

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 14 SEPTEMBER 2017

Present:

Councillor Galley (in the Chair)

Councillors

Elmes	Hunter	Roberts
Hobson	Matthews	L Taylor

In Attendance:

Ms Karen Smith, Director of Adult Services
Mr Mark Towers, Director of Governance and Partnerships
Ms Tracy Greenhalgh, Chief Internal Auditor
Mr Phil Redmond, Chief Accountant
Mr Iain Leviston, Manager, KPMG
Ms Saima Valli, KPMG
Mr Chris Kelly, Senior Democratic Governance Adviser (Scrutiny)

1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

2 MINUTES OF THE LAST MEETING HELD ON 22 JUNE 2017

The Committee agreed that the minutes of the last meeting held on 22 June 2017 be signed by the Chairman as a true and correct record.

3 STRATEGIC RISK REGISTER - INABILITY TO RESPOND TO A MAJOR INCIDENT

The Committee considered a progress report in relation to the individual risks identified on the Strategic Risk Register, specifically in relation to risks regarding 'Inability to respond to a major incident'. The Committee discussed plans to control and mitigate the risks with Ms Karen Smith, Director of Adult Services and Ms Greenhalgh, Chief Internal Auditor.

Ms Greenhalgh updated the Committee with information relating to the sub-risk of 'Reduced capacity across the Council to respond to an emergency'. It was explained that the authority was defined in the Civil Contingencies Act 2004 as being a Category One Responder and Members were advised of the risks of not being able to provide all the resources required of that role in the event of a major incident.

Ms Greenhalgh advised Members of the controls and mitigations that were in place for the sub-risk, explaining that a Major Emergency Plan was in place and that work to control the risk was undertaken on a pan-Lancashire basis through the Lancashire Resilience Forum. She

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 14 SEPTEMBER 2017

provided details of the shared service arrangement that had been established for the delivery of an emergency planning service with the Blackpool Teaching Hospitals NHS Foundation Trust, advising that a performance management framework had now been put in place.

Members were also provided with details of the training opportunities being made available for those responsible for dealing with a major incident, including tactical responders, members of the Corporate Leadership team and operational staff.

Ms Smith, Director of Adult Services, discussed the sub-risk of 'Injury/death to members of the public or staff' and advised Members of the Emergency Response Group to provide humanitarian support in a major emergency. The Committee was provided with details relating to the controls for the risk, which included arrangements for how people would be kept informed of developments, that Vitaline was kept in a state of readiness and that there remained appropriate access to community and rest centres, as well as access to social and psychological support.

Ms Smith reported that the numbers of volunteers on the emergency response group had decreased in recent years, which had been expected due to the decrease in local authority services as a response to budget cuts. However, she advised that a recent recruitment drive had received an enthusiastic response.

The Committee raised questions regarding how the risk score related to other local authorities and Ms Greenhalgh advised that she would expect that there would be a similar risk score in other local authorities, as the risk would always remain.

4 RISK SERVICES QUARTER ONE REPORT - 2017/2018

Ms Greenhalgh presented the Committee with the Risk Services Quarter One Report 2017/2018.

Ms Greenhalgh reported on the key service developments in the first quarter, noting the internal audits that had been scoped in the first quarter and updating Members as to the work being undertaken in relation to Corporate Fraud and Risk and Resilience. The Committee was informed that the Equality and Diversity Service had been transferred to Risk Services on 1 April 2017. Members were also made aware that a shared audit service arrangement with Fylde Council was being discussed, which would involve Ms Greenhalgh being Chief Internal Auditor for both authorities and would result in greater resilience being built into the service.

Ms Greenhalgh reported on the Key Performance Indicators for the service. She reported that there was 100% completion of both Business Continuity Plans by Directorate and Up to Date Risk Registers by Risk Management Group. She noted that work would now be undertaken to test the plans. Members acknowledged the hard work undertaken by staff to ensure the 100% completion of the Business Continuity Plans.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 14 SEPTEMBER 2017

Members noted that only two Members had completed the health and safety i-Pool training course. The requirement for Members to complete the course had been raised with the Leader of the Council and that a reminder to Councillors would be sent by Member Services.

The Committee raised questions relating to the completion of mandatory i-Pool Fraud Awareness training, particularly in regards to the Place directorate that had a significant number of interactions with third parties. Ms Greenhalgh advised that the completion rate was expected to be much higher by the year end, with a target of 100%. She noted that some directorates, which currently had low completion rates, had significantly more staff required to complete the training, but that she would speak to the relevant directors to encourage the completion of the i-Pool amongst staff.

Responding to Members' questions regarding the completion rate of the Audit Plan, Ms Greenhalgh explained that it was normal for Quarter One for the level to be around 13% as it was usual for there to still be work being undertaken to finalise the previous years' audits, which required staffing resources.

The Committee raised questions relating to the change to the Audit Plan at the request of the Director of Children's Services. Ms Greenhalgh advised that the initial audit had been planned with the previous Director of Children's Services in relation to the thresholds for safeguarding and social care. However, that review was now being undertaken by the Corporate Delivery Unit and Internal Audit would instead undertake a review of payments across Children's Services.

The Committee discussed the review of the Council's Whistleblowing Policy. Ms Greenhalgh advised that the policy had been approved by the Standards Committee and directorate contacts had been identified. She explained that once the contacts had been trained, the policy would be formally launched and rolled out across the Council.

Ms Greenhalgh provided the Committee with details relating to the Internal Audit reports that had been issued within Quarter One, as well as informing the Committee of the progress that had been made on priority one recommendations. The Committee noted there had been a number of reports issued relating to Children's Services and raised concerns in regards to controls being inadequate and audit testing revealing weaknesses in some areas. Members requested that the Director of Children's Services be invited to the next meeting of the Committee to explain the progress being made following the Internal Audit Reports.

Responding to further questions from the Committee, Ms Greenhalgh explained that work was ongoing with directors to strengthen controls and improve Housing Benefit debt recovery. She also advised that she would update the Committee on details relating to the Driving at Work audit.

The Committee agreed:

- 1) To note the report.
- 2) To invite the Director of Children's Services to the next meeting of the Committee to explain progress following the Children's Service Internal Audit Reports.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 14 SEPTEMBER 2017

5 EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) AND STATEMENT OF ACCOUNTS 2016-2017

The Committee considered KPMG's Governance Report and the audited Statement of Accounts for 2016-2017.

Mr Redmond, Chief Accountant, summarised the key aspects of the Statement of Accounts and advised that they had been prepared in accordance with the relevant legislation and CIPFA standards. He noted that it had been a challenging budget to deliver with a budget savings target of £25.1m on the back of delivering £93.8m over the previous five years. Mr Redmond explained that there had been an overspend of £2.5 million, mostly due to overspending in Children's Services as a result of increases in the numbers of Looked After Children and the costs and complexity of placements.

The Committee was advised that the statutory deadline for approval of the final accounts would be changing from 30 September to 31 July in 2018. Mr Redmond informed Members that as a preparatory exercise, the accounts had been drafted by 31 May this year. Mr Redmond also informed the Committee that the Public Sector Audit Appointments Limited had appointed Deloitte as the External Auditor for the Council from 1 April 2018.

The Committee raised questions in relation to the income shortfalls within the Places directorate. Mr Redmond advised that in regards to Print Services, it had to compete with the private sector and that in relation to the Illuminations income target, collection methods were being reconsidered as they had been too over-reliant on generosity of visitors and local business for contributions. It was also noted that the income targets had been challenging.

Members raised questions in relation to the overspend in Children's Social Care and it was reported that the increase in numbers of Looked After Children represented a national trend, but that the new Director of Children's Services had established plans to respond to the demand, which had resulted in a plateau in the numbers over recent months and should result in an eventual reduction. The Committee was also advised that a recent recommendation of the Executive had been to lobby Government for more funding to cope with the mounting demand and new burdens presenting in Children's Services.

The Committee noted that the actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the balance sheet had increased by £72.8m during the year. Mr Redmond explained that the changes had been as a result of a revaluation of the pension fund and changes to financial assumptions, for instance how long people were expected to live.

Concerns were raised over comments in the Statement of Accounts that the current economic climate made it uncertain that the Council would be able to sustain its current spending on repairs and maintenance. Mr Redmond assured Members that buildings were

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 14 SEPTEMBER 2017

still maintained but the level of resource that could be invested in maintenance was subject to budgetary pressures.

The Committee also raised concerns relating to the level of reserves and questioned whether the current level was sufficient for the year ahead. Mr Redmond advised that the Executive had recently recommended that the reserve levels be increased and that there were significant levels of earmarked reserves, which could be reviewed if required.

Mr Leviston, Manager, KPMG presented the External Auditor's Report to those Charged with Governance and commented that the financial reports had been of a high quality and thanked Council officers for their help and co-operation throughout the audit process. He reported that it was expected that an unqualified audit opinion would be issued on the Authority's 2016/2017 financial statements.

The Committee was advised that there had been two areas that had been considered significant audit risks by the External Auditor, those being 'changes in the pension liability due to Local Government Pension Scheme Triennial Valuation' and 'Valuation of property plant and equipment'.

Mr Leviston explained that the second part to the report contained the Value for Money conclusion. Mr Leviston advised that there had been two Value for Money risks identified in relation to financial resilience and Children's Services, but that the External Auditor had concluded that the Authority had made proper arrangements to ensure that it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Mr Leviston also informed the Committee that the External Auditor's work had identified a small number of issues, although none of which were considered to be a high priority. Members noted the management response from the Authority to the identification of those issues and raised questions in relation to housing system allocations, for which the management response had been not to accept the risks identified. Mr Leviston advised that the issue would be considered when conducting the next audit to ascertain the reasons for the difference of opinion.

Members queried whether the External Auditor's Report to those Charged with Governance would be prepared next year in line with the revised statutory deadlines for approval of the final accounts. Mr Leviston advised that work had been undertaken already to prepare for the change and that the report could have been produced in time for the revised deadline this year had it have been required.

The Committee agreed:

- 1) To note the External Auditor's Report to those charged with Governance (ISA 260) for 2016/2017.
- 2) To approve the audited Statement of Accounts for 2016-2017.

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 14 SEPTEMBER 2017

6 REGULATION OF INVESTIGATORY POWERS ACT - UPDATED POLICY

Mr Towers, Director of Governance and Partnerships, presented the draft revised policy for the Council's Regulation of Investigatory Powers Act (2000) policy.

It was explained that the Council was required to have in place a policy for when it undertook 'directed surveillance' or used a 'covert human intelligence source' and that those activities must only be authorised by an officer with specific delegated powers when the relevant statutory criteria were satisfied.

Mr Towers advised that the Council had recently been inspected regarding compliance with the statutory provisions which govern the use of covert surveillance. He explained that the result of the inspection was positive with a number of recommendations around raising awareness to the non-traditional RIPA audiences, for example Social Care, Human Resources and Council companies. He further explained that some recommendations for good practice had now been implemented and were part of the revised policy.

The Committee was provided with details regarding the changes that had been made to the existing policy and questioned how awareness of the policy had been raised. Mr Towers advised that sessions had been held with Departmental Management Teams and that awareness raising had been targeted at those specific services that could potentially undertake a covert surveillance investigation.

The Committee agreed to approve the revised Regulation of Investigatory Powers Act (2000) policy.

7 DATE OF NEXT MEETING

The Committee noted the time and date of the next meeting as 6pm on Thursday 16 November 2017.

Chairman

(The meeting ended at 7.35 pm)

Any queries regarding these minutes, please contact:

Chris Kelly, Acting Scrutiny Manager

Tel: 01253 477164

E-mail: chris.kelly@blackpool.gov.uk