

MINUTES OF AUDIT COMMITTEE MEETING - THURSDAY, 20 OCTOBER 2022

Present:

Councillor Galley (in the Chair)

Councillors

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| Baker | Critchley | R Scott |
| Burdess | Hunter | |

David Swift, Independent Co-opted Member

In Attendance:

Councillor Mrs Maxine Callow JP, Scrutiny Lead Member

John Blackledge, Director of Community and Environmental Services

Steve Thompson, Director of Resources

Lisa Arnold, Strategic Head of Service Community and Wellbeing, CES Management and Admin Support

Tracy Greenhalgh, Head of Audit and Risk

John Greenbank, Senior Democratic Governance Adviser (Scrutiny)

1 DECLARATIONS OF INTEREST

There were no declarations of interest made on this occasion.

2 MINUTES OF THE LAST MEETING HELD ON 15 SEPTEMBER 2022

The Committee considered the minutes of the last meeting held on 15 September 2022 and requested that Councillor Ms Maxine Callow, Scrutiny Lead-Member, be added to the list of attendees.

Resolved: That the minutes of the meeting held on 15 September 2022, subject to the amendment outlined above, be signed by the Chair as a true and correct record.

3 ANNUAL STATEMENT OF ACCOUNTS 2021/2022

Mr Stuart Kenny, External Auditor, Deloitte, provided a verbal update on progress to sign-off the Annual Statement of Accounts 2021/2022. He informed members that work on the 2021/2022 accounts was underway and it was expected that this would be ready for March 2023.

In respect of the 2020/2021 accounts Mr Kenny reported that Chartered Institute of Public Finance and Accountancy (CIPFA) and the Department for Levelling Up, Housing and Communities, had developed a solution for the recording of Infrastructure Assets. This

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would be enacted via Statutory Instrument on 30 November 2022 and have effect from 21 December 2022. Once this had taken place the work could begin in finalising the 2020/2021 accounts with sign off expected in January 2023. The Committee noted that this timescale would mean that the end of December 2022 and early January 2023 would be busy periods for the external auditor and Council Officers involved.

It was queried if the work required to sign off the outstanding accounts would mean that additional costs were incurred from the external auditor. Mr Kenny explained that this was likely to occur, but that all costs would be agreed with the Council's Corporate Leadership Team and reported to the Committee.

Mr Steve Thompson, Director of Resources, also informed the Committee that from 2023, KPMG had been allocated as the Council's new external auditor.

Resolved: That the update be noted.

4 AUDIT AND RISK SERVICES QUARTER TWO REPORT

Ms Tracy Greenhalgh, Head of Audit and Risk, presented the Audit and Risk Services Quarter Two report. She reported that during quarter two the Audit team had been reduced by three officers to eight auditors which would affect the ability of the team to deliver against the Audit Plan and that any major changes would be reported back to the Committee as part of the quarter three reporting.

Details of work to update to the Council's departmental risk registers were reported with 59% having been completed. In respect of Children's Services it was highlighted that this figure was at 66% completed. Ms Greenhalgh explained that each directorate had a number of risk registers and that the audit team would be chasing up the outstanding registers during quarter three.

The Committee noted that the report stated that the Audit Team had reduced in professional qualifications by 25% in quarter two with Ms Greenhalgh explaining that this figure represented the number of staff with professional qualifications and had been impacted by the reduction in members of the team. She added that the team had recruited a number of trainee auditors to support ongoing audit work, and that although it would take time, this new employees would be supported in gaining the necessary professional qualifications.

Mandatory fraud awareness training in Children's Services was shown at 62% having been completed and the Committee expressed concern that this was lower than other directorates. Ms Greenhalgh replied that the Director of Children's Services (DCS) had been informed of which members of staff not yet undertaken the training and would ensure that they did so in a timely manner. The Committee asked that progress to improve the number who had undertaken the fraud awareness training be highlighted in future reporting to allow ongoing monitoring.

Ms Greenhalgh also reported on the outcome of internal audit reports issued during quarter

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two and reported that in most adequate assurance had been found. In respect of the Children's Service's Financial Systems Development Audit, however inadequate assurance had been found. In response to this the DCS and set up a working group under the responsible Assistant Director to work toward improvement against the audit recommendations made. Mr Steve Thompson, Director of Resources, added that the working group's establishment would provide assurance that the necessary work was taking place and have input from the audit and finance teams. Members therefore asked that a report on the progress of the working group's work be provided to the Committee in six months time.

The Civil Claims Financial Data audit was also discussed with Ms Greenhalgh highlighting that split assurance had been given in this case. This was due to inadequate assurance being found in the handling of potential claims, with changes being made without consultation with the Risk and Resilience and Self Insurance Panel. The Committee was informed that there would therefore be discussions with the panel to determine a suitable approach to be taken to resolve this issue.

It was also queried the what the term "Hardening Markets" meant in respect of this audit, with Mr Thompson explaining that it referred to market conditions where it would be more difficult to place insurance with providers. He further noted that obtaining property insurance had become more difficult and presented a challenge for the Council going forward.

Members noted that in respect of the Adult Services Extra Support Service audit that there had been "minor lapses" in lapse in compliance and queried why therefore four priority two recommendations had been made. Ms Greenhalgh responded that some minor lapses could qualify as priority two recommendations depending on the issue and outcome of compliance testing.

Regarding details the outcomes of previous audits undertaken into Growth and Prosperity the Committee discussed recommendations that had not been actioned. Ms Greenhalgh reported that nine recommendations were outstanding and these had been highlighted to officers, but confirmed that all priority one recommendations had been actioned successfully. Progress to ensure that these recommendations were actioned would be included in future audit and risk reporting to provide ongoing assurance to the Committee.

The Committee also discussed BACS controls in respect of the Resources Direct Debits audit with Ms Greenhalgh informing members that in addition to monitoring undertaken by the Council's Audit team, BACS also undertook their own monitoring and audits of Council services.

The Fraud and Risk Statistic 2022/2023 table provided in the report was raised by members of the Committee who queried what systems were in place to recover the money lost to fraud outlined, noting Council Tax was the biggest area of reported fraud. Ms Greenhalgh explained that each case was considered individually and in the first instance would be treated as an error, but if the Council would seek to prosecute instance of Council Tax fraud if it were ongoing. Instance of fraud were checked and escalated depending on the

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circumstances of the case and the cooperation of those involved.

Ms Greenhalgh further explained that the large number of fraud claims were managed by the Council's legal team and would be referred to the Audit and Risk Team if fraud was identified.

Members also queried if fraud in respect of Covid support grants were included in the statistics. Ms Greenhalgh explained that this information was not yet included in the statistics provided to the Committee, but collection of the necessary information was taking place. She advised that instance of fraud in relation to Covid support grants were low and that audit was awaiting national data on this issue before including in future reporting.

Resolved:

1. That the report be noted;
2. That the number of Children Service's officers who had undertaken the mandatory fraud awareness training be highlight in future reporting audit and risk services reporting to allow ongoing monitoring; and
3. That a report on the progress of the work being undertaken by the Children's Services Working Group in response to the Financial Systems Development Audit be provided to the April 2023 meeting of the Committee.

5 STRATEGIC RISK REGISTER DEEP DIVE - LEGAL

The Committee considered a deep dive into the Strategic Risk 'Legal' which included the sub-risks (a) 'Hardening insurance market', (b) 'Inadequate safety management of the public realm/communities' and (c) 'Unsafe workplace'.

a)Hardening Insurance Market

Mr Steve Thompson, Director of Resources, provided an update in respect of sub-risk (a). He reported that controls in place to mitigate the risk of a hardening insurance market included a robust Risk Management Framework and dedicated risk register for Council projects, which could be used to demonstrate to insurers how the Council managed risk. The reports Appendix demonstrated how the Council's approach to risk had resulted in a reduction in Council insurance claims since 2011 and a reduction in the Strategic risk score for this sub-risk from 20 to 16.

Further to this the Risk and Resilience Team was undertaking a procurement exercise for a new claims handling system, which would improve efficiency and the management of information to assist with lessons learned. The team had received a number of demonstrations of potential systems and it was foreseen that the procurement would be complete for the 2023-2024 financial year.

Mr Thompson also reported that a new Risk and Resilience Officer would be appointed to assist with work to undertake a procurement exercise for the Council's insurance portfolio. This work would ensure that the Council had value for money and that comprehensive

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insurance was in place. It was expected that this procurement would take place in April 2023 with insurers appointed by April 2024.

The Committee queried if the Risk and Resilience Team undertaking the procurement of an insurer created a conflict of interest. In response Mr Thompson explained that the procurement would be undertaken by the Procurement Team, with advice from Risk and Resilience, and that therefore no conflict existed.

The overall cost of insurance, including self-insurance, for the Council annually was approximately £3m. This presented an ongoing challenge for the team and issues outside of the Council's control, such as the cost of living crisis and the war in the Ukraine, had meant that costs were expected to increase and insurers becoming more risk averse. These could be partially mitigated through demonstrating the Council's risk management processes. Mr Thompson added that where an insurer could not be found then the Council would seek to self-insure to ensure coverage was in place.

Mr John Blackledge, Director of Community and Environmental Services, provided an update in respect of Highways insurance claims. He reported that due to the risk management approach taken that claims that had previously cost around £1m had reduced to approximately £100k. This approach had included the establishment of a joint risk management group in the Highways team and a dedicated highways Health and Safety Officer in Audit and Risk.

Members asked if all Council owned vehicles had trackers installed to monitor usage, noting that this would assist in managing risk. Mr Blackledge explained in response that the majority of vehicles had trackers, but some older vehicles did not.

Oversight of the risks undertaken by the Council's Wholly Owned Companies (WOC) and its impact on Council insurance was discussed. Mr Thompson explained that oversight of WOC was undertaken by the Council's Shareholder Committee, which considered each company's Strategic Risk Register. Ms Tracy Greenhalgh, Head of Audit and Risk, added that an exercise had also recently been undertaken to standardise the risk management approach for each WOC, including updating of their Strategic Risk Registers, details of which would be reported to a future Committee meeting.

In respect of private contractors used by the Council, the Committee asked how risk they were responsible for was monitored. In these cases, Mr Thompson explained that as part of the due diligence when procuring the services of a private contractor the Council sort to establish their risk management approach and would ensure that responsibility for risk was clearly outlined in any contracts agreed.

b) Inadequate safety management of the public realm/communities

Mr John Blackledge, Director of Community and Environmental Services, provided an update in respect of sub-risk (b). He informed the Committee that the sub-risk covered diverse range of services and significant risk management work had been undertaken across them to mitigate the risk.

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In respect of Tree Management, a strategy had been put in place which ensured that inspections of trees was undertaken and that monitoring could take place. In the event that an incident occurred related to trees a log had been created which would assist in ensuring any lessons would be learned. The Tree Management Strategy covered all the trees in Blackpool's parks and those adjacent to highways. Work to monitor and maintain these trees was undertaken jointly with Blackpool Waste Services.

Joint working with Blackpool Waste Services also had taken place to maintain Blackpool's play areas to ensure that they were of a high standard and safe for public use. The record of work need and issues logged had been digitalised to allow more effective monitoring and recording of work undertaken and Blackpool Waste Services had a set of key performance indicators to performance against.

Mr Blackledge also reported on work with Lancashire Constabulary and the Police and Crime Commissioner (PCC) to ensure public safety. This included funding for community schemes from the PCC, for which the Council ensured ongoing support to maintain. Joint working with the police included the sharing of powers to ensure that there was an effective joint response to public safety issues. This had led to a Home Office representative being include on Blackpool's Community Safety Partnership (CSP) to observe the multi-agency working taking place.

Blackpool's development of CCTV infrastructure was discussed, with Mr Blackledge explaining that a new control room had been established at Starr Gate for the new system. It was expected that this would be operational by the end of November 2022 and the new CCTV infrastructure and technology in the town centre would be complete by March 2023. This investment by the Council with support from the PCC allowed the Council and partner agencies to use the infrastructure to ensure safety and reduce risk to the public.

In response to a query Mr Blackledge added that the Police did not contribute financially to CCTV, and had no capital budget that would allow them to do so. However there access and use of the system was vital to ensuring public safety and was therefore funded by the Council and PCC. It was also noted that Wyre Borough Council contributed to CCTV as the network covered part of their area.

Trauma Kits provided across Blackpool was raised by the Committee, who queried there spread and use. Mr Blackledge explained that the kits had been provided through the CSP and 45 were in place. As well as assisting in isolated incidents, these would assist the emergency services in any major incident that occurred in Blackpool. Training had been provided to the staff of venues where kits were located for use on their premises and to support the response to major incidents nearby. This approach had been adopted based on the recommendations made by the review into the response of the Manchester Arena Bombing.

The Committee noted the broad and varied range of risks for which the Community and Environmental Services Directorate covered and asked if adequate resources were in place to manage all of them. In response Mr Blackledge informed the Committee that although

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the diverse range of risk created a challenge, this was mitigated through joint working with the Council's partners and the sharing of resources, highlighting the examples of Blackpool Waste Services and the CSP.

Members considered if in respect of Council provided public Defibrillators an audit of devices should be undertaken, noting that none had taken place and recognising the need to ensure that all devices were functioning correctly. Mr Blackledge agreed that this was a good idea and agreed to consider if such an audit could be undertaken and report back to a future meeting of the Committee.

c) Unsafe workplace

Mr Steve Thompson, Director of Resources, provided an update in respect of sub-risk (c). He informed members that robust arrangements were in place to ensure safety in the workplace. This included an annual Health and Safety Report, which provided assurance to staff on issues and the Council's response to them. This also promoted a "no blame culture" to promote the reporting and addressing of safety issues.

The annual Health and Safety report was considered by the Council's Corporate Leadership Team to ensure issues were highlighted to all Directors. The Committee asked that a copy of the report also be provided to members, for information, to ensure that potential health and safety risk was highlighted to them.

The work undertaken during the Covid pandemic was highlighted, where work had been undertaken to make workplaces Covid-secure for staff. Mr Thompson also reported that the Health and Safety team consisted of nine officers, who in addition to work to ensure staff safety also worked with the Council's Wholly Owned Companies. The Council's Health and Safety arrangements were also available via the Sharepoint site for members of staff to access.

A new Human Resources IT system, iTrent, had been procured to allow a more joined up approach to staff training and support.

The Committee discussed staff safety training and the number of those who had received it. Mr Thompson explained that all staff were encouraged to attend safety training, with a focus on those where it was important for their role. He also noted that such training offered an opportunity for personal development for staff.

Resolved:

1. That the updates be noted;
2. That Mr Blackledge consider and report back to a future meeting on the possibility of undertaking an audit of Council provided Defibrillators in Blackpool; and
3. That the annual Health and Safety report be shared with members of the Committee for information.

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6 INTERNAL AUDIT FOLLOW UP - MANAGEMENT OF LEISURE FACILITIES

Ms Lisa Arnold, Strategic Head of Service Community and Wellbeing, CES Management and Admin Support, presented a report on progress made against recommendations identified as part of the Internal Audit of the Management of Leisure Facilities. The audit had sought to review the financial losses incurred due to Covid, the recovery plans in place and the impact on staffing and recruitment.

The audit had found that adequate assurance was in place and had made 7 recommendations for improvement. In response to this the leisure services team had agreed actions to address the recommendations made.

In respect of the income of leisure centres, the Committee was informed that this had been affected by individual decisions following Covid and the closure of centres during the pandemic. Following the lifting of Covid restrictions and the reopening of leisure facilities the Council had sought to demonstrate the safety of its centres to encourage individuals to return and address concerns that they could have.

In respect of recommendation 3 the Committee was informed that the term “significant” relating to financial benefits or risks, applied to projects valued at over £10k. This had been agreed with the Auditor and Ms Arnold confirmed that no current projects had met this threshold. Ms Tracy Greenhalgh, Head of Audit and Risk, added that as service manager Ms Arnold was best placed to determine what constituted a significant project and Audit had been guided by her advice.

The rotation of Facility Managers made by recommendation 7 was discussed by the Committee with it being noted that this action had not been undertaken. Ms Arnold explained that this had been the case due to it being recommended that only consideration be undertaken, which had taken place. However, it was decided that due to the Covid recovery journey being underway and the relevant managers’ embracing their roles within it that now was not the appropriate time to introduce such a change. She added however that it would be kept under consideration going forward recognising the benefit in developing the services’ managers.

Going forward Ms Arnold outlined that Leisure Facilities recovery from the Covid pandemic was based on encouraging people to return to becoming physically active. Before the pandemic the service had sought to compete with the private sector, however it was recognised that this was no longer feasible. This new approach involved closer working with Public Health and NHS partners and had created a number of opportunities for improving community health.

The program of exercise classes offered was discussed with Ms Arnold explaining that these had been historically popular. The number of attendees had reduced since Covid and consideration was needed to determine how best to proceed with the Council’s offer.

Resolved: That the update be noted.

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7 AUDIT COMMITTEE ACTION TRACKER

The Committee gave consideration to the updated Action Tracker.

Resolved: To note the Action Tracker.

8 DATE OF NEXT MEETING

The date and time of the next meeting was confirmed as Thursday, 24 November 2022 at 6pm.

Chairman

(The meeting ended at 8.50 pm)

Any queries regarding these minutes, please contact;
John Greenbank, Senior Democratic Governance Adviser
Tel: 01253 477229
E-mail: John.Greenbank@blackpool.gov.uk