

# AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 14 March 2017

Present: Councillor AER Jones (Chair)

Councillors A Davies P Gilchrist  
P Doughty J Hale  
D Elderton C Muspratt  
RL Abbey

## 48 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.

## 49 MINUTES

**Resolved – That the minutes of the meeting held on 30 January 2017, be approved.**

## 50 ORDER OF BUSINESS

The Chair suggested, and it was agreed that item 12 on the agenda (Urgent Business Approved by the Chair – Corporate Risk Register) be considered after item 8 on the agenda (Management of Insurance and Corporate Risk) given their content and links between the two reports.

## 51 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 January to 28 February 2017. 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 one item of note that had been identified, namely Counter Fraud. The Chief Internal Auditor informed that Internal Audit Service was working on a revised corporate Counter Fraud and Corruption Strategy, Policy and Response Plan that incorporated current best professional practice in this field. The document is to be presented to the June 2017 meeting of the Audit and Risk Management Committee.

The Chief Internal Auditor drew Member's attention 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 the majority of actions related to ICT systems and had been the subject of a separate verbal report by the Head of Digital who provided a progress update for all outstanding items in this area to the Committee on 30 January 2017 and identified an implementation date of May 2017 for actions.

Following debate on the subject of monitoring of progress on ICT matters, the Committee felt it appropriate that a Senior Officer from Digital Services be invited to attend the next meeting of the Audit and Risk Committee in June to present a written progress update to ensure that the identified targets had been met.

**Resolved - That**

- 1) the report be noted; and**
- 2) a Senior Officer from Digital Services be invited to attend the next meeting of the Audit and Risk Committee in June to present a written progress update.**

**52 INTERNAL AUDIT ANNUAL PLAN 2017/18**

The Chief Internal Auditor introduced his report that presented the Internal Audit Plan of work for Wirral Council's Internal Audit Service for 2017/18.

The report identified work scheduled for completion that reflected the findings of the extensive planning exercise recently undertaken, 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 document summarised the results of Internal Audit's planning work, setting out the:

- Responsibilities and scope of internal audit;
- Resourcing and delivery of the Council's internal audit service;
- Arrangements for reporting internal audit work; and
- Proposed programme of work for 2017/18 (the Audit Plan)

The Chief Internal Auditor informed the Committee that the Plan contained an explanation regarding its preparation, the 12 month planning cycle and mitigations of risk. He further detailed how the Audit Plan was subject to quarterly review.

Members noted the breakdown by area of the allocated total number of audit days and attached summary list detailing the specific projects and programmes for review together with the risk context and assurances.

Members questioned the Chief Internal Auditor on a number of points, including the allocation of 110 days contingency and whether this was sufficient. The Chief Internal Auditor confirmed that the time allocated for each area was adequate, and that the Plan was efficient and deliverable.

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

## 53 INTERNAL AUDIT CHARTER & STRATEGY

The Chief Internal Auditor introduced his report that presented the Internal Audit Charter and Strategy. He informed that following some minor changes to the Public Sector Internal Audit Standards (PSIAS) during 2016 the Internal Audit Charter and Strategy had been reviewed and updated to ensure that the documents continue to comply with the revised standards.

The Chief Internal Auditor drew Members' attention to the updated Internal Audit Charter and Strategy attached at Appendix 1 to the report, and provided his assurance that the Internal Audit service was taking appropriate measures to comply with statutory requirements.

**Resolved – That the revised Internal Audit Charter and Strategy be endorsed.**

54 **ANNUAL GOVERNANCE STATEMENT 2016/17**

The Assistant Director: Finance and Section 151 Officer introduced his report that set out the planned approach for the production of the Council's Annual Governance Statement (AGS) 2016/17. The report also provided an outline of the work required to prepare the Statement, setting out indicative timescales.

The Committee noted that the preparation and publication of an AGS is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2011, Regulation 4(3). This work was currently being undertaken by the Law and Governance service for presentation to the Audit and Risk Management Committee at its June 2017 meeting.

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

1. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social and environmental benefits.
4. Determining the interventions necessary to optimize the achievement of the intended outcomes.
5. Developing the entity's capacity including the capability of its leadership and the individuals within it.
6. Managing risk and performance through robust internal control and strong public financial management.
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

**Resolved - That the approach outlined in the report with regards to producing the Annual Governance Statement 2016/17 be endorsed.**

55 **AGS SIGNIFICANT GOVERNANCE ISSUES UPDATE**

The Assistant Director: Finance and Section 151 Officer introduced his report that provided Members with a progress update on actions taken by Officers to address items of concern identified in the Annual Governance Statement for 2015/16. The report further requested that Members escalate any matters they deemed relevant.

The report informed that at the meeting of the Committee in September 2016 the Annual Governance Statement for 2015/16 was presented. Following discussion by Members at that time it was agreed that a standard Agenda item be added to future meetings of this Committee to provide a regular update on progress being made by Officers to address key governance issues faced by the Council and to allow Members to escalate areas of concern where required.

Following discussion on the issues highlighted in Appendix 1 to the report, Members felt it appropriate that the Assistant Director: Human Resources and Organisational Development be invited to attend the next meeting of the Audit and Risk Committee in June to present a written progress update detailing the identified targets in respect of staff performance appraisals that despite continued focus remains a matter of concern.

**Resolved – That**

- 1) the report be noted; and**
- 2) the Assistant Director: Human Resources and Organisational Development be invited to attend the next meeting of the Audit and Risk Committee in June to present a written progress update on the subject of staff performance.**

56 **CORPORATE RISK REGISTER - UPDATE**

With the approval of the Chair and agreement of the Committee, Members considered the report of the Chief Executive in relation to the Corporate Risk Register.

The matter was treated as an item of urgency given that the information content had not been considered by the Senior Leadership Team (SLT) at the time of publication of the meeting agenda. Members noted that in the interests of delivering the most up to date information to the Audit and Risk Committee the report should not be held over until its next meeting in June 2017.

The Manager: Insurance and Risk introduced the report of the Chief Executive that confirmed the outcome of the most recent quarterly review of the Corporate Risk register. Progress towards the development of risk registers for Pledge Strategies, new Delivery Units and the revised Transformation Programme were also summarised. A summary of the status of key mitigating actions for the existing Corporate Risks at the end of quarter three 2016/17 were appended to the report.

The report informed that all mitigating actions appeared to be progressing as planned with the exception of:

- The development of extra care housing (Risk 5: Integration of Health and Social Care)
- Implementation of the Wirral Waters Investment Fund (Risk 9: Economic Activity)
- It was also noted that considerable progress had been made regards recruitment to the Transformation Office (Risk 2: Organisation Development and Pace of Transformational Change). However some uncertainty remained in relation to capacity within support services.

The report further informed that the degree of progress made as at the end of Quarter 3 did not warrant changes to the scores for any of the existing corporate risks.

Members were apprised that the impact of the vote to leave the European Union had again been considered by SLT having been raised by this committee at its meeting on 30 January. The view was that this was much less of a known risk and that the Council's ability to mitigate it was limited. However the position was continually monitored to identify potential adverse impacts and consider responses. This task was further informed by quarterly briefings from the Strategy Team that are provided to Cabinet and to SLT.

A Member questioned the Officer on the matter of the Council's new Asset Strategy and the Wirral Civic Hub project. The Assistant Director: Finance and Section 151 Officer informed that this particular subject would form the basis of a report to the Business Overview and Scrutiny Committee in due course.

Members requested that all Councillors be kept informed of any proposals for the disposal of assets in their Wards.

#### **Resolved – That**

- 1) the report be noted; and**
- 2) that further reports on the Corporate Risk Register be brought to future meetings of this Committee.**

#### **57 MANAGEMENT OF INSURANCE AND CORPORATE RISK**

The Manager: Insurance and Risk introduced the report of the Assistant Director: Finance and Section 151 Officer that set out the key actions to be taken in relation to corporate risk and insurance management during 2017/18 and highlighted any key decisions that needed to be made. Recent progress made in relation to key actions planned for the current year was also included.

The report informed that regular update reports would continue to be presented to the Committee on work in relation to risk management and

insurance in support of the Risk Management framework, thereby maintaining the successful management of the Council's insurance programme.

The Manager: Insurance and Risk highlighted a number of key points within his report, namely an update on the tender for Casualty and Computer Insurance and Staffing Changes.

With regard to Casualty and Computer Insurance, the Manager: Insurance and Risk informed that the evaluation had been completed and letters notifying the Council's intention to award the contracts had been issued. He further informed that once the standstill period has ended the awards will be formalised and contract mobilisation will be put into effect. Full details would be provided in his next report to the Committee in June.

Members were apprised that the vacant senior post within the Risk and Insurance team had created a capacity and skills gap within the service. Although suppliers are providing support wherever possible this would present a risk to the delivery of corporate insurance and risk management activity until the position is filled. Members were informed that work had begun to recruit a replacement.

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

58 **EXTERNAL AUDITOR - ANNUAL LETTER - GRANT CERTIFICATION 2015/16**

The Assistant Director: Finance and Section 151 Officer introduced the External Auditor's Annual Letter – Grant Certification 2015/16.

Members noted that the external auditor had certified the Housing Benefit subsidy claim return under Public Sector Audit Appointments (PSAA) arrangements for the financial year 2015/16 relating to the expenditure of £137.1 million. The Assistant Director: Finance and Section 151 Officer informed that the external auditor was satisfied with the arrangements the Council had in place for this most high value and complex claim.

Members were apprised that key findings had agreed that further appropriate actions to secure improvement in performance be undertaken i.e. checking of rent rebate cases. It was noted that the qualification compared favourably with other local authorities, and had continued to record improvement compared to previous years.

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

59 **EXTERNAL AUDITOR - AUDIT PLAN FOR MERSEYSIDE PENSION FUND**

Mr Grant Patterson, Engagement Lead, 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 2017.

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 informed that the audit focused on significant risks as defined by ISAs where in the judgement of the auditor special consideration be made. Members were informed that three specific areas had been identified, namely:

- The revenue cycle including fraudulent transactions
- Management over-ride of controls; or
- Incorrect valuation of level 3 investments

The external auditor summarised the key procedures in place and planned works, including testing of journal entries, sampling of investments and incentives to manipulate. In each case the external auditor explained that pre-existing controls were identified as sufficient, but the planned programme would ensure continued vigilance.

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.

The Committee was informed that the Audit Plan was also scheduled for consideration at the meeting of the Pension Committee to be held on 21 March 2017.

The Audit Plan further summarised that the total audit fee for certification work for 2015/16 (Merseyside Pension Fund) was £39,062 excluding VAT.

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



60 **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 November 2016 and 28 February 2017.

The report informed that during this period, the Council had used covert surveillance with the intention of detecting evidence of criminal behaviour, and that on 6 January 2017 magistrates had approved authorisations to use covert surveillance to detect suspected illegal flytipping at a site in the Wirral.

Members were further informed that a flytipping offence had been detected by means of prior covert surveillance, and that on 31 January 2017 a member of the public had been sentenced to 6 months imprisonment suspended for 2 years for 6 offences of flytipping in Kelvinside Industrial Estate, Seacombe. The Court also order him to pay £1380 in compensation to the Council for the cost of clearing up the site and £1540 as a contribution to the prosecution costs together with a victim surcharge of £80 (a total penalty £3000).

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