

# AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 22 November 2016

Present: Councillor AER Jones (Chair)

Councillors A Davies P Gilchrist  
RL Abbey C Muspratt  
P Doughty L Rowlands  
D Elderton

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

## 27 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.

## 28 MINUTES

**Resolved – That the minutes of the meeting held on 26 September 2016, be approved.**

## 29 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 1 September to 31 October 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;

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

### **Cyber Security**

An audit had been conducted of the Council's Cyber Security position as it was widely acknowledged that effective controls in this increasingly high risk area were vital to public bodies as they were in the front line of the cyber criminal's targets and (across the public sector) had recently experienced a dramatic increase in this type of activity.

The conclusion from the work undertaken was that Wirral had controls in place to address some of the business risks reviewed, however a number of areas were identified for improvement to address emerging risks and a 'Moderate' overall risk to the organisation, these included:

- Firewalls
- Vulnerability Monitoring
- Rogue Wireless Access Points
- Information Risk Register
- Information Security Training
- Cyber Insurance

### **Prepaid Cards – Local Welfare Assistance Scheme (LWAS)**

A number of additional measures and controls had been agreed with management following the audit in order to enhance the control environment of the system and these had been implemented with immediate effect. In addition a significant number of issues were identified in respect to the service provided by 'allpay' Limited which had adversely impacted on the effectiveness of the prepaid card operation for the LWAS. It had been agreed that these matters will be raised directly with representatives of the company and that Internal Audit would continue to provide support to the Business Support and Housing Benefit Managers in resolving these issues.

### **Performance and Management Planning**

Members were informed that a review of performance management will involve testing a sample of operational performance indicators and indicators from the Wirral Plan in order to assess the robustness of data quality.

### **Children's Services**

An audit had recently been commissioned as part of the Children's Services Improvement Plan to evaluate and test data quality across a number of performance indicators currently in operation. The report informed that findings from this piece of work including identified development actions will be included within the Improvement Plan and reported to senior managers and Members.

The Chief Internal Auditor informed the Committee that there were currently no significant issues arising although it should be noted that achievement of the audit plan was slightly behind schedule for this time of year. This was primarily due to a number of vacant posts within the section that had proven difficult to fill. He advised that work was currently ongoing to attempt to address this issue and two recent staffing appointments had been made.

Members thanked the Officer for his comprehensive report, but expressed concern at the apparent lack of progress with regard to a number of IT related matters identified during the audit process, in particular data loss prevention,

that continued to be highlighted as an 'amber' risk after a period of nearly 3 years.

The Chair again expressed Members' thanks to the Officer and his team for all their work in the monitoring and reporting of internal audit findings.

**Resolved - That**

**1) the report be noted; and**

**2) the Head of Digital (SIRO) attend the next meeting of the Audit and Risk Management Committee to provide an update on Outstanding Audit Recommendations in respect of IT.**

**30 INTERNAL AUDIT ANNUAL COUNTER FRAUD UPDATE**

The Chief Internal Auditor introduced his report that updated Members on the activities of the Counter Fraud Team within Internal Audit. The report covered the year 2015/16 and current year to date.

The Chief Internal Auditor 's report informed that although the Counter Fraud Team had worked closely and collaboratively with the Fraud Investigation Team within Revenues and Benefits, the majority of whom had now transferred to the Department for Work and Pensions (DWP), his report did not include the extensive specialist activities of their work which was reported to Members separately.

The Audit and Risk Management Committee was advised of the work of the Counter Fraud Team, its continued chairing and co-ordination of the Mersey Regional Fraud Group (MRFG). Members were also advised of the activities and appropriate actions undertaken to address the risk of fraud and actions taken to prosecute perpetrators, recover losses and improve financial controls respectively.

The Chair expressed Members' thanks to the Officer and their continued support of the work undertaken by his team.

**Resolved - That the report be noted.**

**31 ANNUAL GOVERNANCE STATEMENT - SIGNIFICANT GOVERNANCE ISSUES UPDATE**

The Assistant Director Finance and Section 151 Officer introduced his report that was intended to provide a regular update on progress in the delivery of the Annual Governance Statement Action Plan and the opportunity for Members to highlight areas of concern to inform the Annual Governance Statement.

The Assistant Director Finance and Section 151 Officer informed that this was the first report to the Audit and Risk Management Committee setting the scene as a standing agenda item to allow regular updates on matters of concern identified in the Annual Governance Statement.

Members were informed that a more detailed report would be presented to the Audit and Risk Management Committee at its next meeting in January 2017.

**Resolved - That the report be noted.**

## 32 **ARRANGEMENTS FOR THE APPOINTMENT OF EXTERNAL AUDITORS**

The Assistant Director Finance and Section 151 Officer introduced his report that updated Members on the requirements of the Local Audit Accountability Act 2014 regarding public sector external audit appointments as detailed in the report to the Audit and Risk Management Committee in September 2016.

Members were informed that following endorsement of the recommended approach to adopt the Local Government Association's national sector led body, Public Sector Audit Appointments Ltd (PSAA) had advised that formal acceptance of this approach was required by the Council before 31 March 2017.

**Resolved – That COUNCIL BE RECOMMENDED to formally accept the Local Government Associations national sector led approach (PSAA) for the appointment of external auditors.**

## 33 **CORPORATE RISK REGISTER**

The Assistant Director Finance and Section 151 Officer introduced the report of the Chief Executive that provided an update in respect of the corporate risks. Progress towards the development of Risk Registers for Pledge Strategies, new Delivery Units and the revised Transformation Programme were also summarised. A copy of the Register was appended to the report.

The Assistant Director Finance and Section 151 Officer informed that since the review carried out on 16 August Ofsted had published a report on its inspection of the Council's services for children in need of help and protection, children looked after and care leavers, and in addition reviewed the effectiveness of the Local Safeguarding Children Board. He informed that overall Ofsted judged that children's services in Wirral had been deemed inadequate and that the Wirral Safeguarding Children's Board was also inadequate. This had rightly led to reconsideration of the effectiveness of the existing controls for the corporate 'Safeguarding' risk and the need for additional action.

As a result the Director of Children's Services had proposed amendments to the entry in the Corporate Risk Register relating to Safeguarding. Members were also advised that this particular entry related to a safeguarding incident whereas the Ofsted report was more relevant to compliance and process.

**Resolved – That**

- 1) the update to the controls for the 'Safeguarding' risk be noted; and**
- 2) further reports on the Corporate Risk Register be brought to future meetings of this Committee.**

**34 MANAGEMENT OF INSURANCE AND CORPORATE RISK**

The Assistant Director Finance and Section 151 Officer introduced his report that set out progress made since his previous report to the Audit and Risk Management Committee in September 2016 (Minute No. 21 refers) and key actions planned for 2016/17.

The report provided an update to Members of the Audit and Risk Management Committee with regard to progress in respect of those actions since his last report that included:

- Corporate Insurance Budget 2017/18
- Corporate Risk management Policy
- Corporate Risk Register
- Alignment of Risk Management and Performance Management
- Traded Service for Schools and Academies
- Policy Renewals – April 2017
- Tender for Casualty and Computer Insurance
- Claims handling Charges

Members noted that new liability claims continued to be reported at a historically low level, and how this should have a beneficial impact on the cost of external claims handling under the new Casualty insurance contract referred to in the report.

**Resolved – That the report be noted.**

**35 CODE OF CORPORATE GOVERNANCE**

The Assistant Director: Law and Governance and Monitoring Officer introduced his report that sought the Committee's approval in respect of the Council's revised Code of Corporate Governance.

The Assistant Director: Law and Governance and Monitoring Officer's report informed that the Council's current Code of Corporate Governance had last been reviewed in 2013. A review had been scheduled to be undertaken last year, however it was delayed following notification from CIPFA that a revised Code would be issued shortly.

CIPFA issued the new CIPFA / SOLACE Guidance / Framework for Delivering Good Governance in Local Government in April 2016 and the same was made available in June 2016. This enabled the review of the Code of Corporate Governance to be undertaken.

The Audit and Risk Management Committee was apprised of the key changes made to the Code which are:

**D: Determining the interventions necessary to optimise achievement of the intended outcomes.**

This aspect of the Code examined the strategic combination of legal, regulatory and practical interventions, with a view to them ensuring that the intended outcomes are achieved.

**G: Implementing good practices in transparency reporting and audit to deliver effective accountability.**

The purpose of this aspect of the Code is to ensure that those making decisions and delivering services are held accountable for the same. Transparency is a key driver for this Code, with both internal and external audit required to contribute to effective accountability.

Members discussed a number of areas in relation to the detail of the systems and processes contained in the Code of Corporate Governance - specifically Core Principles and intended outcomes - and feedback surveys and evidence gathering, both past (for comparison) and planned for the future.

**Resolved –**

- 1) That COUNCIL BE RECOMMENDED to approve the revised Code of Corporate Governance at Appendix 1 to the report and the framework detailed therein; and**
- 2) That the Council's Constitution be updated accordingly.**

**36 STATEMENT OF ACCOUNTS 2015/16 UPDATE**

The Assistant Director Finance and Section 151 Officer introduced his report that updated the Committee on the audit progress for 2015/16 including the

issuing of the Auditors Opinion and publication of the Statement of Accounts in September 2016.

He informed that Committee on 26 September 2016 had considered the Audit Findings Report issued by Grant Thornton and, given that work was on-going; delegated to the Chair of the Committee and the Head of Financial Services, as Acting Section 151 Officer authority for the finalisation of the Statement of Accounts 2015/16. This had taken place prior to publication of the Statement of Accounts which was published by the statutory deadline of 30 September 2016.

He further informed that the Audit Opinion issued on 30 September 2016 stated that the financial statements gave a true and fair view of the financial position of the Council at 31 March 2016, of its expenditure and income for the year and that they had been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law. The opinions issued were set out in Appendix 1 to the report.

The Audit and Risk Management Committee was apprised that, in October, the Annual Audit Letter had been issued and was a separate item on the current meeting agenda. At this time Grant Thornton had yet to formally issue the certification of completion of the audit. This would formally conclude the audit. The certificate was currently outstanding due to an objection brought by a local elector and related to the Lender Option Borrower Option (LOBO) category of borrowings held by the Council. A number of other Councils had received similar objections, and the auditor's response was being co-ordinated nationally by the National Audit Office and had yet to be released. Members noted that the outcome of this will not affect the opinions already issued on the Statement of Accounts and VFM.

**Resolved – That the report be noted.**

## 37 **EXTERNAL AUDIT - ANNUAL AUDIT AND INSPECTION LETTER**

Mr Chris Whittingham of Grant Thornton UK LLP, the Council's external auditors, presented a report to Members on work undertaken with regard to the Annual Audit and Inspection Letter for Wirral Council, Year ending 31 March 2016.

- Financial statements opinion – an unqualified opinion on the Council's financial statements were provided on 30 September 2016.
- Value for Money conclusion – in September 2016 the Office for Standards in Education, Children's Services and Skills (Ofsted) issued its report on the inspection of the Council's services for children in need of help and protection, looked after children and care leavers. The external auditor

identified that the report highlighted evidence of weaknesses in the Council's arrangements. However the Council had accepted the findings and had developed an action plan to address the identified weaknesses.

The external auditor was satisfied that the Council had put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016 except for the matter set out above. The external auditor had therefore issued a qualified 'except for' value for money conclusion in their audit report on 30 September 2016.

As reported in the previous item, the external auditor had yet to formally issue the certification of completion of the audit.

Members noted the fee for 2015/16 was £184,783, excluding VAT which was in line with the external auditor's planned fee for the year – and a reduction compared to the previous year 2014/15 (£213,150).

**Resolved: That the report be noted.**

### 38 **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**

The Group Solicitor introduced the report of the Head of Legal and Member Services that presented a summary of the use of covert surveillance by the Council, to detect evidence of criminal behaviour, between 1 June and 1 November 2016. The report stated that since the meeting on 13 June 2016, the Council had obtained approval from a magistrate to use covert surveillance to detect suspected illegal fly tipping at a site in Wirral.

The Group Solicitor also informed that the Protection of Freedoms Act 2012 came into force on 1 November 2012 and made the following changes to the law, that:

- a Magistrate's approval is required for a local authority's use of RIPA - in addition to the authorisation needed from a senior officer and the more general oversight by elected councillors.
- use of RIPA to authorise directed surveillance is confined to cases where the offence under investigation carries a custodial sentence of six months imprisonment or more except in relation to underage sales of alcohol and tobacco, where this sentencing threshold will not apply.

The Group Solicitor further informed that annual training had taken place on 18 October 2016, conducted by Stephen Morris an acknowledged expert in this field. As a result a new paragraph 10 had been added to the policy and procedure guidance document that sets out the procedure to be followed if covert surveillance can only be authorised under the Data Protection Act 1998 and not under RIPA.

**Resolved – That**

- 1) the report be noted; and**
  - 2) the amendments and additions to the Policy and Guidance Document contained in Appendix 1 be approved.**
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