

## MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 12 MARCH 2020

### Present:

Councillor Galley (in the Chair)

Councillors

Burdess	Collett	Critchley	Mitchell
Callow	Cox (Items 1-10 only)	Farrell (Items 1-10 only)	Roberts (Items 3 - 11 only)

### In Attendance:

Mr Naresh Chohan, Internal Auditor  
Mr Neil Jack, Chief Executive  
Mr Phil Redmond, Chief Accountant  
Mr Steve Thompson, Director of Resources  
Mr Mark Towers, Director of Governance and Partnerships  
Mrs Elaine Ireland, Senior Democratic Governance Adviser

Mr Craig Wisdom, Deloitte Partner

### Also Present:

Councillor Mrs Callow, Chair of the Scrutiny Leadership Board

### 1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

### 2 MINUTES OF THE LAST MEETING HELD ON 23 JANUARY 2020

The Committee agreed that the minutes of the meeting held on 23 January 2020 be signed by the Chairman as a true and correct record.

### 3 BUDGETARY CONTROL AUDIT FOLLOW-UP

[Councillor Roberts joined the meeting during consideration of this item.]

Mr Phil Redmond, Chief Accountant presented the Committee with a progress report on the recommendations made following the internal audit review of Budgetary Control. The scope of the review had been to ensure that adequate and effective controls were in place to minimise financial risks in relation to budgetary control. The Committee was informed that overall it had been assessed that an adequate system of budgetary control was in place, but that controls around journal transfers and training had been identified as requiring further enhancement.

In relation to R1 'The i-Pool course 'Financial Management Training' should be reviewed and

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updated and rolled out to existing budget holders and those new in post with financial responsibilities' Mr Redmond reported that the Financial Management i-Pool course had been reviewed, updated and sent to the i-Pool systems administrator for uploading. Following a question on how the new module differed to the replaced training course, Mr Redmond advised that the previous course had been introduced five years ago and as such was out of date and required a refresh. The Committee was informed that the new content would be available within the next seven weeks. With regards to member training, Mr Redmond confirmed that following the closure of the year-end accounts, training would be provided on the 2019/2020 Statement of Accounts.

The Committee noted that all of the seven recommendations had been implemented with the exception of the following two:

R6 'The cash limited budget regime should be consistently applied or the policy should be amended to reflect current practices.' Mr Redmond advised that the Medium Term Financial Sustainability Strategy would be updated after the Spending Review 2020, following which the policy would then be reviewed.

R7 '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.' The Committee was informed that as the Scheme of Delegation had now been updated, the review of user roles and profiles would be undertaken.

When asked which recommendation had proven to be the most beneficial from the review, Mr Redmond identified that R2 'Local schemes of delegation should be implemented for each directorate in line with the Corporate Scheme of Delegation requirements,' had been constructive due to the five local schemes of delegation which resulted.

### **4 STRATEGIC RISK REGISTER - INEFFECTIVE GOVERNANCE**

The Committee considered a progress report outlining the individual risks identified within the Strategic Risk – Ineffective Governance, from the Council's Strategic Risk Register.

Mr Mark Towers, Director of Governance and Partnerships provided an overview of the sub-risk 'Data theft, leakage and breaches.' Mr Towers informed the Committee that the Council had accepted an invitation from the Information Commissioner's Office (ICO) to undertake a consensual audit to take place during the week commencing 21 September 2020 and that a key focus of the audit would be to determine whether the Council had adequately implemented policies and procedures to regulate the processing of personal data and as such would be a good measure of the activities currently in place. When questioned on the resource impact of the impending audit, Mr Towers acknowledged that the resulting increase in workload had impacted a number of target deadline dates and that external help by way of the current partnership with Blackpool Teaching Hospitals Trust had been brought in to help the team prepare.

Mr Steve Thompson, Director of Resources updated the Committee in relation to the sub-

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risk 'Increased risk of fraud.' Members questioned whether cross-working between departments and with the Department for Work and Pensions (DWP) had been hindered by General Data Protection Regulation guidelines. Mr Thompson replied that data sharing with the DWP was permitted and it had been working very effectively.

In response to a query regarding whether the Council had its own dedicated Counter-Fraud team, Mr Naresh Chohan, Internal Auditor confirmed that the Council's Counter-Fraud team consisted of one Senior Counter Fraud Adviser and two Corporate Fraud Officers.

With regards to the sub-risk 'Non-compliance with statutory requirements and internal procedures' Mr Towers confirmed that a Good Governance Group had been established, chaired by himself and attended by the Head of ICT Services, the Head of Audit and Risk and the Head of Legal Services, amongst others. The work of the group would be publicised via the publication of the Annual Governance Statement with links within this to a range of documents aimed at promoting good governance practices.

Mr Thompson advised that in relation to the sub-risk 'Lack of effective risk management embedded across the Council' a number of potential solutions for a risk management system were still being considered but that the associated costs were proving prohibitive.

Members raised a number of questions around the sub-risk 'Failure to effectively manage equality and diversity legislation.' Mr Neil Jack, Chief Executive advised that the action to ensure that the Council's Wholly Owned Company's Boards were aware of their responsibilities in relation to public sector equality had been introduced in response to a variety of legislative measures being developed in this area.

### **5 RISK SERVICES REPORT QUARTER THREE**

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

Mr Chohan, Internal Auditor informed members that all audits had now either been scoped, planned or were about to commence. Following the recent restructure of Internal Audit, all posts had now been successfully filled.

A question was raised as to the reasons behind only 91 per cent of Council services demonstrating up to date business continuity plans. Mr Thompson, Director of Resources clarified that plans had been in place within all departments but that in some cases evidence of sufficient updates had been lacking. He assured members that arrangements were in place to address this issue. Mr Jack, Chief Executive reiterated that all corporate business continuity plans which had been identified as essential were up to date.

The Committee noted that the Communications team had not yet updated either their business continuity plan or their Risk Register, with assurances provided by Mr Thompson that both these would be addressed prior to the next report to the Audit Committee.

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Discussion was held around the Performance Indicator measuring the number of trained Emergency Response Group volunteers. Mr Chohan advised that the 2019/2020 target had not been achieved and was questioned regarding the recruitment of suitable volunteers from the Council's Wholly Owned Companies (WOC). Mr Jack advised that such recruitment may not be appropriate from all of the WOCs and that volunteers were largely sought from Highways and Adult Social Care as they demonstrated the necessary knowledge and skills. The Committee requested that the Director of Adult Services be invited to attend the next meeting of the Audit Committee in order to provide an update and further information.

Committee members were informed that insurance renewals for April 2020 onwards would be placed under the long term agreements procured in April 2019 for a period of up to five years. The financial benefits of securing long term agreements were questioned and Mr Thompson assured the Committee that sufficient savings had been secured by committing to five year contracts.

Mr Towers, Director of Governance and Partnerships was questioned over the maintenance of a register of interests for Council Officers. He confirmed that a register was maintained and updated annually and anticipated that the introduction of an electronic system should make the process quicker and easier.

Mr Chohan drew the Committee's attention to any completed audits which were rated as Inadequate or where Priority One recommendations had been made. Discussion occurred around the audit of Contract Management and Social Value which had resulted in two Priority One recommendations and internal audit had identified that the implementation of effective contract management was inconsistent across the Council. Mr Thompson summarised that the procurement process had been recognised as just the start of any contractual agreement and that the monitoring of contractor performance would be necessary throughout the duration of a contract. A new Social Value Coordinator post had been created and recruited to which would create capacity and resource to further strengthen arrangements.

Further information was requested regarding the proposed Contract Management training. Mr Thompson explained that a risk-based targeted programme of training would be introduced, with additional information to be provided to the Committee at a future meeting.

### **6 INTERNAL AUDIT PLAN 2020/2021**

Mr Chohan, Internal Auditor explained the process of formulating the Internal Audit Annual Plan. The Committee was informed that each risk based review would include core areas of internal control such as business planning, performance monitoring and security of assets. Segregation of duties in key processes would remain an important focus given the current economic climate and issues identified from past work. Compliance testing would account for approximately forty per cent of the allocated audit resource to complement risk based audit work with a robust set of compliance testing. Members were assured that changes to the programme of risk based work would only be made following discussion with the Council's Section 151 Officer. Any changes would be notified to the Audit Committee

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through the quarterly report of the Head of Audit and Risk.

The Committee questioned whether any areas for review had been excluded from the annual plan due to a lack of resources, with Mr Chohan confirming that all areas requiring review had been included.

Questioning occurred around the issue of 'Value for Money', with members querying whether the required entrepreneurial skills were evident across the audit team. Mr Thompson advised that should skills gaps be identified then any required services could be sourced externally as needed.

**The Committee agreed:** To approve the Internal Audit Plan for 2020/2021.

### 7 INTERNAL AUDIT CHARTER

Mr Chohan, Internal Auditor presented the Internal Audit Charter for 2020/2021 and explained that it established Internal Audit's position within the Council and defined the scope of Internal Audit activities and reporting lines. The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) set the Internal Audit standards in respect of local government across the UK and adopted a common set of Public Sector Internal Audit Standards in April 2013. The Charter followed the model document provided by the CIIA.

**The Committee agreed:** To approve the Internal Audit Charter 2020/2021.

### 8 FRAUD PREVENTION CHARTER

Mr Chohan, Internal Auditor presented the Fraud Prevention Charter 2020/2021 and provided information on the outcome of the CIPFA fraud benchmarking exercise from 2019.

The Charter outlined how Blackpool Council was committed to the prevention of fraud and corruption and the importance of the Council using its income and resources in the most effective way for the delivery of high quality services to the community. As such Blackpool Council required all employees and elected members to act honestly, with integrity and to safeguard the public resources for which they were responsible. The Council also expected the same levels of honesty and integrity from all individuals and companies which it dealt with. The Council would take appropriate action when fraud, bribery or corruption was suspected.

Mr Chohan explained that the Fraud Prevention Charter set out the Council's Anti-Fraud and Corruption Statement which outlined the Council's zero tolerance approach when dealing with fraud, corruption and bribery. It also outlined the fraud risk assessment and associated counter fraud programme which was based on best practice guidance from the CIPFA to ensure that it took account of emerging threats and focused on priority fraud risks.

Also presented to the Committee were the results of last year's CIPFA Fraud and Corruption

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Tracker (CFaCT) survey. The Senior Counter Fraud Adviser completed the annual CIPFA Fraud and Corruption Tracker survey on behalf of the Council, the results of which provided a national picture of fraud, bribery and corruption across UK local authorities and the actions being taken to prevent it, with the results of the tracker survey having been used to assist with the development of the Council's Fraud Prevention Charter.

Discussion was held around the fraud types and estimated associated value, with clarification sought on whether budgetary provisions were made for estimated fraud values. Mr Thompson, Director of Resources advised that whilst specific provision for incidences of fraud was not included within the budget, estimated figures for non-collection of Council Tax were included.

When asked whether any links with the Communications team were planned in order to raise awareness of future anti-fraud programmes, Mr Jack, Chief Executive stated that such promotion was currently utilised on an ad-hoc basis but that a more strategic approach could be beneficial.

The Committee considered the subject of business rate fraud, in particular cases where there had been a failure to list properties as being a business address. Mr Jack clarified that improved joint working between the HMRC and other agencies, including the Council, had resulted in better targeting of efforts in reducing the potential for fraud and that work continued in this area to make use of data matching.

**The Committee agreed:** To approve the Fraud Prevention Charter for 2020/2021.

### 9 STRATEGIC RISK REGISTER 2020/2021

The Committee considered the Council's revised Strategic Risk Register for 2020/2021. Members were reminded that Blackpool Council's Risk Management Framework 2018-2021 had been agreed by the Audit Committee on 18 January 2018. This set out the roles and responsibilities of the Audit Committee which included to monitor the adequacy of the Council's risk management arrangements; to approve the strategic risk register and consider progress reports on the risks included in it; to gain assurance about the extent to which risk management objectives were being met and to approve the Council's Risk Management Framework. The Strategic Risk Register was reviewed and updated by the Corporate Risk Management Group and the Corporate Leadership Team whilst also receiving annual approval from the Audit Committee.

Throughout 2019/2020 Risk Owners were required to attend Audit Committee on a periodic basis to provide an update in terms of how each risk was being managed and it was proposed that this would continue throughout 2020/2021.

The Committee requested an update on the Covid-19 situation. Mr Jack, Chief Executive advised that the role of the Council in the continuation of the provision of vital services was being closely monitored and the national advice provided by the government would be adhered to. Mr Jack summarised the recent advice issued by the Chief Medical Officer and stressed the importance of assisting in the delay of the spread of the virus to alleviate pressure from the National Health Service (NHS). He assured the Committee that additional

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cleaning of touch points within Council buildings had been introduced, as well as provisions for staff to work from home to be strengthened but reiterated that the priority would be the continuation of essential services to vulnerable residents.

**The Committee agreed:** To approve the Strategic Risk Register 2020/2021.

### 10 EXTERNAL AUDIT PLAN 2019/2020

Mr Craig Wisdom, Deloitte Partner presented the External Audit Plan 2019/2020 and advised that the scope would be broadly in line with the previous year's plan. He highlighted that the risk of Covid-19 had not been included in the plan but that as the situation had since taken on greater significance, it would now be impacting on the audit in a number of ways. The audit timetable had been scheduled for June/July 2020 but the Committee was informed that this may require amendment as a result of the impact of Covid-19.

Mr Wisdom confirmed that the additional audit fees for the 2018/2019 financial statements had been reduced and a new figure of £18,000 had been agreed with the Council. The plan contained three areas where the professional fees had yet to be confirmed: Additional fee for Houndshill acquisition; Additional fee for IFRS 16 and Additional fee for changes in the current year. Mr Wisdom explained that in the interests of full transparency regarding any potential changes of fees, these areas had been identified as ones which may require additional discussion with the Council. In light of the changing landscape regarding the Covid-19 situation, Mr Wisdom advised that any necessary changes to the plan would be communicated to the Council and the Audit Committee as necessary. Mr Thompson, Director of Resources acknowledged that although the agreed fee had been allocated within the Council's budget, any additional charges would be met via contingency funds.

With regards to the 'Value for Money' Risk 2 'Financial Sustainability', the Committee sought assurance regarding the resilience of the Council's reserves. Mr Wisdom confirmed that the reserves would be closely scrutinised as well as consideration being given to additional pressures arising from the Covid-19 outbreak.

**The Committee agreed:** To note the External Audit Plan for 2019/2020.

[Councillors Farrell and Cox left the meeting following consideration of this item.]

### 11 DATE OF NEXT MEETING

The date and time of the next meeting of the Committee was noted as 30 April 2020, commencing at 6pm.

**Cllr Galley, Chairman**

(The meeting ended at 8.00 pm)

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Any queries regarding these minutes, please contact:  
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