

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 15 March 2016

Present: Councillors RL Abbey D Elderton
C Blakeley P Gilchrist
A Davies M Patrick
P Doughty

Deputies: Councillors J Salter (In place of J Crabtree)
G Watt (In place of J Hale)

52 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.

Councillor John Salter declared a personal and non-prejudicial interest in Agenda Item No.3 – Internal Audit Update and Item No. 6 – Annual Governance Statement - by virtue of his position as a member of the IT Services Disaster Recovery Panel (topic referenced in pages 20 and 49 of the agenda papers).

53 MINUTES

Reference to minute no. 51, the Chief Internal Auditor provided an assurance that without exception all internal audits were reported to members via his bi-monthly report and any identified escalations were presented to the Audit and Risk Management Committee for consideration and discussion by way of regular reporting cycle.

The Chief Internal Auditor extended an offer to members for a training session on the Committee's role and responsibilities and how to respond to the challenges associated with the duties as set out in the Committee Terms of Reference.

Members agreed that a training session be arranged in advance of the first Committee meeting in the municipal year.

Resolved – That the minutes of the meeting held on 17 February 2016, be approved.

54 INTERNAL AUDIT UPDATE

The Chief Internal Auditor introduced his report that identified and evaluated the performance of the Internal Audit Section and included items of note arising from the actual work undertaken during the period 21 January to 20 February 2016. The report focused upon:

- Any items of note arising from audit work conducted;
- Any issues arising that require actions to be taken by Members;
- Performance information relating to the Internal Audit Service;
- Developments being undertaken to improve the effectiveness of the Internal Audit Service.

Members' attention was drawn specifically to a number of items of note that had been identified, which included:

Performance Management - An audit had been undertaken of the corporate Performance Management and Planning system in operation across the Council. The report acknowledged the significant amount of work that had been and was currently being undertaken in this area and includes a number of actions to improve systems in the following areas:

- Data Robustness
- Decision Making
- Achievement of Objectives

The Audit and Risk Management Committee was informed that these actions had been agreed with senior management and a detailed action plan implemented. It was noted that actions were currently underway to immediately address any identified issues. Further follow up work was to be conducted by Internal Audit during 2016/17 and the findings would be notified to the Committee.

Floral Pavilion - At the request of senior management an audit had been undertaken to review the income and stock management control systems in operation at the Floral Pavilion. Work was currently ongoing however emerging findings indicated potential control risks in a number of key areas that needed to be addressed to improve systems and tighten controls. Members noted that upon conclusion of the work a report was to be prepared for management and included an action plan to address issues identified. The outcome of this work would be reported to this Committee in the usual way.

Member's attention was also drawn to the Internal Audit Performance Indicators and development improvements, examples of which were provided. A table appended to the report, identified information related to audits where recommended actions were included in audit reports and where follow-up

actions had been scheduled. The Chief Internal Auditor advised that all of the recommendations were currently Amber rated indicating that progress is being made to address identified issues and actions are expected to be completed within the reported timescales.

Members noted that a number of the recommendations related to audits undertaken within ITS and had been the subject of a separate report by the Chief Information Officer at the September 2015 meeting of the Committee.

Resolved - That the report be noted.

55 **INTERNAL AUDIT PLAN 2016/17**

The Chief Internal Auditor introduced his report that presented the Internal Audit Plan of work for Wirral Council's Internal Audit Service for 2016/17.

The report identified work scheduled for completion that reflected the findings of the extensive planning exercise recently undertaken to ensure the ongoing relevance of previously identified risks, as well as the inclusion of any risks to the organisation that had recently emerged, or were likely to emerge in the near future.

The Audit and Risk Management Committee were informed that the updated plan had also been presented to the Senior Leadership Team and approved for implementation. The Chief Internal Auditor informed the Committee that the Plan contained an explanation regarding its preparation, and identified a list of proposed areas to be audited during 2016/17.

The Chief Internal Auditor apprised the Committee that Wirral's Internal Audit Service had taken a strategic view of risk in the preparation of the audit plan to ensure that audit effort was utilised as efficiently and effectively as possible to mitigate risk in a changing environment. The plan had also been designed to be extremely flexible and dynamic to ensure that organisational change was factored into the delivery process.

Members noted that the plan provided a brief overview of the assurance that was to be obtained through each audit, and that the exact scopes of the audits would be agreed with Senior Management prior to commencement of the audit to ensure that the key current risks were being addressed.

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

The Chief Internal Auditor informed that he was confident that resources were sufficient to enable delivery across all areas of the plan and provide the statutory Chief Internal Auditors annual assurance opinion. Comparative data obtained from other similarly sized public sector internal audit providers indicated that Wirral IA Services currently provide a very efficient and affordable service.

Resolved – That the work proposed in the Strategic Internal Audit Plan be endorsed.

56 **MANAGEMENT OF INSURANCE AND CORPORATE RISK**

The Risk and Insurance Officer introduced the report of the Acting S.151 Officer that set out the key actions to be taken in relation to corporate risk and insurance management during 2016/17. The report also included progress made in relation to key actions planned for the current year.

The Risk and Insurance Officer summarised the key actions focussing on procurement exercises and improvement activities falling under the primary areas of activity, namely:

- Provision of advice and support to Members - developing the corporate risk management framework and processes; and
- Risk financing – incorporating insurance procurement and management of the Council's Insurance Fund and claims management - where Members will have an involvement and what form it would take.

The report also provided an update on progress on the following topics that had occurred following the Risk and Insurance Officer's report to the Committee in February, namely:

- Introduction of self-handling of Public Liability claims.
- Annual renewal of Casualty, Computer, Engineering, Motor and Foster Care policies.
- Refresh of Corporate Risk Register.
- Consideration of Risk Appetite.

The report further informed that in addition to day-to-day operations the service was responsible for major procurement exercises and improvement activities. The key actions to be implemented during 2015/16 were included in the report to the Committee on 18 March 2015.

Resolved – That the report be noted.

57 ANNUAL GOVERNANCE STATEMENT

The Head of Financial Services and Section 151 Officer introduced the report of the Strategic Director; Transformation and Resources that set out the planned approach for the production of the Council's Annual Governance Statement (AGS) 2015/16. The report also provided an outline of the work required to prepare the Statement, setting out indicative timescales.

The Committee noted that the report also provided an update on the progress that the Council had made to address the significant governance issues as identified in the Annual Governance Statement 2014/15.

Members questioned Officers on two key areas, namely absence management and ICT contingency planning. The Chief Internal Auditor informed the Committee that concerns expressed by Members in relation to absence management had been investigated and were being addressed through updates to the IT system, training of managers and tightening of data maintenance controls.

The Chief Internal Auditor also informed that ICT business continuity and resilience planning would be the subject of a further report to the Committee.

The report also confirmed the various principles underpinning the Annual Governance Statement, namely:

Principle 1: Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Principle 3: Promoting the values of the Authority and demonstrating the values of good governance through behaviour.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Principle 5: Developing the capacity and capability of members to be effective and ensuring that officers, including statutory officers, also have the capability to deliver effectively.

Principle 6: Engaging with local people and other stakeholders to ensure robust local public accountability.

Resolved: That

- 1) the approach outlined in this report with regards to producing the Annual Governance Statement 2015/16 be endorsed;**
- 2) the progress made in addressing the 2014/15 Significant Governance Issues be endorsed; and**
- 3) the remaining actions deemed necessary to strengthen governance arrangements in these areas be supported.**

58 **EXTERNAL AUDITOR REPORT - MERSEY PENSION FUND AUDIT PLAN**

Grant Thornton UK LLP, the Council's external auditors, presented a report on the Audit Plan for Merseyside Local Government Pension Fund year ended 31 March 2016.

The external auditor informed of the procedures employed in support of the audit plan i.e. developments relevant to the Pension Fund's business and the audit. The report informed of the governance regulations, financial pressures and the changing nature of the investment markets.

The external auditor's report provided a summary of the audit approach, materiality and referred to the significant and other risks that had been identified.

The report further identified the items where the external auditor would undertake audit procedures given that were key figures / disclosures in the accounts:

- Management Remuneration – statutory requirement
- Audit Fees – statutory requirement
- Related Party Transactions – due to public interest in these disclosures

The external auditor provided information on the key phases of the audit, informing members that more detail regarding their work would be reported to the June meeting of the Audit and Risk Management Committee, followed by a sign-off of the financial statements opinion scheduled for September.

Resolved – That the Audit Plan for Merseyside Local Government Pension Fund be received.

59 **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

Resolved – That in accordance with section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following item of business, on the grounds that they involve the likely disclosure of exempt information as defined by paragraph 3 of Part 1 of Schedule 12A (as amended) to that Act - information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

The public interest test had been applied and favoured exclusion.

60 **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 2)**

Following exclusion of the press and public, with reference to Agenda Item 3 (Internal Audit Update) a Member requested that internal audit investigate the circumstances and context regarding a particular case of sickness absence and the relevant protocols and procedures that applied.

Resolved - That the Chief Internal Auditor investigate the circumstances of the matter and report his findings to Members of the Audit and Risk Management Committee.