

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 11 NOVEMBER 2021

Councillor Galley (in the Chair)

Councillors

Burdess	Hunter	Roberts
Critchley	M Mitchell	R Scott

The following Committee Members whilst not present in the room and not able to vote, joined and participated in the meeting virtually:

Ms Brown and Dr Green, Independent Co-opted Members

The following were in attendance virtually:

Mr Neil Jack, Chief Executive

Mr John Blackledge, Director of Community and Environmental Services

Mr Tony Doyle, Head of ICT Services (Items 1-4 only)

Mr Lee Frudd, Head of Strategic Leisure Assets (Items 1-3 only)

Ms Vicky Gent, Director of Children's Services (Items 1-4 only)

Mrs Tracy Greenhalgh, Head of Audit and Risk

Mr Steve Thompson, Director of Resources

Ms Nicola Wright, Audit and Assurance Partner, Deloitte

Mr Stuart Kenny, Audit and Assurance Senior Manager, Deloitte

Councillor Mrs Callow JP, Chair of the Scrutiny Leadership Board

Mrs Elaine Ireland, Senior Democratic Governance Adviser (present in the room)

1 DECLARATIONS OF INTEREST

Councillor Galley declared a personal interest in relation to agenda item 3 'Audit Follow Up – Strategic Leisure Assets' due to his position as a Council appointed Non-Executive Director on the Blackpool Entertainment Company Limited Board.

Councillor Roberts declared a personal interest in relation to agenda item 5 'External Auditor's Report to Those Charged with Governance (ISA 260) and Statement of Accounts 2020/2021' due to his position as a Council appointed Non-Executive Director on the Blackpool Airport Limited Board.

Councillors Burdess and Galley declared personal interests in relation to agenda item 6 'Risk Services Quarter Two Report' due to their positions as Council appointed Non-Executive Directors on the Blackpool Transport Services Limited Board.

2 MINUTES OF THE LAST MEETING HELD ON 30 SEPTEMBER 2021

The Committee agreed that the minutes of the meeting held on 30 September 2021 be signed by the Chairman as a true and correct record.

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3 AUDIT FOLLOW UP - STRATEGIC LEISURE ASSETS

Mr Lee Frudd, Head of Strategic Leisure Assets presented a progress report on the recommendations made following the internal audit review of Strategic Leisure Assets which had been completed in February 2021. The Committee considered the action plan of agreed recommendations and Mr Frudd provided a summary of progress in relation to each of the resulting six recommendations and an overview of the Council's Strategic Leisure Assets portfolio.

The Committee requested more specific information around the service's Medium Term Financial Plan (MTFP), which Mr Frudd agreed to circulate to Committee Members in confidence.

Following consideration of the report, the Chair of the Committee requested that more specific details around the governance of the Council's Strategic Leisure Assets be brought back to the Committee at a future meeting. The Committee advised Mr Frudd that clearer language and fewer abbreviations would have been useful within his report, particularly when considering the target audience for the information.

With regard to the cited use of 'Visitor Insights' software, the Committee sought further details of how any gathered data would be utilised. Mr Frudd explained that the data would be used to monitor the success of measures introduced to increase visitor numbers and that 'Visitor Insights' formed part of an ongoing suite of monitoring methods.

In response to the Chair's question on which audit recommendation had proven the most beneficial, Mr Frudd advised that whilst they had all been constructive, the recommendations around the MTFP and the need to keep it current had added most value.

[Mr Frudd left the meeting on conclusion of this item.]

4 STRATEGIC RISK REGISTER - SERVICE FAILURE

The Committee considered a progress report outlining the individual risks identified within the Strategic Risk – Service Failure.

Members considered the sub-risk 'Removal of Children's Services from the Council's control,' with Ms Vicky Gent, Director of Children's Services providing an update. Ms Gent reported that the most recent Ofsted monitoring visit had found the service to be making steady progress and had highlighted key areas for continued focus over the following twelve months. She identified that the areas for focus included tackling variability of practice, which centred predominately around ensuring a solid workforce of social workers and strengthening the management team. Ms Gent explained that each monitoring visit usually focused on a single specific area, with the service's 'front door' anticipated to be the main focus of the next visit.

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The Committee noted the successful Ofsted monitoring visit and suggested that the inclusion of more information regarding outcomes within the Strategic Risk Register in relation to the risk would be beneficial going forward.

In response to a question on the Council's dependency on external partners, Ms Gent advised that the Getting to Good Board was responsible for overseeing the input of all partners and for providing scrutiny and challenge to the improvement process, as well as via regular meetings with the Department for Education Improvement Partner who provided a further level of external challenge.

Mr John Blackledge, Director of Community and Environmental Services provided an update in relation to the sub-risk 'Failure of a service provider in high risk contracted areas for statutory services,' in relation to Waste Services. He reported that the implementation of the new Lancashire and Blackpool Waste Strategy had been delayed from its original proposed date of Spring 2021 but that the opportunity would be taken to seek input from Members of the Tourism, Economy and Community Scrutiny Committee. Mr Blackledge assured the Committee that the Council would be in a position to meet the demands of anticipated legislative changes following the introduction of the Environment Bill.

The Committee questioned whether the recent integration of the Council's Street Scene services into Enveco would result in less of an oversight by elected Members of the Council's waste management services. Mr Blackledge advised the Committee that as a wholly owned company of the Council, Enveco would be subject to the same robust governance framework as all Council companies. He reported that Enveco's improvement plan would be overseen by Scrutiny and that Member involvement would be maintained.

Mr Steve Thompson, Director of Resources updated the Committee in relation to the strand of the risk concerned with Procurement, reporting that contract management was currently varied across the Council, with some services requiring further improvement. Mr Thompson suggested that continued oversight of contract management on an annual basis by the Audit Committee would be beneficial.

The Committee considered the sub-risk 'Loss of key infrastructure and resource which results in Council services not being delivered' and received an update from Mr Tony Doyle, Head of ICT Services. The Committee sought further clarification over the stated 'no immediate issues' within the Strategic Risk Register, asking specifically what 'immediate' meant and questioning if longer-term issues were anticipated. Mr Doyle advised that sufficient funds were currently available within the Council's reserves to update the network and maintain the infrastructure and that he did not anticipate the financial situation to change in the short to medium term.

With regard to the fast-paced nature of ICT and the recent necessary developments in home working, the Committee questioned whether the ICT team had sufficient expertise and training opportunities to keep up with the rapid pace of change. Mr Doyle reported a low turnover of staff within the service and a lack of staffing issues at present but noted that IT professionals were currently in high demand which created the potential future risk of losing employees to the private sector.

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Further information was requested on the implementation of the new Council-wide Human Resources (HR) and Payroll system and the new financial management system. Mr Thompson explained that the HR and Payroll system would be live from April 2022 and would provide the benefit of an integrated system to include employees of schools and the Council's wholly owned companies. He reported that the financial management system would be live from April 2023 and that following a thorough procurement process, the contract for the system had now been awarded. Mr Doyle advised that the introduction of cloud-based systems would be a key benefit as this would result in faster software updates and a reduction in downtime, as well as improved functionality and greater efficiency.

The Committee questioned whether hybrid meeting capabilities would be available across a range of Council facilities and venues going forward, with Mr Doyle advising that work was ongoing in this area following trials of a number of hybrid meeting systems. He noted the importance of maintaining security features around virtual meetings, specifically with regard to unauthorised access and the use of recording facilities.

In relation to the update provided on the sub-risk 'Cyber Threats,' Mr Doyle informed the Committee that several systems proactively provided real time alerts to cyber threats which enabled the Council to intercept and thwart attempted cyber attacks. He reported that all staff were required to undertake training on cyber attacks on joining the Council and periodically thereafter to raise and maintain awareness of the risk and the correct course of action for all employees, with the most recent training module drawing on lessons learnt from serious cyber attacks on other Local Authorities. The Committee questioned whether the training had been made aware to Councillors, with Mr Doyle acknowledging that access to Members would be a beneficial inclusion to the training programme. He further informed the Committee that Local Government Association funding had been accessed to provide specialist training to IT staff on cyber security.

The Committee sought assurance as to the resilience of the Council's cloud-based data storage provisions, with Mr Doyle advising that the very best suppliers had been utilised, with the additional precaution of cloud-to-cloud back-up also being included.

[Mr Doyle and Ms Gent left the meeting on conclusion of this item.]

5 EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) AND STATEMENT OF ACCOUNTS 2020/2021

Ms Nicola Wright, Audit and Assurance Partner, Deloitte informed the Committee that the signing of the 2019/2020 audit had been delayed but she anticipated that completion of all necessary signatories would be undertaken during the following week.

With regard to the 2020/2021 audit, Ms Wright reported that Deloitte were happy with the progress and that a small number of areas remained outstanding. She drew Members' attention to the Value for Money status, highlighting that a change in guidance for 2021 required identification of any areas of 'significant weakness'. As such, the Inadequate rating issued by Ofsted to the Council's Children's Services would be referenced within the audit

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opinion but Ms Wright advised that an appropriate narrative update would also be included to reflect the current position.

Mr Stuart Kenny, Audit and Assurance Senior Manager, Deloitte summarised the areas of significant risk as reviewed by the audit, which included the risk of fraud in revenue recognition, completeness of accrued expenditure, valuation of property assets and management override of controls.

Mr Steve Thompson, Director of Resources reported that the audit process had been efficient and that he would submit the Management Responses to the next meeting of the Audit Committee in January 2022.

In response to a question from the Committee asking Ms Wright if all requested information had been provided by the Council, she assured the Committee that she had no concerns to raise and thanked the finance team for their cooperation throughout the audit process.

Resolved:

1. To note the External Auditor's Report to those charged with Governance (ISA 260) for 2020/2021;
2. To approve the Statement of Accounts for 2020/2021 subject to no material changes resulting from the outstanding work still to be completed. Should any material change become apparent, or if the Director of Resources raised any concerns, the Committee would defer the agreement of the accounts to the next meeting of the Audit Committee on 20 January 2022.

6 RISK SERVICES QUARTER TWO REPORT

Mrs Tracy Greenhalgh, Head of Audit and Risk presented a report summarising the work of Risk Services, including the overall assurance statements for all audit reviews completed in quarter two. Mrs Greenhalgh informed the Committee that due to difficulties in appointing suitably qualified staff, a new trainee auditor had been recruited to the team in September 2021. A conditional offer of employment had also been issued for a part qualified auditor, which was currently subject to pre-employment checks before a start date could be confirmed.

Mrs Greenhalgh advised that the Audit and Risk team had continued to support services to review their business continuity plans and transfer existing plans onto the new template which combined business impact analysis and business continuity arrangements. In addition, the team had procured and placed insurance for Enveco Phase Two and Blackpool Airport. She also highlighted that an exercise had been undertaken to test the Council's major emergency plan relating to flood risks. This had served as both a training exercise for key officers and also to identify what lessons could be learned in order to further enhance the Council's planned response.

The Committee was informed of disappointing performance in relation to the percentage of revised risk registers, with 64 per cent having been completed against a target of 100 per

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cent. Mrs Greenhalgh reported an improvement in the completion of fraud awareness training, with 90 per cent of employees having now completed the i-Pool course.

With regard to Assurance Statements, the Committee was informed that the majority of areas reviewed had received adequate or good assurance, with the exception of 'Animal Health Outbreak Planning' which had received inadequate assurance and 'Delivery of the Track Maintenance Programme' and 'Management of Investment Properties' which had both received split assurance.

The Committee queried why Public Health had failed to update its Risk Register, with Mr John Blackledge, Director of Community and Environmental Services advising that this was a reflection of how busy the directorate had been due to the pandemic over recent months. Mr Neil Jack, Chief Executive identified that the timing of performance data reporting had contributed to the unusual performance results and he was confident that an improvement would be reported at the next Audit Committee meeting.

With regard to the inadequate assurance statement for 'Animal Health Outbreak Planning,' Mr Blackledge reported that due to a number of changes within the department, a lack of relevant skills within the team had resulted. He assured the Committee that the issue was being addressed via staff training and the development of an up-to-date contingency plan.

Further to the list detailing types of fraud, the Committee questioned whether marketing campaigns would be undertaken to help raise awareness. Mrs Greenhalgh reported that marketing had been identified as a key action to contribute towards proactive fraud prevention and as such work in this area was scheduled to start imminently.

Additional information was sought over the 'Delivery of the Track Maintenance Programme,' with the Committee asking if robust governance arrangements were in place and whether these included Lancashire County Council. Mr Blackledge advised that the Tramway Infrastructure Improvement Board had recently been established and included the Council, Blackpool Transport Services and Lancashire County Council and would be concerned with the infrastructure and maintenance of the tramway. In addition, the Board would link to the Office for Road and Rail and the Light Rail Safety and Standards Board to ensure thorough oversight of the management, maintenance and operation of the tramway. Mr Blackledge advised that more detailed information on the complex issue of health and safety procedures of the tramway could be understood by watching the tramway maintenance video which had been circulated to Committee Members in advance of the meeting.

Due to the nine Priority Two recommendations arising from the audit of 'Management of Investment Properties,' the Chair requested that the relevant service manager be invited to attend a future meeting of the Audit Committee to provide a progress update, which Mrs Greenhalgh agreed to action.

7 AUDIT COMMITTEE ACTION TRACKER

The Committee considered the updated Action Tracker, noting that no actions were due for further consideration at this time.

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8 DATE OF NEXT MEETING

The date of the next meeting of the Committee was noted as 20 January 2022, commencing at 6pm.

Chairman

(The meeting ended at 8.03pm)

Any queries regarding these minutes, please contact:
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