitary authorities in England and Wales and levying authorities in Scotland.

Council tax fraud is split into three sections:

- Council tax single person discount – where the council tax payer claims for occupiers who don't exist they are the only occupant eligible to pay.
- Council tax reduction support – where the council tax payer fails to declare their income correctly.
- Other types of council tax fraud – eg claims for exemptions or discounts to which the council tax payer has no entitlement.

### **Debt fraud:**

Debt fraud includes fraudulently avoiding a payment of debt to an organisation, excluding council tax discount.

### **Disciplinary outcomes:**

Disciplinary outcomes relate to the number of instances where as a result of an investigation by a fraud team, disciplinary action is undertaken, or where a subject resigns during the disciplinary process.

### **Economic and voluntary sector (grant fraud):**

This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation.

### **Housing fraud:**

Fraud within housing takes a number of forms, including sub-letting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home abandonment, and right to buy.

### **Insurance fraud:**

Insurance fraud includes any insurance claim that is proved to be false, made against the organisation or the organisation's insurers.

### **Mandate fraud:**

Action Fraud defines mandate fraud as "when someone gets you to change a direct debit, standing order or bank transfer mandate, by purporting to be an organisation you make regular payments to, for example a subscription or membership organisation or your business supplier".

### **Manipulation of data fraud:**

The majority of manipulation of data frauds relate to employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation. It also includes individuals using their position to change and manipulate data fraudulently or in assisting or providing access to a family member or friend.

### **No recourse to public funds:**

No recourse to public funds prevents any person with that restriction from accessing certain public funds. A person who claims public funds despite such a condition is committing a criminal offence.

### **Organised crime:**

The widely used definition of organised crime is one planned, co-ordinated and conducted by people working together on a continuing basis. Their motivation is often, but not always, financial gain.

### **Payroll fraud:**

Payroll fraud covers a wide range of areas such as ghost employees on the payroll, diversion of payments into fraudulent accounts, employees set up to receive higher salaries than they are entitled to by either grade or hours worked and false overtime claims.

**Procurement fraud:**

The procurement of goods and services often accounts for a significant proportion of an organisation's expenditure and is open to a wide range of potential fraud risks. This is because there are usually multiple individuals involved in a process who often do not work closely together: ie the person who wants something purchased does not always work directly with the people who initiate orders and with those responsible for paying.

This includes any fraud associated with the false procurement of goods and services for an organisation by an internal or external person(s) or organisations in the 'purchase to pay' or post contract procedure, including contract monitoring.

**Recruitment fraud:**

Recruitment fraud includes applicants providing false CVs, job histories, qualifications, references, immigration status (ie the right to work in the UK) or the use of a false identity to hide criminal convictions or immigration status.

**Right to buy:**

Right to buy is the scheme that allows tenants that have lived in their properties for a qualifying period the right to purchase the property at a discount. Fraud is committed when an applicant has made false representations regarding the qualifying criteria, such as being resident in the property they are purchasing for a 12 month continuous period prior to application.

**Welfare assistance:**

Organisations have a limited amount of money available for welfare assistance claims so the criteria for applications are becoming increasingly stringent. Awards are discretionary and may come as either a crisis payment or some form of support payment.

**Whistleblowing:**

Effective whistleblowing allows staff or the public to raise concerns about a crime, criminal offence, miscarriage of justice or dangers to health and safety in a structured and defined way. It can enable teams to uncover significant frauds that may otherwise have gone undiscovered. Organisations should therefore ensure that whistleblowing processes are reviewed regularly.



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<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Relevant Officer:</b>	Tracy Greenhalgh, Head of Audit and Risk
<b>Date of Meeting:</b>	12 March 2020

## STRATEGIC RISK REGISTER 2020/2021

### 1.0 Purpose of the report:

1.1 To present the Council's revised Strategic Risk Register to the Audit Committee.

### 2.0 Recommendation(s):

2.1 To approve the Strategic Risk Register for 2020/2021 and the programme for reporting progress.

### 3.0 Reasons for recommendation(s):

3.1 To ensure that strategic risks are effectively managed.

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:  
N/a

### 4.0 Council Priority:

4.1 The Strategic Risk Register covers all Council priorities.

### 5.0 Background Information

5.1 Blackpool Council's Risk Management Framework 2018-2021 was agreed by the Audit Committee on 18 January 2018. This sets out the roles and responsibilities of the Audit Committee and these include:

- Monitor the adequacy of the Council's risk management arrangements
- Approve the strategic risk register and consider progress reports on the risks included in it
- Gain assurance about the extent to which risk management objectives are being met

- Approve the Council’s Risk Management Framework

5.2 The Strategic Risk Register is reviewed and updated by the Corporate Risk Management Group and the Corporate Leadership Team. It receives annual approval from the Audit Committee.

5.3 Risk Owners are required to attend Audit Committee on a periodic basis to provide an update in terms of how each risk is being managed and it is proposed that this will continue throughout 2020/2021. The proposed rolling programme for risk reporting is detailed in Appendix 9(a).

Does the information submitted include any exempt information? No

**List of Appendices:**

Appendix 9(a) – Timetable of Audit Committee Review

Appendix 9(b) – Strategic Risk Register

**6.0 Legal considerations:**

6.1 The Council needs to ensure that it effectively manages its risks to avoid the potential of legal challenge or prosecution.

**7.0 Human Resources considerations:**

7.1 The actions identified in the Strategic Risk Register will be delivered using existing staffing levels.

**8.0 Equalities considerations:**

8.1 N/A

**9.0 Financial considerations:**

9.1 Where possible, risks will be managed within current budgets. Where it is not feasible to do so, they will be escalated to the Corporate Risk Management Group and the Corporate Leadership Team where a decision will be made to accept the risk or identify additional funding to implement the required controls.

**10.0 Risk management considerations:**

10.1 The Strategic Risk Register is a key component of the Council’s overall Risk Management Framework.

**11.0 Ethical considerations:**

11.1 N/A

**12.0 Internal/ External Consultation undertaken:**

12.1 The Strategic Risk Register has been prepared in consultation with the Corporate Risk Management Group and the Corporate Leadership Team.

**13.0 Background papers:**

13.1 N/A

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**Timetable for Audit Committee Review**

<b>Risk</b>	<b>Risk Owners</b>	<b>Previous Date</b>	<b>Proposed Date</b>
Pandemic Infection	Director of Public Health	New Risk	April 2020
Inadequate Change Management	Director of Children's Services Director of Governance and Partnerships	June 2018	June 2020
Sustainability of the Council	Director of Resources Director of Adult Services Director of Children's Services Chief Executive	July 2018	July 2020
Inability to respond to a Major Incident	Director of Communication and Regeneration Director of Resources Director of Adult Services	September 2018	October 2020
Lack of Resilience	Chief Executive Director of Public Health Director of Community and Environmental Director of Adult Services	November 2018	December 2020
Service Failure	Director of Children's Services Director of Community and Environmental Services Director of Resources Director of Strategy (Assistant Chief Executive)	January 2019	January 2021
Reputational Damage	Director of Communication and Regeneration Director of Community and Environmental Services	March 2019	March 2021
EU Exit	Director of Resources	July 2019	2021/2022
Unsustainable local economy / increased deprivation	Director of Communication and Regeneration Director of Strategy (Assistant Chief Executive) Director of Community and Environmental Services Director of Children's Services	September 2019	2021/2022
Failure to Keep People Safe	Director of Resources Director of Children's Services Director of Community and Environmental Services Director of Public Health	January 2020	2021/2022
Ineffective Governance	Director of Governance and Partnerships Director of Resources	March 2020	2021/2022

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APPENDIX 9(b)

No	Risk	Sub No.	Sub-Risk	% Overall Weighting	Impact / Consequences	Opportunity	Gross Risk Score			Controls and Mitigation			Nett Risk Score			Further Actions	Risk Manager	CLT Risk Owner	Target Date	Council Priority
							I	L	GS	I	L	NS								
1	Service Failure	1a	Removal of Children's Services from the Council's control.	40%	Loss of direct managerial and financial control.	Implementation of robust working practices in a Council run Children's Services.	5	5	25	Recommendations made by OFSTED have been articulated in clear plans which have driven the work of the senior leadership team in Children's Social Care.	5	4	20	Plans continue to align with the recommendations and will continue to reference them until the point of a re-inspection.	Heads of Service	Director of Children's Services	March 2021	Organisational Resilience		
					Increased insurance premiums.					Plans are being monitored through the "Getting to Good" board and regularly reviewed by the Chief Executive, lead member for children's services and Leader of the Council.				Work with the commissioner, advisor and Ofsted to support progress.						
					Recruitment and retention issues.					Since the inspection the Council has been subject to scrutiny from the DfE appointed commissioner who confirmed that the authority was leading the required change effectively in her report in June 2019.										
					Reputational damage.					In August 2019 and December 2019, OFSTED have undertaken monitoring visits to review progress and have noted areas of improvement against their recommendations, particularly with reference to the Multi Agency Safeguarding Hub, the "front door" to children's social care services.										
	1b	Failure of a service provider in high risk contracted areas for statutory services.	15%	Increased costs.	Robust service provision.	5	5	25	Robust procurement procedures in place to help ensure appropriate due diligence of potential contractors.	5	3	15	Rewrite Waste Disposal Strategy in conjunction with Lancashire County Council to ensure that capacity is available in the market and that options offer value for money.	Head of Waste Policy and Partnerships	Director of Community and Environmental Services	March 2021	Organisational Resilience			
									Possible loss of capacity in the market place.				Added value delivered through contracted services.					Strengthen contract management across the Council through addressing the recommendations made in the internal audit report 2019/20.		
									Legal challenges resulting in contract award being delayed.				Contract management guide in place to advise responsible officers how to undertake contract management.					Embed the revised structure for enabling effective commissioning across key Council services.		
									Contracts are not effectively managed resulting in inadequate service provision / unnecessary costs.				Intelligent clients who have oversight of the market, high level contingency planning, and staff experienced in dealing with service failure.							
									Reputational damage to the Council.				The domestic waste service has been brought back under the umbrella of the Council.							
	1c	Loss of key infrastructure and resource which results in Council services not being delivered.	15%	Inability to deliver critical services.	Build a resilient organisation.	5	5	25	Business continuity programme in place which links to the Council's Major Emergency Plan.	5	3	15	Look for provisions for data centre refresh in the coming years to continue to provide resilience.	Head of ICT Services	Director of Resources	March 2022	Organisational Resilience			
									Deterioration of Council assets beyond economic repair.				Corporate business continuity plan in place supported by a critical activity list.					Update the Thematic Property Business Continuity Plan to reflect changes to the Council's property portfolio.		
													Corporate ICT and Property business continuity guidance in place.					Undertake a review of vehicle usage and the vehicle replacement programme to increase reliance and efficiency.		
									Annual review of planned property maintenance undertaken and agreed with the Corporate Asset Management Group.				Undertake a review of business critical IT systems across the Council to clarify roles and responsibilities and out of hours support.							







				EU organisations could refuse to supply information to the Council unless we meet adequacy statement with the EU.	Adapt and transform procurement processes.				Regular discussions at various local government meetings.									
				Failure to keep abreast of specific areas of law concerning parental responsibility matters, including jurisdiction, recognition and enforcement.	Simplification of UK procurement laws.				The Council has identified a strategic lead for Brexit.									
				Failure to adhere to changes in procurement legislation and custom procedures.					A Brexit task and finish group has been established at the Council.									
				Concerns regarding legal status of contracts.														
				Providers are not prepared for the impact on supply chains, budgets, workforce and data availability.														
<b>Overall Nett Risk Score</b>										<b>15.0</b>								
6	Failure to Keep People Safe	6a	Death or injury to a member of staff.	25%	Trauma for family, colleagues and victim.	Creation of a safe working environment.	5	4	20	Full suite of health and safety arrangements and guidance notes available on the Hub.	5	3	15	Consider the potential of introducing an integrated health and safety IT system to enable the efficient reporting of accidents, recording of risk assessments and improving the functionality of the corporate warning register.	Head of Audit and Risk	Director of Resources	March 2022	Organisational Resilience
					Corporate manslaughter changes, prosecution with unlimited fines and potential prison sentences for those in control.	Safe and useable property portfolio in place.				Production of an Annual Health and Safety Report with recommendations outlining actions which CLT need to undertake to further embed health and safety.				A process to undertake property compliance audits at the Council's wholly owned companies to be implemented.	Head of Property Services	Director of Resources	June 2020	
					Civil compensation claims.					Programme of health and safety management system audits in place.								
					Reputational damage.					A structure of health and safety committee meetings are in place.								
										Suite of health and safety training available for all employees.								
										Team of qualified health and safety advisors in post to advise managers to discharge their duties.								
										In house Occupational Health team and Employee Assistant Programme in place.								
										A Compliance Officer for statutory property inspections is in post.								
		6b	Death, serious injury or harm of a vulnerable adult / child.	25%	Inspection failure (Ofsted / CCQ).	Continuous Improvement Plan.	5	4	20	Safeguarding processes and procedures in place including regular audit.	5	3	15	Deliver the improvement identified in the recent OFSTED report.	Heads of Service	Director of Children's Services	March 2021	Communities

			Trauma for family and victim.					Pan-Lancashire Multi Agency Adult Safeguarding Polices and Procedures (Tri-X) in place.			Use the advisor/commissioner support.	Heads of Service	Director of Children's Services	March 2021			
			Potential criminal charges for staff involved.					Robust supervision, training and personal development for social workers and managers.			Participate in peer challenge/audit.	Heads of Service	Director of Children's Services	March 2021			
			Significant liability claim received.					Contract monitoring and quality assurance procedures in place for commissioned services.									
	6c	Death or injury to a member of the public.	25%	Trauma for family and victim.	A safe environment for residents to enjoy.	5	4	20	All trees in the borough are inspected and a programme of works is in place to protect against dangerous trees caused by storm damage or disease.	5	3	15	Develop a proactive work plan for the tree gang to ensure a planned and documented approach to tree maintenance and management.	Head of Leisure, Parks & Catering Services	Director of Community and Environmental Services	July 2020	Communities
				Civil compensation claims.				Documented site inspection regimes for playgrounds and sporting areas.									
				Reputational damage.				Daily checks of life saving equipment on the promenade undertaken by the Beach Patrol Service.			Explore options for electronic monitoring system for playgrounds.	Head of Leisure, Parks & Catering Services	Director of Community and Environmental Services	July 2020			
								Health and Safety Management framework in place covering risks assessments, safe system of work, accident / incidents reporting and investigations and enforcement activity relating to shop signage, canopies and swimming pools safety prioritised in the Public Protection business plan.			Review funding arrangements for the Public Protection service to ensure adequate resource to effectively undertake enforcement activity.	Head of Public Protection	Director of Community and Environmental Services	March 2021			
								Council drivers assessed for driving competency and a programme of driving licence checks is in place.									
	6d	Residents do not feel safe in their communities.	25%	Inadequate funding available to deliver crime reduction projects.	Residents feel safe in their communities and the town centre.	4	4	16	Secure external funding bids for community safety projects.	4	3	12	Prepare and implement a cost effective business case for the relocation and modernisation of the CCTV service.	Head of Public Protection	Director of Community and Environmental Services	March 2021	Communities
				Increased anti-social behaviour across communities.				Multi agency response to close/restrict, enforce and curtail problematic HMO's.			Continue to increase numbers accessing drug and alcohol services at an earlier stage and sustaining a positive outcome.	Consultant in Public Health	Director of Public Health	March 2021			
				Inability to relocate the CCTV from its current location at the former Police Station.				Community involvement providing ownership of parks and green spaces.									
				Increased incidents of crime and antisocial behaviour in parks and green spaces.				Joint working arrangements in place between the Council and the Police.									
								Funding provided for Police Officers dedicated to working in the Town Centre to tackle issues such as anti-social behaviour and begging.									
								Community Safety Team in place.									
<b>Overall Nett Risk Score</b>										<b>14.25</b>							
7	Unsustainable Local Economy / Increased Deprivation.	7a	Increased deprivation and unemployment.	30%	Over dependency on Council services.	Better opportunities for Blackpool residents.	4	5	20	4	3	12	Implement the Blackpool Enterprise Zone Delivery Plan, facilitating the growth of energy, aviation and food sectors.	Growth and Prosperity Programme Director	Director of Communication and Regeneration	March 2022	Economy







9c	Non-compliance with statutory requirements and internal procedures.	20%	External challenge.	Delivery of good services.	4	5	20	Statutory legal and financial officers in place.	4	3	12	Deliver the action plan arising from the Annual Governance Statement 2018/19 and 2019/20.	Good Governance Group	Director of Governance and Partnerships	March 2021	Organisational Resilience	
			Quality of service compromised.					Assurance mechanisms such as internal audit, external audit, peer review and external assessments.									
								Awareness of standards required and awareness of the consequence of failure raised through channels such as DMTs and SLT.									
								Corporate compliance calendar in place and rolled out across the Senior Leadership Team.									
								Constitution and Financial Regulations in place.									
								Good Governance Group in place which oversees the production and delivery of the Annual Governance Statement.									
								Improved HR systems for probation, appraisals, recruitment and safeguarding checks.									
								Suite of mandatory training in place.									
								Developed an information pack for Managers to use with casual and agency staff for CLT approved mandatory training.									
								Programme of audits relating to key governance issues such as executive decisions and corporate compliance.									
9d	Lack of effective risk management embedded across the Council.	20%	Ineffective decision making.	Potential to make savings through effectively managing risks.	4	5	20	Risk management framework and toolkit in place.	4	3	12	Review the Risk Management Framework in light of the new Orange Book Management of Risk issued by Central Government.	Head of Audit and Risk	Director of Resources	March 2021	Organisational Resilience	
			Increased insurance claims.					Service and strategic level risk registers in place with a quality review in the last 12 months.									
								SharePoint sites for risk management developed to assist with the sharing of information.									
								Corporate, departmental and thematic risk management groups in place.									
								Risk management considered as part of decision making process.									
9e	Failure to effectively manage equality and diversity legislation.	10%	Legal challenge due to not adhering to the Equality Act Public Duty.	Fulfil policy objectives for fairness.	4	4	16	Equality and Diversity Advisor in post.	4	3	12	Ensure that the wholly owned companies' boards are aware of their responsibilities in relation to the public sector equality duties.	Head of Audit and Risk	Director of Resources	March 2022	Organisational Resilience	
			Direct discrimination and harassment.					Compliance assessments undertaken across directorates.									
			Reputational damage.					Embedded process for impact assessments.									
								Appropriate HR policies in place.									
								Corporate Equality Steering Group in place.									
								Equality and diversity training in place for managers and employees.									
<b>Overall Nett Risk Score</b>									<b>12</b>								

10	Lack of Resilience	10a	Lack of capacity to deliver Council services.	50%	Inability to deliver an effective service. Unable to recruit into difficult to recruit roles. Loss of corporate memory.	Employee commitment. Change organisational structure / increase joint working arrangements to deliver services with reduced resource.	4	4	16	Development programmes implemented such as coaching, and mentoring. Annual IPA system linked to learning and development needs. Workforce Strategy in place underpinned by individual succession planning by service areas utilising the Individual Performance Appraisal process. Launch of new jobs portal and new preferred agency in place. Manage relationships with the Trade Unions in order to embrace employee change. Targeted marketing campaigns in place for difficult to recruit to posts, new Next Step Blackpool portal developed. Business planning process links to resource requirements with planned objectives and outcomes. Health and Social Care career academy has been launched. Leadership Charter and survey in place to measure current leadership performance / capacity the results of which are analysed and acted on. Promotion of the apprenticeship levy across the Council. Better use of expertise in the wholly owned companies and wider partnerships. A package of health and wellbeing support in place including an annual health check survey for social workers.	4	3	12	Analyse the results of the employee survey and act on any findings arising from this.	Head of HR	Chief Executive	March 2021	Organisational Resilience
		10b	Over reliance on public sector services.	30%	Unable to deliver core services / statutory duties to residents.	Build a more resilient community to reduce reliance on the public sector.	4	5	20	Council Plan in place setting out key priorities and actions supported by a performance management framework. Engagement with the Armed Forces communities through key activities throughout Armed Forces week, multi-agency meetings and links with the Armed Forces Resettlement Officer. Successful development of visit-able assets (@TheGrange, Nibble Café at the crematorium and community café at Anchorsholme Library). Continue to work with grass root community groups to advise / signpost them to support. Integration 2020 project, which involves multi-agency work to encourage connecting people and organisations in a coordinated approach to solution focused community engagement and development, in order to improve peoples health and wellbeing.	4	3	12	Implement a new approach to delivery smoking cessation support and initiative in town. Continue to lead and coordinate services throughout the town via quarterly armed forces covenant meetings. Develop partnership working with the third sector via: Exploring the development of a local VCFS accord. Continue to support VCFS leaders board. Development of a proactive Community Asset Transfer policy. Focused work with the Primary Care Networks (NHS) to ensure multi agency work continues focused around place based solutions.	Public Health Consultant Community Engagement & Partnerships Manager Community Engagement Manager Consultant in Public Health	Director of Public Health Director of Public Health Director of Public Health Director of Public Health	March 2021 March 2021 March 2021 March 2021	Communities



									Corporate Health and Wellbeing Group has been established chaired by the Director of Public Health with a senior representative from each Directorate in attendance.										
									Change management e-learning package in place.										
									Access to an Employee Assistance Programme.										
									Occupational health service in plan which provides access to support services such as Cognitive Behaviour Therapy.										
<b>Overall Nett Risk Score</b>									<b>12.00</b>										
11	Inability to Respond to a Major Incident	11a	Terrorism related act at major events and in crowded places such as the promenade.	30%	Long term damage to the visitor economy.	Develop increased confidence amongst visitors that Blackpool is a safe place to visit.	5	3	15	Close working with police, counter terrorism units and other agencies via Safety Advisory Group and Lancashire wide safety groups.	5	2	10	Introduction of appropriate infrastructure changes at strategic locations.	Head of Tourism and Communication	Director of Communication and Regeneration	August 2020	Communities	
						Negative impact on the local community.	Residents feel safe when in Blackpool Town Centre.			Temporary vehicle mitigation barriers accessible to the Council for major events.									
										Act Aware training rolled out to Council staff.									
									Multi-agency plan setting out the options to support a major incident in place.										
		11b	Reduced capacity across the Council to respond to an emergency.	40%	May not be able to provide all the resources required as a Category One Responder.	Corporate approach to responding to incidents.	5	3	15	Major Emergency Plan in place outlining roles and responsibilities.	5	2	10	Undertake a full review of the Major Emergency Plan .	Head of Audit and Risk	Director of Resources	December 2020	Communities	
					Potential public enquiry if the incident was not dealt with effectively.					Annual major incident exercise takes place to test the Council's arrangements.									
					Disruption to community, services and businesses.					Lancashire wide community risk register in place which the Council contributes to.									
					Loss of community cohesion and potential reputational damage.					Planning for potential incidents through the Lancashire Resilience Forum.									
										Training programme in place for staff who could be involve in dealing with a major incident.									
										Shared service arrangement for the delivery of an emergency planning service.									
		11c	Injury / death to members of the public or staff.	30%	Trauma faced by families and work colleagues.	Ability to effectively support people during a major incident.	5	3	15	Emergency response group in place to provide humanitarian support in a major emergency.	5	2	10	Maintain the number of volunteers on the emergency response group at adequate levels, deliver training and continue to attend the Lancashire Resilience Forum Humanitarian Assistance Group.	Head of Commissioning, Performance and Corporate Development	Director of Adult Services	March 2021	Communities	
										Arrangements in place for staff to work collaboratively with emergency services, and familiarisation with supporting mechanisms which are on offer.									
										Employee Assistance Programme in place.									
										Partnership working arrangements in place via the Lancashire Resilience Forum.									
<b>Overall Nett Risk Score</b>									<b>10.00</b>										

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<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Relevant Officer:</b>	Nick Rayner, Senior Manager, Deloitte
<b>Date of Meeting:</b>	12 March 2020

## EXTERNAL AUDIT PLAN 2019/2020

### 1.0 Purpose of the report:

1.1 To consider Deloitte's Audit Plan 2019/2020.

### 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

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 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

**List of Appendices:**

Appendix 10(a): Planning report to the Audit Committee for the year ending 31 March 2020.

**6.0 Legal considerations:**

6.1 None.

**7.0 Human Resources considerations:**

7.1 See attached report at Appendix 10(a).

**8.0 Equalities considerations:**

8.1 None.

**9.0 Financial considerations:**

9.1 See attached report at Appendix 10(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 2020

Issued on 3 March 2020 for the Audit Committee on 12 March 2020

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# Introduction

## The key messages in this report:

We have pleasure in presenting our planning report to the Audit Committee for the 2020 audit. We would like to draw your attention to the key messages of this paper:

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.

---

### **Scope of our work**

Our audit work will be carried out in accordance with the requirements of the Code of Audit Practice ('the Code') and supporting guidance published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General.

The Code sets the overall scope of the audit which includes an audit of the accounts of the Council and work to satisfy ourselves that the Council has made proper arrangements to secure Value for Money (VfM) in its use of resources. There have not been any changes to the Code itself and therefore the scope of our work is broadly similar to the scope of work set in the prior year.

Our responsibilities as auditor, and the responsibilities of the Council are set out in 'PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies' published by Public Sector Audit Appointments Limited.

---

### **Areas of focus in our work on the accounts**

We summarise below the areas of significant risk we have identified to date, they are consistent with the significant risks identified in the prior year:

- Completeness of accrued expenditure – 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. We specifically focus this on expenditure accruals.
- Property valuations – valuations are inherently judgemental and include a number of assumptions.
- Pension liabilities – there is significant judgement in relation to the assumptions and methodology used in the valuation of the Council's pension obligation.
- Management override of controls – auditing standards presume there is a risk that the accounts may be fraudulently misstated by management overriding controls. Key areas of focus are: bias in the preparation of accounting estimates; inappropriate journal entries; and transactions which have no economic substance.

# Introduction

## The key messages in this report:

---

**International Financial Reporting Standard (IFRS) 16 - Leases**

IFRS 16 (Leases) is mandatory for Local Authorities from periods commencing on or after 1 April 2020.

The new leasing standard will have a significant impact on how the Council accounts for its current leasing arrangements, as well as implications for any future leases agreed. IAS 1 will require disclosure of the expected impact of IFRS16 in the 2019/20 accounts.

We recommend that the Audit Committee receive reporting in year from management on the implementation and expected impact of IFRS 16.

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**Areas of focus in our work on Value for Money (VfM)**

The Code and supporting Auditor Guidance Note require us to perform a risk assessment and to carry out further work where we identify a significant risk.

We qualified the VfM opinion in 2018/19 in relation to the Council's Ofsted rating in their January 2019 report on Children's Services which graded the Council 'inadequate'. We regard this qualification as a significant risk area and will undertake work to conclude whether or not the matters giving rise to the previous year's qualification are also relevant to the current year.

We identified a significant VfM risk around financial sustainability in 2018/19. Our opinion was not qualified in respect of this matter in 2018/19. We have identified a significant risk in relation to financial sustainability in the current year and note that the Council has a savings target for 2019/20 of £9m and this will be challenging to achieve.

During the year the Council acquired the Houndshill Shopping Centre. We will consider the acquisition as part of our ongoing VfM risk assessment given the size of the acquisition (£47.6m purchase price). We will also consider the adequacy of the due diligence process and may involve a specialist in our review of this area.

Our risk assessment to determine whether there are further VfM risks is at an early stage. We expect to carry out the remainder of our risk assessment process in March/April. We will then perform update procedures in June, in particular to update for the findings of internal audit work completed in the latter part of the year, outturn performance against financial and operational metrics and the outcome of any findings from regulators.

---

**Brexit**

The Council will be preparing its Annual Report against the backdrop of continued uncertainty related to Brexit.

The Council will also need to consider the inclusion of Brexit in the Annual Report for 2019/20, particularly in the areas of risk reporting, going concern and impairment.

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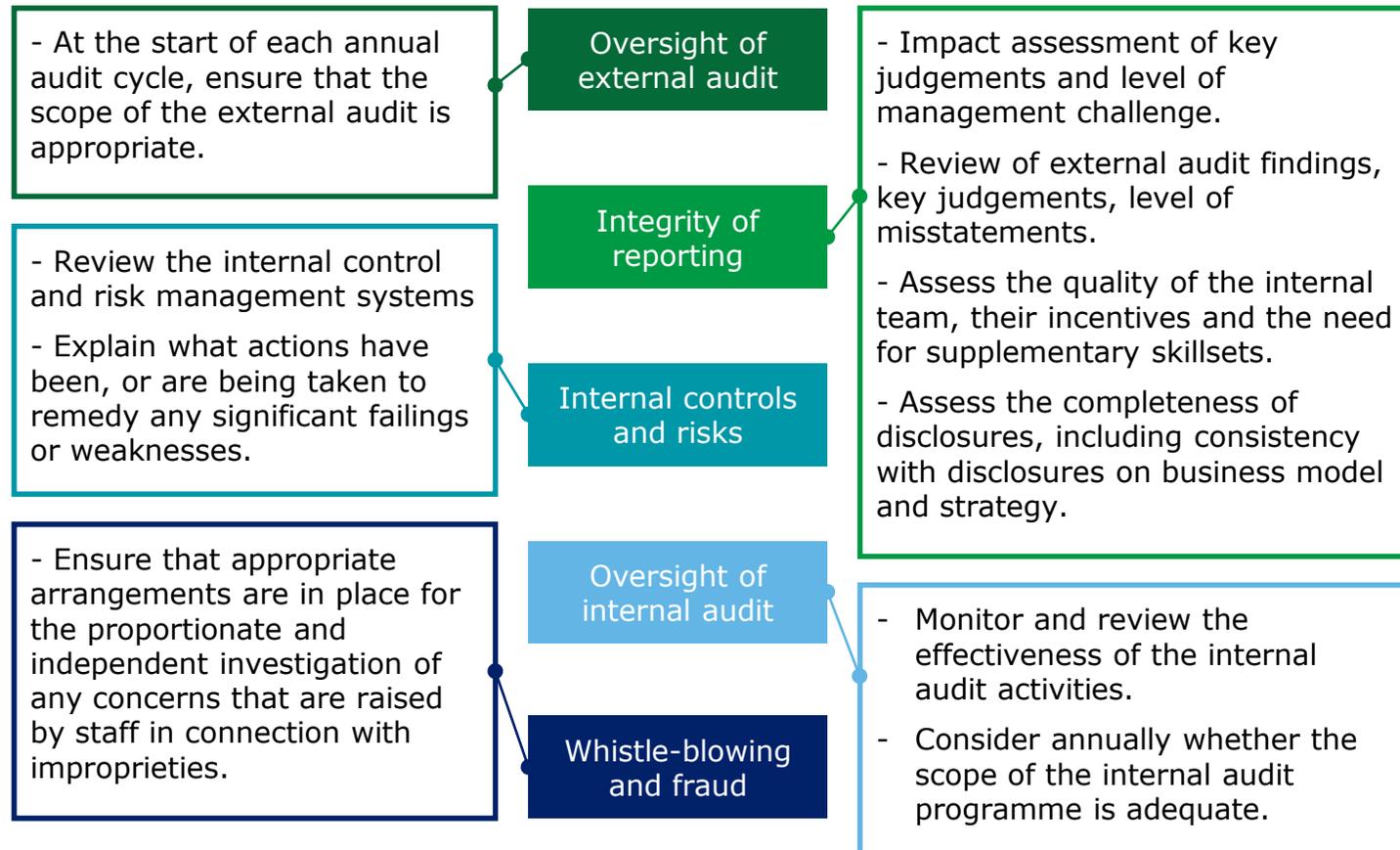
# Responsibilities of the Audit Committee

## Helping you fulfil your responsibilities

Why do we interact with the Audit Committee?

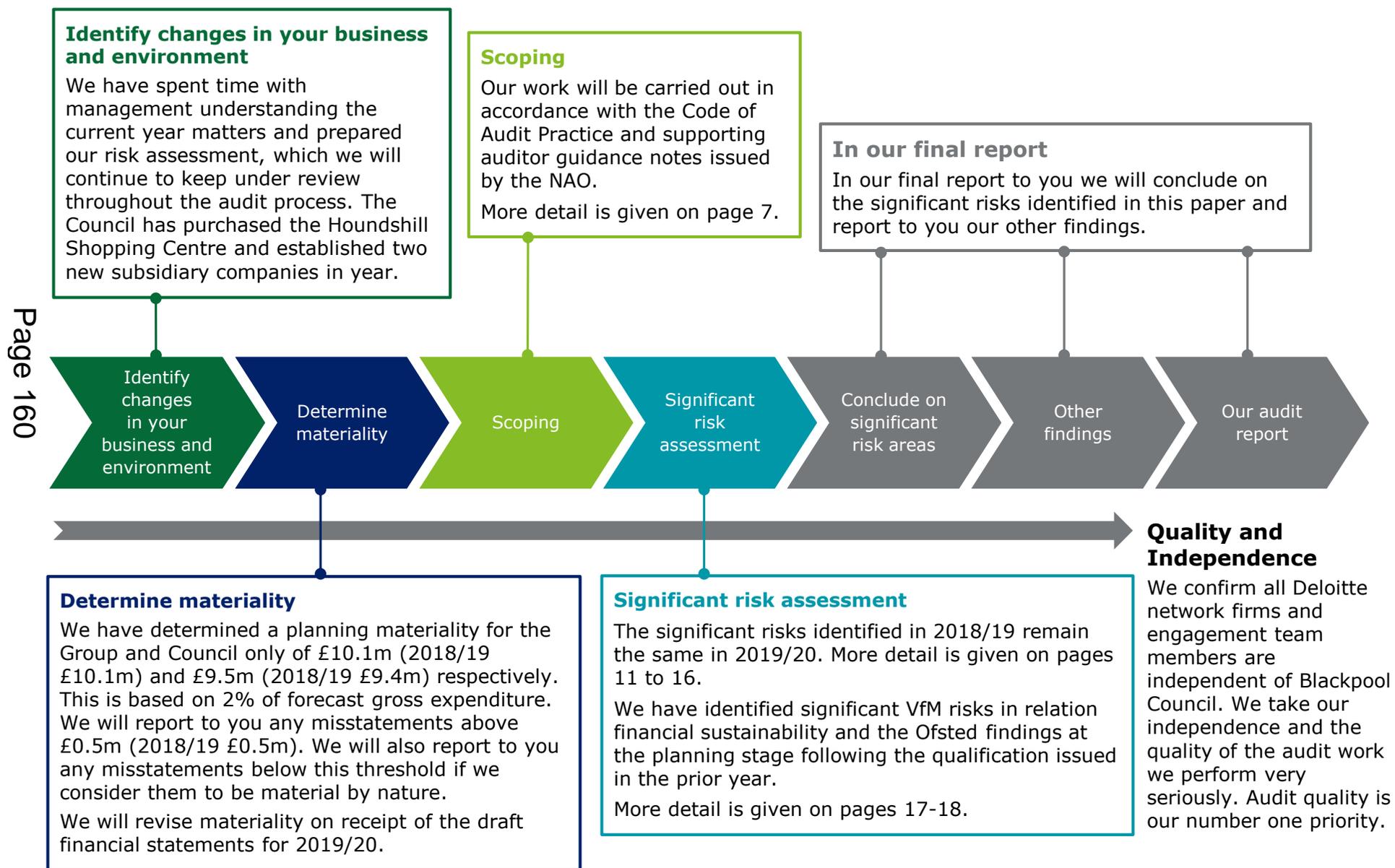
As a result of regulatory change in recent years, the role of the Audit Committee has significantly expanded. We set out here a summary of the core areas of Audit Committee responsibility to provide a reference in respect of these broader responsibilities.

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

We report on whether the financial statements:

- Give a true and fair view of the financial position and income and expenditure; and
- Are prepared in line with the Code of Practice on Local Authority Accounting ("the Code").

### Opinion on other matters

We are required to report on whether other information published with the audited financial statements is consistent with the financial statements.

Other information includes information included in the Statement of Accounts, in particular the Narrative Report. It also includes the Annual Governance Statement which the Council is required to publish alongside the Statement of Accounts.

In reading the information given with financial statements, we take into account our knowledge of the Council, including that gained through work in relation to the Council's arrangements for securing value for money through economy, efficiency and effectiveness in its use of resources.

### Value for Money conclusion

We are required to provide a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We carry out a risk assessment to identify any risks that, in our judgement, have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. The risk assessment enables us to determine the nature and extent of further work which may be required.

We also consider the impact of findings from other inspectorates, review agencies and other relevant bodies on their risk assessment, where they are relevant and available.

### 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 material in the context of the group audit:

- Blackpool Coastal Housing;
- Blackpool Transport Limited;
- Blackpool Entertainment Company Limited;
- Blackpool Housing Company; 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.

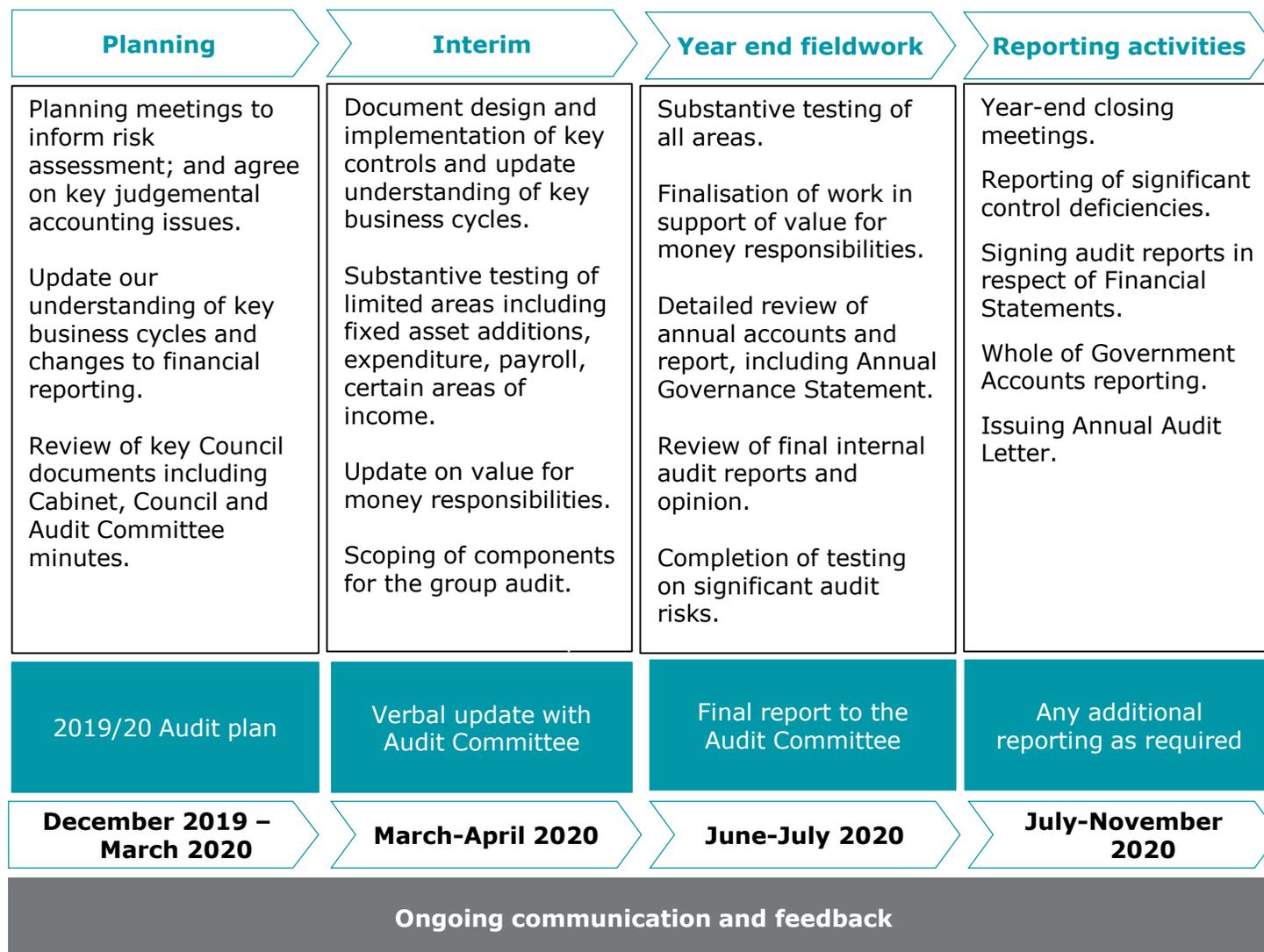
We recommend the Council complete the Code checklist during drafting of their financial statements.

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 £10.1m (2018/19 £10.1m) and the Council only materiality as £9.5m (2018/19 £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 2019/20 M7 forecast outturn reports as the benchmark for

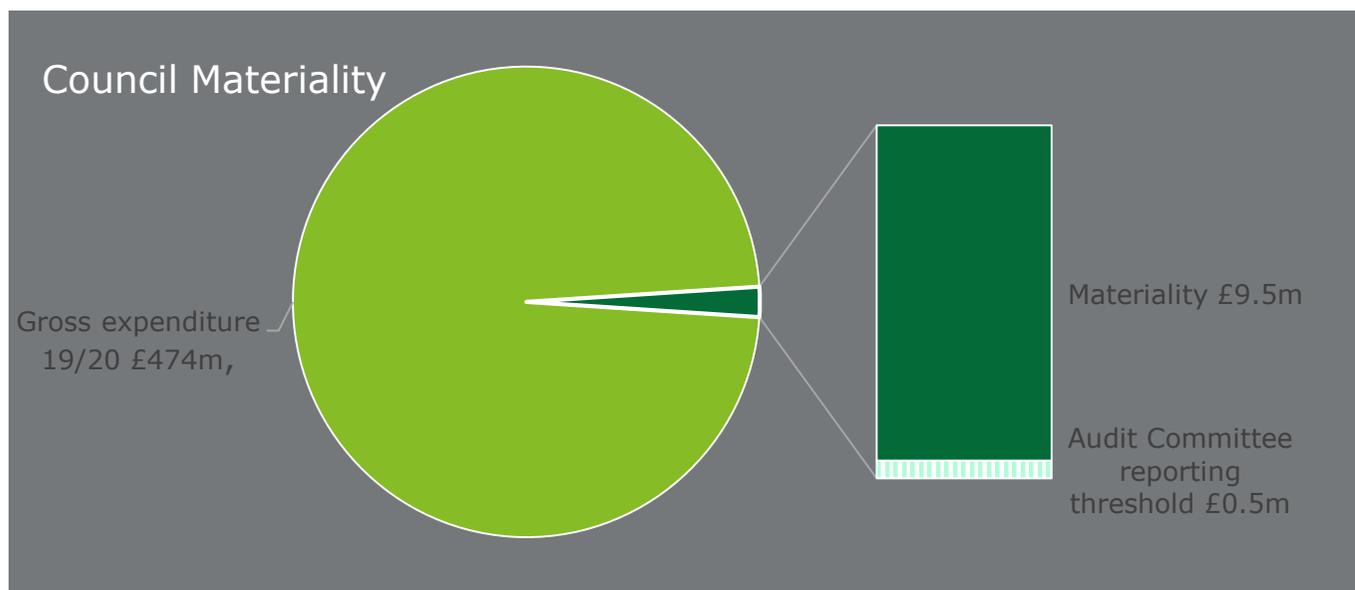
determining our preliminary materiality.

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

### Reporting to those charged with governance

- We will report to you all misstatements found in excess of £0.5m (2018/19 £0.5m).
- We will report to you misstatements below this threshold if we consider them to be material by nature.

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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.

The next page summarises the significant risks that we will focus on during our audit.

All the risks mentioned in the prior year Audit Committee report are included as significant risks in this year's audit plan.

### Principal risk and uncertainties

- Achieving further savings
- Brexit
- Capacity and resilience
- Increasing pressure on Children's services
- Social care funding

### 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 identified going concern, IFRS 16 Leases, transitional protection for certain pension scheme members, Guaranteed Minimum Pensions Equalisation, Dedicated Schools Grant – negative reserve and Pension guarantees to other entities as key issues in their Local Government Audit Planning guidance issued January 2020.

We reviewed the approach being taken by the Council in response to these in the prior year audit and will refresh our understanding for the current year.

IFRS 16 is mandatory for periods on or after 1 April 2020 and will be a key issue in the 2020/21 accounts. The Council will need to disclose the expected impact in the 2019/20 accounts.

We do not believe any of these matters represent a significant audit risk but we will carefully review the approach being taken by the Council to address these issues.

### Changes in your business and environment

- Ofsted inspection on Children's social care services (November-December 2018) and subsequent management actions to address concerns raised.
- Acquisition of Houndshill shopping centre.
- Establishment of two new subsidiary companies

# Significant risks

## Significant risk dashboard

Risk	Material	Fraud risk	Planned approach to controls	Level of management judgement	Management paper expected	Slide no.
Completeness of accrued expenditure			D+I			13
Property Valuations			D+I			14
Pension Liabilities			D+I			15
Management Override of Controls			D+I			16

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

- Ofsted findings
- Financial sustainability

See pages 18-19.

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 of expenditure

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**Risk identified** 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 of expenditure (as well as management override of controls as detailed on page 16). In the current year we have identified the risk as relating specifically to year end accruals.

There is an inherent fraud risk associated with the under recording of expenditure in order for a Council to report a more favourable year-end position.

For Blackpool Council there is therefore a specific risk that it may materially misstate its expenditure through the understatement of accruals in an attempt to report a more favourable year end position.

---

**Our response** Our work in this area will include the following:

- We will update our understanding and test the design and implementation of the key controls in place in relation to recording completeness of accruals;
- We will perform focused testing in relation to the completeness of accruals through testing of post-year end unprocessed invoices and payments made.

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# Significant risks

## Risk 2 – Property Valuations

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**Risk identified**

The council held £356.9m of property assets which are revalued at 31 March 2018 which increased to £369.5m as at 31 March 2019. The movement was due to additions of £15.6m, offset by depreciation of £11.6m and revaluation movements of £8.6m as a result of the Council undertaking a valuation exercise during 2018/19.

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date.

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 and any changes to the factors used in the valuation process could materially affect the value of the Council's assets as at year end.

There is therefore a risk that the value of property assets materially differ from the year end fair value, particularly given that valuations are inherently judgemental and include a number of assumptions.

---

**Our response**

Our work in this area will include the following:

- 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.
-

# Significant risks

## Risk 3 – Pension Liabilities

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**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.

In addition in the current year the Council has entering into an arrangement with Blackpool Transport Services in relation to its pension scheme, which will also impact on the pension liability recognised in the financial statements.

---

**Our response**

Our work in this area will include the following:

- We will obtain an understanding and test the design and implementation of the key controls in place in relation to review of the assumptions made 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; and
- We will review the pension related disclosures in the financial accounts.

# Significant risks

## Risk 4 – Management override of controls

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**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 of accrued 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 provide a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code and supporting auditor guidance note require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk – if we do not identify any significant risks, there is no requirement to carry out further work.

Our risk assessment procedures include:

- Reading the annual governance statement;
- Considering local and sector developments and how they impact on the Council;
- Meeting with senior officers;
- Reviewing reports issued by internal audit;
- Reviewing other documentation of the Council including budget setting reports, financial and operational performance monitoring reports; and
- Reviewing reports issued by regulators.

Our risk assessment to determine whether there are any significant risks is at an early stage. We expect to carry out the majority of our risk assessment procedures in March and April.

We will then perform update procedures in June, in particular to update for the findings of internal audit work completed in the latter part of the year, outturn performance against financial and operational metrics and the outcome of any findings from the work of regulators.

We qualified the audit report in 2018/19 in relation to the Council's Ofsted rating on Children's Services which graded the Council 'inadequate'.

We regard this qualification as a significant risk area and will undertake work to conclude whether or not the matters giving rise to the previous year's qualification are also relevant to the current year.

We identified a VfM risk around financial sustainability and delivery of savings in 2018/19. Our opinion was not qualified in respect of this matter in 2018/19. Additionally we will consider the acquisition of Houndshill Shopping Centre as part of our risk assessment given the size of the acquisition (£47.6m purchase price). As part of this we will consider the adequacy of the due diligence process and may involve a specialist in our review of this area.

We have set out further information on this risk and our planned response on the following pages.

# Significant risks

## VfM Risk 1 – Ofsted Findings

Page 172

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### **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.

A commissioner has been appointed following the inspection to oversee the process and ensure improvement.

We understand that, Ofsted undertook a monitoring visit in December 2019, they commented that the local authority has worked closely with a range of partners and there has been significant financial investment in the last 12 months but recruitment continues to be an issue. There are positive developments but they have not been fully embedded yet.

As a result we consider there to still be a significant VfM risk in relation to Children's Services for 2019/20 around the delivery of the improvements required as a result of the Ofsted report. As not all improvements made will have been in place for the whole year under review there is a risk that an exception may still be required in our VfM conclusion.

---

### **Our response**

Our work in this area will involve:

- Review of any subsequent correspondence with Ofsted;
  - Review of the Commissioners reports;
  - 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.
-

# Significant risks

## VfM Risk 2 – Financial Sustainability

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**Risk identified**

The Council's budget for 2019/20 was approved at the Council meeting on 27 February 2019, setting a savings target of £9m. As at the end of October, the Council is forecasting to use £7.6m from reserves, 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.

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.

---

**Our response**

As part of our risk assessment, we will consider information from a combination of sources, including:

- Discussions with management;
  - Review of the Council's Annual Report;
  - Review of 2019/20 savings and 2020/21 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.
-

# 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

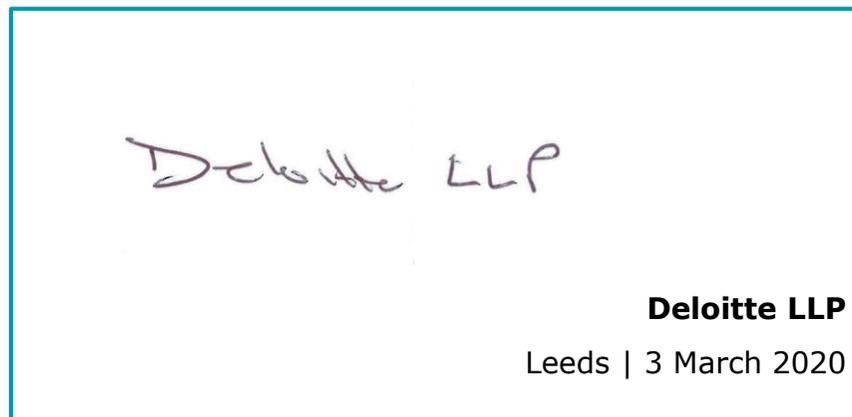
This report has been prepared for the Audit Committee on behalf of the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other 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.

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



# 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:

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<b>Independence confirmation</b>	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.
<b>Fees</b>	There are no non-audit fees for 2019/20 outside of those noted in the table on the following page.
<b>Non-audit services</b>	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.
<b>Relationships</b>	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.

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# Independence and fees

The professional fees expected to be charged by Deloitte in the period from 1 April 2019 to 31 March 2020 are as follows:

	Current year £	Prior year £
Financial statement audit including Whole of Government and procedures in respect of Value for Money assessment [1]*	84,818	84,818
Agree variation relating to HRA review	-	15,000
Additional audit fees – 2018/19 financial statements	-	18,000
Additional fee for Houndshill acquisition [2]*	TBC	-
Additional fee for IFRS 16 [3]*	TBC	-
Additional fee for changes in the current year [4]*	TBC	-
<b>Total audit</b>	<b>84,818</b>	<b>117,818</b>
Audit related assurance services – Housing Benefit	10,250	10,250
Audit related assurance services – Teachers pension return	4,000	4,000
Audit related assurance services – Pooling of Housing Capital Receipts	4,000	4,000
<b>Total assurance services</b>	<b>18,250</b>	<b>18,250</b>
<b>Total fees</b>	<b>103,068</b>	<b>136,068</b>

[1] The fee reflected here is the scale fee. In line with recent PSAA correspondence that scale fees should be negotiated by individual s151 officers, we will be looking to discuss with the Authority the current level of fee.

[2] Fee for additional audit work over acquisition of Houndshill to be agreed and the level will be dependent on whether this is identified as a significant audit risk area with respect to our value for money conclusion.

[3] Fee for audit of the disclosures in 2019/20 accounts regarding implementation of IFRS 16.

[4] Fee for any additional work required in relation to the changes to the Minimum Revenue Provision policy, the Blackpool Transport Services pension fund pooling arrangement, and the two new subsidiaries in relation to the group accounts.

\* All additional fees are subject to agreement with PSAA.

# 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 Audit Quality Monitoring and Measuring programme. In July 2019 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2018/19 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality. We have further transformed our internal review processes including a new focus for reviewing in progress audits, developing our Audit Quality Indicators ('AQI') which are monitored and reported to the firm's executive, and on enhanced remediation procedures.

Whilst we are pleased that overall our quality record, as measured by external inspections, has improved from 76% to 84%, we remain committed to continuous improvement and achieving as a minimum the 90% benchmark across all engagements. We are however, extremely disappointed one engagement received a rating of significant improvements required during the period. This is viewed very seriously within Deloitte and we have worked with the AQR to agree a comprehensive set of swift and significant firm wide actions. We are also pleased to see the impact of our previous actions on impairment, group audits and contingent liability disclosures reflected in the audits under review and there being limited or no findings in those areas. These continue to be a focus in our training, internal coaching and internal review programmes.

We invest continually in our firm wide processes and controls, which we seek to develop globally, to underpin consistency in delivering high quality audits whilst ensuring engagement teams exercise professional scepticism through robust challenge.

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 2018/19 Audit Quality Inspection Report on Deloitte LLP

"We assessed 84% of the firm's audits that we reviewed as requiring no more than limited improvements, compared with 76% in 2017/18. Of the FTSE 350 audits we reviewed this year, we assessed 75% as achieving this standard compared with 79% in 2017/18. We note that our inspection results show only modest improvements in audit quality."

"We had no significant findings arising from our firm-wide work on internal quality monitoring, engagement quality control reviews and independence and ethics."

#### **"Our key individual review findings related principally to the need to:**

- Exercise greater professional scepticism in the audit of potential prior year adjustments and related disclosures in the annual report and accounts.
- Strengthen the extent of challenge of key estimates and assumptions in key areas of judgement, including asset valuations and impairment testing.
- Improve the consistency of the quality of the firm's audit of revenue.
- Achieve greater consistency in the audit of provisions and liabilities."

#### **"The firm has enhanced its policies and procedures during the year in a number of areas, including the following:**

- Through the firm's global audit quality programmes, there has been an increased focus on consistency of audit work across the audit practice. For certain account balances, standardised approaches have been adopted, further use has been made of centres of excellence and delivery centres and new technologies embedded into the audit process to support and enable risk assessments, analytical procedures and project management activities.
- Further methodology updates and additional guidance and training for the audit practice covering group audits, accounting estimates, financial services (including the adoption of IFRS 9) provisions and contingencies and the evidencing of quality control procedures (including EQCR) on individual audits.
- Increased support for audit teams throughout the audit cycle including coaching programmes for teams and greater use of diagnostics to monitor progress.
- Continued focus on the approach to the testing of internal controls. The firm provided additional training and support to audit teams adopting a controls-based audit approach, increased focus on reporting to Audit Committees on internal controls and on the wording of auditor's reports."

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