

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 25 JULY 2019

Present:

Councillor Galley (in the Chair)

Councillors

Burdess	Cox	Hugo	Mrs Callow JP
Critchley	Mitchell	D Scott	

Ms Russell, Independent Member

In Attendance:

Mrs Tracy Greenhalgh, Head of Audit and Risk
Mr Neil Jack, Chief Executive
Ms Rebecca Maidment, Head of Safeguarding (Item 3 only)
Mr Les Marshall, Head of Adult Social Care (Item 3 only)
Mr Steve Thompson, Director of Resources
Ms Karen Tomlinson, Senior Accountant
Mr Mark Towers, Director of Governance and Partnerships
Ms Kirsten Whyatt, Finance Manager
Mrs Elaine Ireland, Democratic Governance Senior Adviser

Mr Nick Raynor, Senior Manager, Deloitte
Mr Paul Thomson, Risk Advisory Partner, Deloitte

1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

2 MINUTES OF THE LAST MEETING HELD ON 13 JUNE 2019

The Committee agreed that the minutes of the meeting held on 13 June 2019 be signed by the Chairman as a true and correct record, subject to the amendment of Ms Yvonne Russell as an Independent member of the Committee.

3 ADULT SAFEGUARDING ENQUIRIES AUDIT UPDATE

Members were reminded that at its meeting on 13 June 2019, the Audit Committee had agreed to invite Heads of Service to meetings in order to provide updates in relation to internal audit recommendation implementation.

The Committee considered a progress report on the recommendations made in the internal audit report of Adult Safeguarding enquires issued on 13 November 2018.

Mr Les Marshall, Head of Adult Social Care, introduced the report and provided further

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information in relation to recommendations R1 and R2.

R1 The setting of timescales for addressing error report items should be considered and followed up accordingly by the relevant team manager.

Mr Marshall explained that this had been completed, with each team manager and deputy team manager having access to the report, which provided a live overview of any errors being addressed. Members were informed that operational errors still occurred but that they were now closely monitored and regularly updated.

R2 The introduction of a more formal reporting vehicle as part of the peer audit process should be considered to ensure that its benefits are maximised. This should include the effective and timeous communication of results to Safeguarding Leads and a regular review of the audit template.

Mr Marshall confirmed that the recommendation had been completed with the peer audit programme conducted on a rolling three month programme.

Ms Rebecca Maidment, Head of Safeguarding, addressed recommendations R3, R4 and R5.

R3 Adult Services should determine how the recording of the rationale for decisions and risk assessment outcomes can be improved.

Ms Maidment informed the Committee that this had been included as part of the peer audit programme and that she would be commencing additional management audits. Ms Maidment explained that the management audits would be trialled in July, with the intention of rolling them out across the senior management team in September.

R4 The position of the Quality Monitoring Officer (QMO) in the enquiry process should be reviewed.

The Committee was informed that the social worker based within the QMO team now acting as the Safeguarding Lead had been working well, with no further amendments required at present.

R5 Adult Services should determine how the communication of conclusions to interested parties (and recording of the communication) can be improved. This should include prompts within the appropriate screens to remind the user to consider whether a formal communication is required; and the recording of the rationale for not issuing a formal letter to interested parties on Mosaic.

Ms Maidment confirmed that a formal conclusion and response was now communicated to all attendees and interested parties following each meeting and that consideration of changes to the MOSAIC computer system was to be undertaken by the Adult Social Care Senior Management Team in July 2019.

The Chair thanked both officers for their contributions and the Committee noted the progress made in relation to the recommendations.

[Mr Marshall and Ms Maidment left the meeting on conclusion of this item.]

4 STRATEGIC RISK REGISTER - IMPACT OF BREXIT

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Members were reminded that at its meeting on 13 June 2019, the Audit Committee had 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.

Mr Steve Thompson, Director of Resources introduced a report outlining the controls that were being implemented to manage the strategic risk relating to the impact of Brexit. He informed members that a Council Task and Finish group had been established last year which currently met monthly, although it was anticipated that the frequency of meetings would increase as the October 2019 Brexit deadline approached.

The Committee reviewed the Strategic Risk Register progress report with Mr Thompson clarifying that a number of more detailed action plans were in place beneath the report, which contained more specific detail around the identified risks.

The Committee queried the relatively small size of the Task and Finish group for such a large undertaking and were reassured that the small coordinating team would communicate with all relevant departments and agencies, with key individuals being co-opted onto the group, as necessary.

It was acknowledged that the Council could not alleviate all the risks associated with Brexit but could prepare for the potential implications of them and produce prioritised action plans as required.

The Committee noted the report.

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

The Committee considered Deloitte's Governance Report and the audited Statement of Accounts for 2018/2019. Mr Thompson assured members that the finance department had been working tirelessly to ensure the deadline of 31 July 2019 would be met.

The Committee reviewed and considered the accounts, with questions of clarification being answered by the Director of Resources. Members queried the risk of the Council being over exposed in terms of its short and long-term borrowing, with Mr Neil Jack, Chief Executive explaining that any potential changes to interest rates were closely monitored and that loan terms could be changed should it be considered prudent to do so at any time.

Members noted the increase of 17 per cent to capital spending and questioned whether any delayed projects generated the risk of funding losses. Mr Thompson assured members that the funding streams and associated deadlines were being closely monitored in order to mitigate any such risks.

Mr Paul Thomson, Risk Advisory Partner at Deloitte informed the Committee that an

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outstanding area of work preventing the external auditors from concluding their work with the accounts at this stage was the potential financial impact of the McCloud ruling in relation to public sector pensions. The Committee heard that the Council had obtained an updated actuarial report to allow them to adjust the pension liability for the impact of the McCloud case and that the adjustment had been included in the latest version of the financial statements. The result was an increase in the net pension liability by £3.5 million. Deloitte's internal pension specialists were in the process of reviewing the updated report prior to final agreement of the accounts.

Mr Thomson highlighted a further significant risk in relation to the 2018 Ofsted inspection of Children's Services. Following this inspection Children's Services had been given an overall rating in the January 2019 report of 'Inadequate'. Deloitte had therefore identified a significant Value for Money (VfM) risk over the delivery of the improvements required as a result of the Ofsted report. Mr Thomson stressed that Deloitte had identified progress made towards delivering the actions required to address the Ofsted findings and that the Council had also dedicated significant attention, time and investment to this matter going forward into 2019/2020. Deloitte planned to issue an except for qualification to the VfM conclusion in relation to the Council's arrangements to plan, organise and develop the workforce to effectively deliver strategic priorities and regarding effective working with partners to deliver strategic priorities, specifically in Children's Services. Members requested that a statement be included to reflect the work and progress of the Council since the Ofsted inspection findings, which Mr Thomson agreed to include.

A final key area identified by Mr Thomson was that of the Council's Housing Revenue Account (HRA). As part of Deloitte's responsibilities as the appointed auditor to the Council they had been requested to undertake a review of Blackpool Council's accounting treatment in relation to its HRA and specifically the statutory ring-fence for the years ended 31 March 2017 and 31 March 2018. The most significant finding was connected to the external auditor's work on areas of expenditure where they had identified two transactions between Blackpool Coastal Housing (BCH) and the Council, where BCH had made a payment to the Council from its accumulated reserves. Whilst management had obtained legal advice on BCH's ability to make such payments and subsequently did not consider the transactions to be breaching the statutory ring-fence, Mr Thomson expressed concern that payments from BCH to the Council could be perceived as an inequitable allocation of resources between council tenants and the wide population represented by the Council. As a result, Deloitte had recommended that the Council did not repeat such transactions but reviewed the management fee paid to BCH to alleviate reserves being built up by BCH. The Director of Resources acknowledged Deloitte's concerns in relation to the HRA and assured members that there was no expectation of such a transfer reoccurring, with a Task and Finish group having been established specifically to monitor the issue.

The Committee agreed to approve the Statement of Accounts for 2018/2019 subject to no material changes resulting from the outstanding work still to be completed. Should any material change become apparent, the Committee would defer the agreement of the accounts to the next meeting of the Audit Committee on 12 September 2019.

[Councillor Mrs Callow left the meeting during consideration of this item.]

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6 PUBLIC SECTOR INTERNAL AUDIT STANDARDS EXTERNAL ASSESSMENT

Mrs Tracy Greenhalgh, Head of Audit and Risk informed the Committee that Public Sector Internal Audit Standards (PSIAS) required that an external assessment of an organisation's internal audit function be carried out once every five years by a qualified, independent assessor or assessment team. Such external assessments could be in the form of a full external assessment, or a self-assessment with independent external validation. Mrs Greenhalgh wished to seek approval for the method by which the external assessment would be undertaken at the Council.

The Committee was informed that the Council had obtained quotations from a number of external providers who could undertake the external assessment, however quotations received were in the region of £9000 to £11000. An alternative suggestion was a peer review process developed by the Lancashire Districts Chief Auditor Group (LDCAG) which would address the requirement of a self-assessment with independent external validation.

Participating in the peer review process would incur no direct costs, although there would be a time commitment for the Head of Audit and Risk to become a reviewer or moderator for another authority. It would be for the LDCAG to ensure that the time burden was evenly spread with each participating authority taking its share.

Mrs Greenhalgh informed members that the external assessments were unlikely to take place until 2020/2021 but that a decision would be required at this stage to ensure that the peer review process could be robustly planned and timetabled.

Prior to undertaking the external assessment a full self-assessment would be carried out by the Head of Audit and Risk and the results provided to Audit Committee for consideration.

Mrs Greenhalgh informed the Committee that she considered that validation of the self-assessment by an external body would be the most efficient and cost effective use of resources. The LDCAG Peer Review process would involve a pre-review element where the self-assessment and supporting documentation would be reviewed by the peer review team. In addition, a questionnaire would be issued to key stakeholders at the Council to obtain feedback. An on-site review would then take place and the Council would be assessed against key themes which would form the basis of the standards.

Following this, a report would then be issued which would state whether the internal audit team conformed, partially conformed or did not conform to the standards. This report would then be presented to the Audit Committee and would form part of the internal audit team's Quality Assurance and Improvement Programme.

Mrs Greenhalgh informed members that she was satisfied that the other organisations involved in the peer review had the appropriate qualifications and independence to undertake the review.

The Committee approved the Council's participation in the peer review process developed

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by the Lancashire Districts Chief Auditor Group.

7 DATE OF NEXT MEETING

The date and time of the next meeting of the Committee was noted as 12 September 2019, commencing at 6pm.

Chairman

(The meeting ended at 7.25 pm)

Any queries regarding these minutes, please contact:
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