

## MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 22 OCTOBER 2015

### Present:

Councillor Galley

Councillors

Benson  
Cox

Cross  
O'Hara

Owen  
Hunter

Matthews

### In Attendance:

Mr Neil Jack, Chief Executive

Mr Steve Thompson, Director of Resources

Mr Alan Cavill, Director of Place

Mr John Blackledge, Director of Community and Environmental Services

Mr Iain Leviston, Manager, KPMG

Ms Tracy Greenhalgh, Chief Internal Auditor

Mrs Lorraine Hurst, Head of Democratic Governance

Mr Chris Kelly, Senior Democratic Governance Adviser (Scrutiny)

### 1 DECLARATIONS OF INTEREST

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

### 2 MINUTES OF THE LAST MEETING HELD ON 24 SEPTEMBER 2015

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

### 3 STRATEGIC RISK REGISTER - UNSUSTAINABLE LOCAL ECONOMY / INCREASED DEPRIVATION

The Committee considered a progress report in relation to the individual risks identified on the Council's Strategic Risk Register, specifically in relation to those risks regarding an unsustainable local economy / increased deprivation. The Committee discussed plans to control and mitigate those risks with the strategic risk owners, Mr Cavill, Director of Place, John Blackledge, Director of Communities and Environment and Steve Thompson, Director of Resources.

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

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

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

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

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

Background papers: None

### **4 ANNUAL AUDIT LETTER 2014/2015**

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

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

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

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

Background papers: None

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### 5 PROTECTING THE ENGLISH PUBLIC PURSE

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

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

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

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

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

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

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

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

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

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

The Committee agreed to note the report.

Background papers: None

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

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

### **Chairman**

(The meeting ended at 6.50 pm)

Any queries regarding these minutes, please contact:  
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