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## MINUTES OF AUDIT COMMITTEE MEETING - WEDNESDAY, 27 NOVEMBER 2019

### **Present:**

Councillor Galley (in the Chair)

Councillors

Burdess	Cox	Farrell
Callow	Critchley	Roberts

### **In Attendance:**

Mrs Tracy Greenhalgh, Head of Audit and Risk  
Mr Neil Jack, Chief Executive  
Mr Phil Redmond, Chief Accountant  
Mr Steve Thompson, Director of Resources  
Ms Karen Tomlinson, Senior Accountant  
Mr Mark Towers, Director of Governance and Partnerships  
Mrs Elaine Ireland, Democratic Governance Senior Adviser

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

### **Also Present:**

Councillor Mrs Callow, Chair of the Scrutiny Leadership Board

## **1 DECLARATIONS OF INTEREST**

Councillor Galley declared a personal interest in relation to agenda item 4 Management Representation Letter due to his position as a Non-Executive Director on the Board of the Blackpool Entertainment Company Limited.

## **2 MINUTES OF THE LAST MEETING HELD ON 12 SEPTEMBER 2019**

The Committee agreed that the minutes of the meeting held on 12 September 2019 be signed by the Chairman as a true and correct record.

## **3 STATEMENT OF ACCOUNTS 2018/2019**

The Chairman summarised the decision taken by the Committee at its meeting on 25 July 2019 to approve the Statement of Accounts for 2018/2019 subject to no material changes resulting from the outstanding work still to be completed at that time. Further to that decision, at its meeting on 12 September 2019, Mr Paul Thomson, Risk Advisory Partner at Deloitte had informed the Committee that the potential financial impact of the McCloud ruling had been resolved, however a further query with regards to the Council's accounting reserves had prevented the external auditors from agreeing the final Statement of Accounts.

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The Chairman updated the Committee that no material changes had been identified as a result of the additional queries and as such the Committee was being asked to review and approve the audited Statement of Accounts for 2018/2019.

Mr Steve Thompson, Director of Resources reminded Committee Members that Deloitte had been newly appointed as the Council's external auditors. As such, discussions had taken place regarding the treatment of transactions which had been dealt with in a particular way on a long-standing basis due to the advice provided by the Council's former external auditors, but which Deloitte now advised should be treated differently.

Mr Paul Thomson stated that the financial statements had now been agreed, with a number of the required adjustments relating back to the 2017/2018 period. The Committee was informed that Mr Thomson did not anticipate that the same high level of alterations would be necessary in future years as adjustments had since been applied following advice from Deloitte. In addition Deloitte had suggested to Mr Thompson that an annual April workshop with the Council's financial team would be beneficial to allow for a clear understanding of interpretations for future financial statements.

The Committee questioned whether, due to the length of time taken to complete the audit this year, the proposed workshops would be more beneficial if they occurred earlier in the year. Mr Thomson reiterated that as the issues had largely related to the previous year's figures and that necessary changes had been implemented to address these, he felt that a workshop at the end of April to review all key actions would be timely. Mr Thompson highlighted that, in his opinion, the Council's finance team had not been responsible for any errors in the accounting process, rather that they had been interpreting the data in line with advice provided by the previous external auditors.

Committee Members queried whether there would be a resulting financial impact due to the additional time spent reviewing the accounts by Deloitte. Mr Thompson advised that he would review the invoice from the external auditors and seek advice as appropriate. Further questions were asked by the Committee around the fact that no material changes had been identified as a result of the process. Mr Thomson stated that any sort of overrun was not desirable but that his team had to be satisfied that the accounts had been materially correct before approving them. The Committee asked Mr Thomson if Deloitte had a figure in mind. He said they had an estimated figure but that had not yet been finalised. The Committee assured Deloitte that the itemised bill in respect of the final amount would be closely scrutinised. Committee Members also made the point clear that the expectation would be that every effort should be made to ensure that next year's accounts be completed within the agreed timeframe.

With regards to the Value for Money (VfM) qualified opinion, the Committee questioned what evidence had been used to form the qualification. Mr Thomson stated that although other evidence had been considered, the qualification was as a sole result of the 'Inadequate' Ofsted rating of Children's Services. Mr Thompson responded that although the narrative to the accounts contained nothing unexpected, he felt that the VfM judgement of Children's Services was unfair as Ofsted inspectors had not sought information

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from the finance team during the course of their review. Mr Thomson on behalf of Deloitte commented that was standard wording used in such circumstances.

**The Committee agreed:** To approve the audited Statement of Accounts for 2018/2019.

### **4 MANAGEMENT REPRESENTATION LETTER**

The Committee considered the contents of the Management Representation Letter for 2018/2019.

Members questioned the external audit qualification of Blackpool Entertainment Company Limited (BECL) as a consequence of the company not making an appropriate provision against a significant unpaid debtor balance and requested clarification on the potential consequences if this was not paid. Mr Thompson assured the Committee that the issue was for the BECL Board to pursue with its external auditors and as the company maintained its own separate accounts it was not for the Council to resolve.

**The Committee agreed:**

- 1) To note the contents of the Management Representation Letter for 2018/2019.
- 2) That the letter be signed by the Chairman of the Audit Committee and Director of Resources.
- 3) That the signed letter then be provided to Deloitte.

### **5 RISK SERVICES QUARTER TWO REPORT**

The Committee considered the Risk Services Quarter Two report which provided a summary of the work completed by Risk Services in quarter two of the 2019/2020 financial year.

Mrs Tracy Greenhalgh, Head of Audit and Risk informed the Committee that the majority of completed audits had scored either 'Good' or 'Adequate'. A question was raised regarding the Corporate Fraud Statistics report with respect to the categories identified for monitoring. Mrs Greenhalgh explained that a benchmarking exercise had been used to identify the categories monitored by other Local Authorities and the numbers of each type of fraud identified. In addition, Mrs Greenhalgh made reference to an annual benchmarking exercise undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) which she offered to bring to the Committee's next meeting for consideration in conjunction with the Risk Services Quarter Three report. The Committee requested a target date for the completion of the Volunteering Audit report, which Mrs Greenhalgh confirmed would be provided to Committee Members.

In relation to the Communication and Regeneration audit of Advertising, the Committee queried whether time had been scheduled for the follow-up of the 16 Priority Two recommendations. Mrs Greenhalgh suggested that this be added to the Committee's Work Plan to ensure adequate assurance could be provided to the Committee of the completion of the recommendations.

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Committee Members asked whether sufficient progress had been made in addressing the recommendations resulting from the Covert Surveillance audit. Mrs Greenhalgh stated that staff training was ongoing and awareness was continually improving.

**The Committee agreed:** To note the report.

### 6 COVERT SURVEILLANCE POLICY

Mr Mark Towers, Director of Governance and Partnerships presented the Committee with the revised Covert Surveillance Policy. He explained that the policy had been updated to reflect current good practice and to recognise that some covert surveillance activity undertaken by the Council fell outside the Regulatory of Investigatory Powers Act (2000). Mr Towers assured Committee Members that the updated document provided a complete and accurate policy.

Members asked whether an inspection of the Council's covert surveillance operations could be expected. Mr Towers confirmed that an inspection by the Investigatory Powers Commissioner was anticipated in the near future as inspections usually occurred approximately every three years.

The Committee commended the policy and questioned if staff training had been provided to support operational implementation across departments. Mr Towers confirmed that the Corporate RIPA Group had been overseeing implementation of the policy and an external trainer had been consulted in the creation of the policy. Targeted training had been and would continue to be provided as required.

**The Board agreed:** To approve the revised Covert Surveillance Policy.

### 7 DATE OF NEXT MEETING

The date and time of the next meeting of the Committee was noted as 23 January 2020, commencing at 6pm.

**Cllr Paul Galley, Chairman**

(The meeting ended at 6.50 pm)

Any queries regarding these minutes, please contact:  
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