

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 10 June 2013

<u>Present:</u>	Councillor	J Crabtree (Chair)	
	Councillors	RL Abbey J Hale S Kelly	A Cox J Walsh J Williamson
<u>Deputies:</u>	Councillors	P Brightmore (In place of S Foulkes) S Mountney (In place of K Hodson)	

1 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked to consider whether they had any disclosable pecuniary interests and/or any other relevant interest in connection with any item(s) on this agenda and, if so, to declare them and state what they were.

No such declarations were made.

2 CHAIR'S ANNOUNCEMENTS

At the request of a Member, the Chair sought the views of the Committee in relation to the start time for future meetings. Subject to any views expressed, he proposed that future meetings would commence at 6.00pm.

He commented also upon issues associated with collective working and, in particular, expressed concern with regard to the release of sensitive information that had been provided to Members by officers. He requested that, so as not to prejudice the provision of such information in the future, Members should initially have recourse to the Chief Internal Auditor or Head of Legal and Member Services before any such information was released.

He referred also to a number of matters that had arisen from the recent Audit Self-Assessment, in particular, the need for all Members of the Committee to undertake appropriate training and to ensure attendance at all meetings or to nominate deputies.

The Chair commented that he had previously arranged officer briefings for all Members of the Committee to attend, so as ensure improved governance and to make the most effective use of officer time. He hoped that this practice would continue for future meetings.

In response, the Conservative Group spokesperson advised that it was his intention to have a separate briefing for his group.

Resolved –

(1) That the report be noted.

(2) That future meetings of the Committee shall commence at 6.00pm

3 TERMS OF REFERENCE

The Head of Legal and Member Services presented for Members' consideration the Terms of Reference for the Audit and Risk Management Committee. They had been amended to reflect the Committee's responsibility to maintain an overview and agree any changes that were necessary to the Contract Procedure Rules and Financial Regulations.

Resolved – That the Terms of Reference be noted.

4 MINUTES

The Head of Legal and Member Services presented the minutes of the meetings held on 19 March and 15 April 2013.

A Member referred to minute 50 – 19 March 2013 (Minute 46 – Gifts, Hospitality and Conflicts of Interest) and requested an update in relation to Members being able to track recommendations made by the Committee to others, to ensure that appropriate action was taken.

The Head of Legal and Member Services indicated that a review of the Council's modern.gov system was being undertaken with a view to providing tracking information of actions emanating from all Committees and to highlight those which were outstanding or overdue. He proposed to present an update to the next meeting of the Committee.

Resolved – That the minutes of the meetings held on 19 March and 15 April 2013, be approved.

5 ANNUAL GOVERNANCE STATEMENT 2012/2013

The Assistant Chief Executive presented for consideration the draft Annual Governance Statement (AGS) 2012/2013 and indicated that a final version, accompanied by an action plan to address the governance issues identified, would be presented to the September meeting of the Committee. He commented that the preparation and publication of an Annual Governance Statement was necessary to meet the statutory requirement set out in regulation 4 (3) of the Accounts and Audit (England) Regulations 2011. The Governance Framework identified six core principles of good governance. It complied with the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and he indicated that the AGS reported the extent to which the governance processes outlined in the Code were operating effectively in practice.

The Conservative Group spokesperson expressed his concern in relation to a number of matters contained within the AGS. In particular, he expressed the view that the new Constituency Committees did not constitute neighbourhood working and he questioned the evidence from the consultation process, which had underpinned the Council's priorities. He also raised concern in relation to the effectiveness of scrutiny being undertaken by only three Policy and Performance Committees which, he indicated had been given no new powers.

On a motion by Councillor Crabtree, seconded by Councillor Abbey, it was –

Resolved (5:4) – That the draft Annual Governance Statement 2012/2013 be noted and a final version, accompanied by an Action Plan, be presented to the next meeting of the Committee.

6 CHIEF INTERNAL AUDITOR'S ANNUAL REPORT 2012/2013

The Chief Internal Auditor presented the Annual Audit Report, which specified the Internal Audit assurance opinion on key areas of the Council's activity in 2012/2013 and the effectiveness of systems of internal control. He reported that the Internal Audit Section planned and completed audits to review all relevant areas of risk and reports, including recommendations produced following audits were presented to managers. All work had been conducted in accordance with professional standards set by the Audit Practices Board, CIPFA and the Institute of Internal Auditors. The service had been able to utilise 2617 days in total to deliver the Audit Plan and consequently was able to complete 168 audit reports, which equated to 95% of the planned work, utilising 87% of the available staffing resource.

The Annual Report identified that in summary and from the work conducted by the service over the full 2012/2013 period, the level of assurance provided by the Councils control environment had been 'less than adequate' with 'adequate improvement' identified as a direction of travel. However, he highlighted significant actions that had been taken by the Chief Executive and management team to develop and implement a more effective and embedded organisational infrastructure to improve control and governance systems across all areas of the Council's activities. Although the actions clearly indicated that the organisation was getting to grips with many of the problems that had been identified and were highly prevalent in the early part of the year, they could not greatly influence the opinion provided as it covered a full twelve month period. He commented that although the actions taken should improve the assessment going forward it nevertheless remained that for much of 2012/2013 issues existed and arrangements were not adequate.

The Chief Internal Auditor recognised that significant good work had been undertaken to address many of the issues and that systems had either been put in place and/or were being developed. However, although the fruits of the good work were beginning to materialise, sustained improvements in those areas would need to be seen before it would impact on the assurance opinion provided.

Members expressed the view that, whilst the report identified significant areas of concern, it clearly highlighted where improvement was required and provided sufficient information for the Committee to identify which Chief Officers may be called to the Committee to explain to it the reasons for actions arising from audits not being undertaken.

In response to questions in relation to debt recovery, the Interim Director of Finance outlined the rationale for the appointment of the independent consultant to undertake the review of debt levels and uncollected income. He was a former Chief Executive of the Audit Commission and had extensive knowledge of local government. Significant progress had been made and measures were now in place to ensure that the circumstances which resulted in the accumulation of high levels of debt would not be repeated. In response to a question from a Member, the Interim Director indicated that in the longer term there may be a minimal level of acceptable debt. He expected that a view would be known by September as to what that specific level would be.

Resolved – That the report be noted.

7 INTERNAL AUDIT UPDATE

The Chief Internal Auditor presented a report which identified and evaluated the performance of the Internal Audit Section and included details of issues that had arisen from the audit work undertaken during the period 1 March to 31 May 2013. The report supported revised reporting arrangements by focusing upon –

- Any items of note arising from audit work conducted
- Any issues arising that required action to be taken by Members

- Performance information relating to the Internal Audit Service
- Developments being undertaken to improve the effectiveness of the Internal Audit Services

The Chief Internal Auditor drew Members' particular attention to the following items of note, where significant issues had been identified and a minimal or limited assurance opinion had been provided –

- The findings of an audit of Performance Management systems
- The findings of an audit of the Training and Development system

In each case, the respective Departments had responded positively to the report and agreed to address all of the issues within agreed timescales. Follow up work was scheduled in each area and the findings would be reported to Members in the monthly summary report.

He presented, as an appendix to his report, a status report in tabular format of audits undertaken, where recommended actions had not currently been implemented. He proposed that the table would contain only those items that were flagged as Red or Amber and he expected that Members would take appropriate actions they deemed to be necessary to secure improvement.

Resolved –

- (1) That the report be noted.**
- (2) That in future update reports, compliance with performance indicator targets be shown as actual figures, as well as in percentage terms.**

8 AUDIT AND RISK MANAGEMENT COMMITTEE - SELF ASSESSMENT UPDATE

The Chief Internal Auditor reported that, to comply with best practice, the Audit and Risk Management Committee was required to complete an annual evaluation of its role and effectiveness, as part of the systems of Internal Audit. The CIPFA publication 'A Toolkit for Local Authority Audit Committees' recommended the use of a self assessment checklist to achieve the task and a report was presented to the Committee on 15 March 2013 (minute 58 refers) identifying the self assessment checklist completed by the Chair in consultation with Internal Audit and the draft action plan developed following the exercise and identifying actions required to improve the existing arrangements.

He identified the actions undertaken by officers to date to address the issues included in the action plan. A high priority recommendation related to the provision of training for Members of the Committee to enable them to operate effectively and ensure continued compliance with the terms of reference. He proposed to email all Members of the Committee and deputies, to identify a suitable date for training to be undertaken.

Resolved – That the report be noted.

9 INTERNAL AUDIT CHARTER

The Chief Internal Auditor presented the draft revised and updated Internal Audit Charter, which had been subject to review and amended to ensure that it complied with the new Public Sector Internal Audit Standards (PSIAS) that were published on 1 April 2013.

He commented that the Internal Audit Charter established the purpose, authority and responsibilities for the Internal Audit Service for Wirral Council and identified the position of Internal Audit within the Council, including –

- Reporting lines and access to records
- Personnel and physical property relevant to the performance of audit work
- Arrangements for the appointment of the Chief Internal Auditor and internal audit staff
- The nature of professionalism, skills and experience required
- The scope of Internal Audit activities.

In response to a comment from a Member, the Chief Internal Auditor indicated that the document would be placed on the Council's website, in addition to the intranet.

Resolved – That the revised Internal Audit Charter be approved.

10 INTERNAL AUDIT PLAN 2013-16

Further to minute 56 (19 March 2013), the Chief Internal Auditor presented for further consideration the Internal Audit Plan 2013 – 2016, which had been approved for implementation by the Chief Executive's Corporate Strategy Group.

The Plan provided an overview of the assurance that would be obtained through each audit and the exact scopes of the audits would be agreed with Senior Management prior to commencement of the work to ensure that the key current risks were being addressed.

In response to a question from a Member with regard to audit work in relation to Performance Management, the Chief Internal Auditor confirmed that such work would be undertaken during each of the three years covered by the Plan and he indicated that the audit headings would be revised to ensure greater clarity as to the work that was to be undertaken. The Audit Plan would remain flexible, and would be reviewed on a quarterly basis to ensure it was in line with emerging risks.

He commented that the Audit Plan had been devised following a risk based approach in line with the public sector audit standards using the following sources –

- The Corporate Risk Register
- Departmental Risk Registers
- Engagement with senior officers
- Review of the External Audit and Inspections reports
- A review of corporate strategies
- Cumulative audit knowledge and experience
- Engagement with other Heads of Audit
- Professional judgement on the risk of fraud and error

Resolved – That, in accordance with the Terms of Reference, the Strategic Audit Plan for 2013 – 2016 be endorsed.

11 EXTERNAL AUDIT PLAN - MERSEYSIDE PENSION FUND 2012/13

Further to minute 86 (Pensions Committee – 25 March 2013), the Assurance Director, Grant Thornton UK, LLP, presented the Audit Plan for the Merseyside Pension Fund for the year ended 21 March 2013. He indicated that the audit work was risk based and focused upon those areas where a risk of material misstatement in the accounts had been identified. He provided definitions as to the levels of risk and set out the significant and other risks that had been identified. He outlined the results of the interim audit work performed and provided details of the fees, which had been set by the Audit Commission.

Resolved – That the report be noted.

12 CORPORATE RISK REGISTER

Further to minute 251 (Cabinet – 23 May 2013), the Interim Director of Finance presented the report of the Chief Executive, which enclosed the draft Corporate Risk Register 2013/2014 and summarised the process followed in undertaking a recent review of the issues contained within the document.

The Corporate Risk Register was a key element of the Council's Risk Management Strategy. It summarised those areas of uncertainty which had the greatest potential to prevent or frustrate delivery of the Corporate Plan and confirmed how the authority was seeking to tackle them. At a strategic level the risks helped to inform future priorities and interventions and the actions required to mitigate the risks also influenced the content of Directorate Service Plans and the allocation of resources. In that way they were a key component of the corporate planning process and so success in managing risks was a key factor in overall corporate performance.

The Interim Director provided an explanation of the matrix scoring system and highlighted an analysis of the Draft Corporate Risks by Category and plotted on a Corporate Scoring Model. The register was intended to be a live document that would inform tactical and operational decision making and would be subject to a formal review on a quarterly basis by the Chief Executive Strategy Group. Members referred to a number of specific risks, which they believed should be incorporated within the Register. A Member referred also to the requirement for the authority to reimburse certain people, following on from the public interest report into Adult Social Services overcharging and, specifically, to the risks for the authority associated with a failure to provide reimbursement.

Resolved –

- (1) That the draft Corporate Risk Register be noted.**
- (2) That the following matters be referred to the Cabinet for consideration for inclusion within the Corporate Risk Register –**
 - **The risk of IT failure**
 - **The potential failure in the duty of care to vulnerable people**
 - **Flood risk**
 - **Risks associated with COMAH sites in Ellesmere Port**
- (3) That the Interim Director of Finance be requested to present an update report to the next meeting of the Committee upon reimbursement associated with DASS overcharging.**

13 INSURANCE AND RISK MONITORING

Further to minute 61 (19 March 2013), the Interim Director of Finance reported upon progress since the last meeting of the Committee in relation to the key actions in corporate risk and insurance management planned for 2013/2014. He focused specifically upon risk financing and reported upon the savings that had arisen from the management of Corporate Risk and Insurance.

Resolved – That the report be noted.

14 REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

The Head of Legal and Member Services presented an update in the use of covert surveillance by the Council between 1 September 2012 and 31 May 2013, in accordance with the Regulation of Investigatory Powers Act 2000 (RIPA). He commented that the Council's Constitution authorised Directors to designate Heads

of Service and Service Managers to authorise the use of covert surveillance in accordance with the procedures prescribed by RIPA, with the further approval of a magistrate being required from 1 November 2012.

He outlined the impact of the changes in legislation which, in addition to requiring the approval of a magistrate, confined directed covert surveillance to cases where the offence under investigation carried a custodial sentence of six months or more, except in relation to underage sales of alcohol and tobacco, where the threshold would not apply. Consequently, there had been a decline in covert surveillance since 1 November 2012 and shouting, swearing, drunkenness, playing loud music, banging on walls and doors and intimidating behaviour was no longer capable of being detected by covert surveillance unless it formed part of a campaign of harassment targeted at a particular individual. Perpetrators of such persistent behaviour may therefore go unpunished through the courts and malicious complaints of such behaviour may also go undetected.

A Member requested that the Council's Policy and Procedure on the Use of Powers under the Regulation of Investigatory Powers Act be amended and dated to ensure its accuracy in relation to authorised officers, in the light of some officers recently having left the employment of the authority. He also requested the provision of more detailed information of those cases where directed covert surveillance had been authorised.

Resolved –

- (1) That the report be noted.**
- (2) That the revised Policy and Procedure be presented to the next meeting of the Committee, together with more detailed information in relation to those cases where directed covert surveillance had been authorised.**

15 HESPE ACTION PLAN

Given the significance of this matter, the Chair had approved its consideration as an item of urgent business, in view of the importance of advising Members of progress before the next scheduled meeting in September 2013.

The Assistant Chief Executive presented a detailed summary of continued progress in delivering the Highways and Engineering Service Procurement Exercise (HESPE) Action Plan, which had been drafted in response to the issues raised in the public interest report published by the Audit Commission in June 2012 and approved by the Cabinet (minute 113 (18 October 2012) refers). He commented that many of the actions had been completed, although some had been rescheduled and, there was still work to do in addressing some of the actions in relation to finalising the Contract Procedure Rules and reinvigorating the Corporate Procurement Board under the new Strategic Director for Transformation and Resources.

Resolved –

- (1) That the report be noted.**
 - (2) That a further update be presented to a future meeting of the Committee.**
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