

# Public Document Pack

## AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 28 January 2014

Present: Councillor J Crabtree (Chair)

Councillors	RL Abbey	S Foulkes
	J Hale	K Hodson
	S Kelly	J Walsh
	A Cox	

Deputies: Councillor S Whittingham (In place of J Williamson)

Cabinet Member: Councillor AER Jones

### 45 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.

Councillors S Foulkes and S Whittingham declared their personal interest in agenda item 5 – Insurance Fund Actuarial Study (see minute 49 post) by virtue of them being Board Members of Magenta Homes.

### 46 MINUTES

**Resolved – That the minutes of the meeting held on 25 November 2013, be approved.**

### 47 DRAFT CORPORATE RISK MANAGEMENT POLICY

The Risk and Insurance Officer presented the report of the Strategic Director of Transformation and Resources and gave a presentation on the development of a revised Corporate Risk Management Policy. He indicated that the need to improve the Council's approach to managing risk had been recognised for some time and had been flagged as a priority in last year's Internal Audit report and in the Peer Review. In addition, a key element of the Council's vision for 2016, that the organisation would be 'risk aware, not risk averse', made the need for a revised and more effective approach to handling risk even more important. He set out the role of the Policy within the Risk Management Framework and highlighted what should an effective risk management policy should contain, with reference to the British and International Standard for risk management (BS ISO 31000:2009). In developing the Policy, he had also included topics covered in a risk management strategy and had taken account of discussions with risk managers in a number of authorities and other professionals within the Council, prior to it being shared with the Cabinet Member for Governance and Improvement and being approved by the CESG in October 2013.

He highlighted the key points of the new Policy, which envisaged a key role in the Council's risk management arrangements to be played by the Committee and by Internal Audit. The Policy would result in clearer risk analysis, enhanced reporting arrangements, more guidance and training for Members

and a clearer, specific reference to risk management in Council policies and strategies.

In response to comments from Members, he confirmed that the CESG were responsible for the Corporate Risk Register and would continue to review it each quarter. Directorate management teams reviewed their risk registers on a monthly basis, in order to inform the reviews of the Corporate Risk Register. It was also proposed to identify 'Risk Champions' in each Directorate and, whilst the full extent of their role was yet to be agreed, he proposed that it could include the provision of support to each DMT with managing the Directorate Risk Register, assisting with training and acting as the main point of contact for Internal Audit reviews. In response to a further comment, he proposed to clarify within the Policy the link between the role of the Committee in testing the effectiveness of controls and the Annual Audit Plan.

**Resolved –**

- (1) That, subject to the views of the Committee being incorporated, the draft Risk Management Policy be approved and referred to the Cabinet for formal adoption on behalf of the Council.**
- (2) That regular reports on progress towards implementation of the risk management action plan be presented to future meetings.**

**48 INSURANCE FUND BUDGET 2014/2015**

The Director of Resources reported that under the provisions of the Local Government and Housing Act 1989, local authorities were allowed to set aside financial provisions to cover self-insured losses. By self-insuring, an authority avoided paying insurers' administration, profit margins and Insurance Premium Tax on predictable levels of claims and furthermore, only rarely did external insurers return any premium, irrespective of the profits generated by a policy. The Council had operated an Insurance Fund since its formation and was one of the first local authorities to adopt a high degree of self-insurance when large excesses on liability and material damage insurance were negotiated in the 1980s. Self-funding was a fundamental element of the Council's approach to managing risk and provided a greater incentive to deal with risk more effectively, as the Council benefited directly from any reduction in claims.

She provided details of the principal risks which the Council currently self-insured, together with the probable maximum sum the Council might have to pay for losses in any given financial year. She set out relevant risks and provided details of the cost of the Risk and Insurance Section, which was charged to the Insurance Fund. The 2014/2015 Budget of £3,070,000 represented a net increase of £7000 (0.2%) compared with the Budget 2013/2014.

**Resolved – That the Insurance Fund Budget 2014/2015 be agreed.**

**49 INSURANCE FUND ACTUARIAL STUDY 2013**

The Director of Resources reported upon the formal study which had been commissioned to examine the adequacy of existing sums set aside to meet self-insured liability claims and to make recommendations as to the level of

future contributions to the Insurance Fund. The Study had now been completed by the Council's Insurance Brokers (JLT Speciality Limited) and, whilst the Director was happy to provide Members with a copy of the full technical document on request, she presented a summary of its conclusions. It confirmed that the self-evaluation of liabilities undertaken by the Insurance Team since 2010 had been accurate and indicated the level of contribution required for 2014/2015, which had been incorporated into the Insurance Fund Budget. It recommended that funding of £9,166,800 should be in place at 31 March 2014 to cover losses incurred up to and including that date. However, the Director estimated that the Fund would have a balance of approximately £10m at 31 March 2014, which represented a surplus of approximately £800,000, the retention of which would provide the Council with the option to use it to cover continuing environmental liabilities arising from the transfer of the Council's housing stock.

**Resolved –**

- (1) That contribution to the Liability section of the Insurance Fund be set at £1,615,000 for 2014/2015.**
- (2) That the projected surplus in the balance of the Insurance Fund at 31 March 2014 be retained.**

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

The Director of Resources reported upon progress since November 2013 and provided a summary in relation to the following key actions in corporate risk and insurance management planned for 2013/2014 that were reported to the Committee on 31 January 2013 (minute 47 refers) –

- Management of the Insurance Fund
- Report on Liability Funding Requirements
- Academy Schools Insurance Procurement
- Procurement of Motor and Engineering Insurance and Inspection Contracts
- Determine Risk Appetite and the Future Objectives for Risk Management
- Review of the Corporate Risk Management Framework and Processes
- Draft New Corporate Risk Management Policy and Strategy
- Review of Corporate Risk Register

In response to a comment from the Liberal Democrat spokesperson, the Director informed Members that as part of the new Corporate Risk Management Policy, the Corporate Risk Register would be regularly presented to the Committee in order for it to fulfil its role in the management of risk.

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

## 51 **INTERNAL AUDIT UPDATE**

The Chief Internal Auditor provided Members with information related to the delivery of the Internal Audit Service for the period 1 November to 31 December 2013. It supported the revised reporting arrangements by focusing upon –

- **Items of note arising from audit work conducted**  
These were in relation to IT Disaster Recovery, Directorate Planning, Golf Courses and External Assurances and he advised that management had agreed to implement all recommendations.
- **Issues arising that required actions to be taken by Members**  
He provided information in relation to those audits where recommended actions had currently not been implemented. With the exception of one item, all of the recommendations were currently Amber rated as being in progress and within agreed timescales. The one Red rated item concerned compliance with the Payment Card Industry Data Security Standard, which was being progressed by IT Services to achieve the March 2014 deadline.

In response to a question from a Member, the Chief Internal Auditor referred to the activities of the Information Governance Board, of which he was a member, and provided assurance that the matters referred to it would be addressed and highlighted in the monthly reports provided to Members.

- **Performance Information related to the Internal Audit Service**  
He commented that the Service was on target to deliver the Internal Audit Plan. Feedback from clients was good with satisfaction levels remaining consistently high.
- **Developments being undertaken to improve the effectiveness of the Internal Audit Service**  
Good progress continued to be made to deliver the Improvement Plan within agreed timescales, with 16 of the 18 actions implemented and work progressing well in the outstanding areas. He referred also to other initiatives currently underway to improve the service and commented upon progress to ensure compliance with the new Public Sector Internal Audit Standards and upon work to develop and implement an Auditor Skills Appraisal system.

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

## 52 **AUDIT COMMITTEE UPDATE**

The Director – Assurance (Grant Thornton UK LLP) presented the Audit Committee Update for the year ended March 2014, which provided a report on progress at January 2014 in the delivery of external auditor responsibilities. The report also included a summary of emerging national issues and developments that may be relevant to the Council and posed a number of challenge questions in respect of the emerging issues for the Committee's consideration.

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

## 53 **GRANT CLAIMS AND RETURNS CERTIFICATION REPORT 2012/2013**

The Director – Assurance (Grant Thornton UK LLP) presented the Certification Report for the year ended 31 March 2013, in relation to grant claims and returns submitted by the Council. Three claims and returns had been certified for the year, which related to expenditure of £252m and the

report provided a summary of the overall assessment of the Council's management arrangements in respect of the certification process, drawing attention to key messages in relation to individual claims.

The analysis of performance showed that one claim was submitted late for audit, all were certified on time with amendment and two were certified with a qualification letter. The report also contained an action plan with recommendations for improvement that had been completed by management, and it advised that the total certification fee of £39,818 was a reduction from 2011/2012 of over 40%.

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

54 **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**

The Head of Legal and Member Services presented a summary of the use of covert surveillance by the Council between 1 September 2013 and 1 January 2014. The Regulation of Investigatory Powers Act 2000 (RIPA) governed how public bodies used surveillance methods and he advised that that Council was able to use covert surveillance for the purposes of preventing or detecting crime or preventing disorder. However, the Protection of Freedoms Act 2012 required the approval of a magistrate and confined directed 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 sentencing threshold did not apply.

During the monitoring period, there had been only one use of covert surveillance of a site in Birkenhead, where illegal fly-tipping had been detected. In response to a request from the Liberal Democrat spokesperson for more detail of the surveillance undertaken to be provided to Members, the Council's legal advisor assured the Committee that once the case had been dealt with by the courts, a more detailed update would be provided.

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

---

This page is intentionally left blank