

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 25 September 2017

Present: Councillor AER Jones (Chair)

Councillors RL Abbey P Gilchrist
P Doughty C Muspratt
D Elderton

Deputies: Councillors T Jones (In place of A Leech)
C Povall (In place of JE Green)
A Sykes (In place of J Hale)

20 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 Phil Gilchrist declared a personal interest in Item 5b on the meeting agenda (Statement of Accounts 2016/17) by virtue of his membership of the Council's Standards and Constitutional Oversight Committee who acted as Trustees of the EF Callister Trust (referred to in P.125 of the document).

Councillor Paul Doughty declared a personal interest in Item 4 on the meeting agenda (Merseyside Pension Fund 2016/17) by virtue of his wife's membership of Merseyside Pension Scheme.

Councillors Ron Abbey and Tony Jones declared a personal interest in Item 4 on the meeting agenda (Merseyside Pension Fund 2016/17) by virtue of his their membership of Merseyside Pension Scheme.

21 MINUTES

Resolved – That the minutes of the meeting held on 12 June 2017, be approved.

22 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 June to 31 August 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 the following items of note that had been identified, namely:

Benefits – Discretionary Housing Payments - An audit had been conducted as part of the Internal Audit Plan for 2017/18 to review the progress made by the HB Service in implementing the recommendations made in the audit report into Discretionary Housing Payments and previously reported to this Committee during 2016/17. The objective of the audit had been to review the 11 recommendations made within the DHP reports and assess whether they have been effectively implemented into the system by the examination of appropriate evidence.

Payroll – Teachers' Pension Payments - The external audit by Grant Thornton had identified an issue in respect to the payment of enhancements under the Teachers' Pension Scheme (TPS) to former teachers who have now retired. Audit recommendations were being formulated to implement an effective control environment for the system of payments on the Teachers Pensioners payroll and they were to be presented to the Director of Finance for approval.

ARMC Member Training - Following discussion at previous meetings of the Committee regarding the organisation and delivery of a repeat of a specific targeted training session for Members on the 'Role and Responsibility of an Effective Audit Committee' arrangements had been made with the external CIPFA trainer previously responsible for this and a provisional date of the 23 November 2017 agreed for delivery.

The Chief Internal Auditor informed that outstanding audit recommendations that related to ICT systems and absence management were the subject of a separate report on the meeting agenda (see Minute 30 post). He further informed of the ongoing actions undertaken by the Internal Audit service to improve overall efficiency and effectiveness that included incorporating and developing areas of best practice from across the Internal Audit profession.

The Chair informed that an update on IT matters should form the basis of a report to the Committee by the Head of Digital at its next meeting. He further informed that the recent training had been first class, but he had been disappointed at the turnout.

Resolved – that

(1) the report be noted; and

(2) that the Head of Digital be invited to attend the November meeting of the Audit and Risk Management Committee.

23 MERSEYSIDE PENSION FUND 2016/17

Members considered the referral from the meeting of the Pensions Committee held on 17 July 2017 on the matter of the audited statement of accounts of the Merseyside Pension Fund for 2016/17, and response to the Grant Thornton Audit Findings Report (minutes 24 to 26 post).

24 PENSION COMMITTEE MINUTES

The Audit and Risk Management Committee considered the minutes 4 and 5 of the Pension Committee (17 July 2017) in respect of the Audit Findings, Statement of Accounts MPF 2016/17 and Letter of Representation.

Resolved – That the minutes of the meeting held on 17 July 2017, be received.

25 AUDIT FINDINGS REPORT

Members gave consideration to the Audit Findings Report 2016 - 2017 prepared by Grant Thornton UK LLP. Grant Patterson, Engagement Lead, attended the meeting and reported upon the key issues contained in the report and responded to Members questions.

It was reported that the audit was now substantially complete and it was anticipated that an unqualified audit opinion would be provided in respect of the financial statements as shown in Appendix A: Audit opinion of the report.

The report confirmed that there were no significant facts or matters that impacted on the independence as auditors that were required or wished to be drawn to the Committee's attention.

Resolved – That the report be noted.

26 STATEMENT OF ACCOUNTS MPF 2016/17

Members gave consideration to a report of the Section 151 Officer that presented Members with the audited statement of accounts of Merseyside Pension Fund for 2016/17 and responded to the Audit Findings Report from Grant Thornton.

The Committee was informed that subject to outstanding work, Grant Thornton had indicated there would be an unqualified opinion and there were no adjustments affecting the Fund's reported financial position for the year ended 31 March 2017 of net assets of £8.2bn and no recommendations.

It was reported that Grant Thornton's report had expressed a positive outcome from their audit of the accounts and referred to the accounts being prepared to a good standard with good supporting working papers.

Members noted that the Statement of Accounts, including notes had been prepared and available for audit by 31 May 2017, a month ahead of the statutory deadline. The audit had also been undertaken to a revised timetable, in preparation for revised statutory deadlines that come into force for 2017/18 reporting. Endorsed by the Chair, Members congratulated Donna Smith, Group Accountant on the completion and delivery of the accounts within the tight timescale.

Resolved – That

- (1) the report be noted;**
- (2) having considered the amendments to the accounts, the Audit Findings Report and the Letter of Representation the audited Statement of Accounts for 2016/17 be approved and signed accordingly; and**
- (3) congratulations be offered to Donna Smith, Group Accountant and the team for producing this work within the timescale.**

27 COUNCIL ACCOUNTS 2016/17

Members considered the audited statement of accounts of the Wirral Council for 2016/17, and responded to the Grant Thornton Audit Findings Report (minutes 28 –29 post).

28 EXTERNAL AUDIT FINDINGS - WIRRAL COUNCIL

Mr Robin Baker of Grant Thornton UK LLP, the Council's external auditors, presented a report to Members on work undertaken with regard to the delivery of their responsibilities as External Auditor covering the Year ending 31 March 2017. Mr Baker provided the Audit and Risk Management Committee with a summary of the purpose and key findings of the External Auditor that included the planned approach to the audit, materiality and the detailed work to arrive at this stage in the process.

Mr Baker informed that there had been a number of areas that had worked well, including the valuation of equipment, assets and pensions liabilities with the External Auditor referring to the approach in the valuation of the assets and the work of the actuary. He informed that there had been no requirement to produce group accounts and how, with regard to non-material amendments, there were no significant issues to report.

Mr Baker added that with regard to the Annual Governance Statement he advised that the document reflected the work of the Committee and was produced in accordance with the relevant guidance. He confirmed that the Value For Money (VFM) judgement was appropriate.

The Committee was apprised of one outstanding objection to the accounts for 2015/16. This related to Lender Option /Borrower Option (LOBO's) borrowing on which Committee had subsequently been updated. This was still under review and the outcome awaited as this was at a national level and not specific to Wirral. Mr Baker advised that Members would be kept informed of the matter.

A Member questioned whether the External Auditor would be reviewing elements of the Council's Transformation Process, and progress of the programme and projects. Mr Baker advised that the External Auditor would be liaising with senior managers, and that discussions would form a key area of future report to the Audit and Risk Management Committee.

Resolved – That the report be noted.

29 **STATEMENT OF ACCOUNTS 2016/17**

The Assistant Director: Finance and Section 151 Officer introduced his report that informed that the Council Constitution allocated responsibility for the approval of the Statement of Accounts to the Audit and Risk Management Committee. The Statement for 2016/17 had been published on 29 June 2017 which was then subject to audit. The Council's external auditor, Grant Thornton LLP had presented their findings, within the Audit Findings Report (AFR) (minute 28 refers) together with any additional update, to this meeting.

The Statement of Accounts included the Merseyside Pension Fund (MPF) accounts as Wirral Council was the Administering Authority for MPF. As the MPF received a separate Audit Findings Report this had to be considered by Pensions Committee and also this Committee as part of approving the Accounts (see Minutes 23 -26).

Committee was asked to consider the findings of Grant Thornton, agree the Letter of Representation, agree any actions for 2016/17 and to approve the arrangements for the finalisation of the Statement of Accounts for 2016/17.

This was in order for them to be published by the statutory deadline of 30 September 2017.

Resolved – That

- (1) the Audit Findings Report presented by Grant Thornton be noted, noting the actions taken over the amendments to the Statement of Accounts as detailed in section 3 of the report now submitted;**
- (2) the Assistant Director : Finance and Section 151 Officer, be authorised to sign off the Councils' 2016/17 Statement of Accounts in consultation with the Chair of the Committee; and**
- (3) the Chair of the Audit and Risk Management Committee be authorised to sign off the Letter of Representation.**

30 **LOCAL AUDIT ACCOUNTABILITY ACT**

That 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 presented to this Audit and Risk Management Committee in September and November 2016.

The report informed that Council on 19th December 2016 agreed to be part of the Local Government Association's national sector led body approach, Public Sector Audit Appointments Ltd (PSAA). PSAA had now undertaken a formal tendering exercise and appointments made for the providers of this service to local public bodies

PSAA had notified the Council that Grant Thornton (UK) LLP had been appointed as providers of external audit services to Wirral Council from 2018/19 for a period of 5 years.

Resolved – That the appointment of Grant Thornton (UK) LLP from April 2018/19 for a period of 5 years be noted.

31 **AGS SIGNIFICANT GOVERNANCE ISSUES UPDATE**

The Assistant Chief Executive introduced the report of the Assistant Director: Finance and Section 151 Officer that provided Members with a progress update on actions taken by officers to address items of concern identified in the Annual Governance Statement (AGS) for 2016/17.

The report informed that the Annual Governance Statement for 2016/17 had been presented to this Committee in June 2017, and that a standard agenda

item was now included for all meetings of this Committee to allow for regular updates on matters of concern identified in the AGS to be presented.

The report also informed that progress was being made to address all issues identified in the action plan. Targets, timescales and responsible officers having been identified and tasks allocated and work underway. Regular updates on actions to address identified issues were reported to the Corporate Governance Group on a bi-monthly basis by responsible officers and an escalation process had been implemented for reporting issues arising including failure to achieve targets to the Strategic Leadership Team for appropriate action.

The Assistant Chief Executive informed that no new issues had been identified for consideration.

Resolved – That the report be noted.

32 **MANAGEMENT OF INSURANCE AND CORPORATE RISK**

The Manager: Insurance and Risk introduced the report of the Assistant Director: Finance that set out progress made since his previous report in relation to key actions planned for 2017/18.

The Manager: Insurance and Risk informed that whilst the need to conduct a competitive tender exercise for a large element of the programme as indicated in paragraph 3.2.7 of the report could lead to lower costs it did create uncertainty in the forecasting of the Council's insurance costs for 2018/19 and beyond. The report informed that if a large number of schools were to convert to academies the pool of contributors to the Insurance Fund would decrease. Over time this could reduce the authority's buying power and the degree to which it could self-insure. This in turn could increase the cost of financing insurable risk. However officers remained vigilant to potential conversions and would be making changes to the authority's arrangements to ensure that potential negative impacts were gradual and limited wherever possible.

Resolved – That the report be noted.

33 **CORPORATE RISK REGISTER: UPDATE**

The Manager: Insurance and Risk introduced the report of the Chief Executive that confirmed the outcome of the 2016/17 year-end review of the Register and its refresh by the Strategic Leadership Team. The report also provided an update on the potential impact of a governance review on future monitoring and reporting arrangements. A copy of the refreshed Register recently agreed by the Strategic Leadership Team was appended to the report.

He informed that the review of action plans for the Wirral Plan and work on developing risk registers for Pledge strategies had been deferred but was now being progressed.

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.**

34 **CORPORATE RISK MANAGEMENT POLICY**

The Manager: Insurance and Risk introduced the report of the Chief Executive that confirmed the process behind the revision of the Council's Risk Management Policy. The report set out the factors that had influenced its development and described the main proposed changes from the current document, highlighting an initiative that will affect the policy in future.

The Manager: Insurance and Risk informed that the Director for Corporate Resources & Reform has initiated a review of the Council's corporate governance arrangements. He advised that part of the review would address how consideration of risk informed decision-making and the arrangements for reporting risk information. He added that recommendations which resulted from that review could have significant implications for the Council's risk management framework. This would need to be reflected in the next revision of the Policy which would be included in a future update to the Audit and Risk Management Committee.

Committee was asked to endorse the Policy and refer it to Cabinet for approval.

Resolved - That

- (1) the draft Risk Management Policy be approved and referred to CABINET for formal adoption on behalf of the Council; and**
- (2) that regular reports on progress towards implementation of the risk management action plan be brought to this Committee.**

35 **RIPA**

The Group Solicitor introduced the report of the Assistant Director: Law and Governance that presented a summary of the use of covert surveillance by the Council, to detect evidence of criminal behaviour, between 1 June 2017 and 31 August 2017.

The report informed that during this period, the Council had obtained approval for the use of covert surveillance with the intention of detecting evidence of criminal behaviour i.e. to detect suspected illegal fly tipping at a site in Wirral.

The report further informed that annual training for Applying and Authorising Officers had been arranged for 30 October 2017 - each officer must attend suitable training on RIPA at intervals of not less than two years.

Resolved – That the report be noted.

36 **MATTERS FOR ESCALATION TO CABINET**

No items were selected for referral.