

# Public Document Pack

## AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 18 March 2014

<u>Present:</u>	Councillor	J Crabtree (Chair)	
	Councillors	J Hale S Kelly	J Walsh J Williamson
<u>Deputies:</u>	Councillors	P Glasman (In place of RL Abbey) S Mountney (In place of K Hodson) J Salter (In place of S Foulkes) G Watt (In place of A Cox)	
<u>Cabinet Member:</u>	Councillor	AER Jones	

### 55 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.

### 56 MINUTES

**Resolved – That the minutes of the meeting held on 28 January 2014, be approved.**

### 57 INTERNAL AUDIT UPDATE

The Chief Internal Auditor presented a regular report which provided Members with information related to the delivery of the Internal Audit Service for the period 1 January to 20 February 2014. The report focused upon –

- identifying any items of note or items escalated from monthly reports that required the attention of or action by Members;
- performance data relating to the IA 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:

- The findings of an audit conducted to assess the adequacy and effectiveness of the arrangements in place to manage Corporate Procurement. It included an evaluation of:
  - Procedure Rules and Policies
  - Utilisation of iProcurement
  - Processes for Completion of Contracts
  - Contract Management and Performance Monitoring

The work had identified some areas of good practice however the overall opinion provided was that systems of control and compliance were rated as providing 'minimum' assurance. Four High priority recommendations were included in a report for management and the Strategic Director, the Director of Resources and the Head of Procurement had responded very positively and were currently coordinating the implementation of agreed actions within an agreed timescale.

Follow up work was scheduled for May 2014 and the findings would be the subject of an update reported.

- The findings of follow up work being undertaken on systems in operation at Central Libraries and Income Control where significant issues had been identified in earlier audits and reported to this Committee in November 2013. However, it was encouraging to note that good progress was identified as having been made to address agreed actions and in the case of Income Control all of the agreed actions had now been implemented.
- An update on the work of the Information Governance Board and the outcome of the meeting held on 6 February 2014.

Members attention was also drawn to a table appended to his report, which identified information related to audits where recommended actions included in audit reports had not currently been implemented. He advised that with the exception of one item, all of the recommendations were currently Amber rated as being in progress and expected to be completed within the agreed timescales. The one Red rated item concerned compliance with the Payment Card Industry Data Security Standard and was one that had been discussed previously by the Committee. He confirmed that actions were in hand and progress reports would continue to be provided to Members.

Information was also provided in relation to the performance of the Internal Audit Service, which was on target to deliver the Internal Audit Plan. Feedback from clients and management remained good with all key actions identified in audit reports being agreed and client satisfaction levels remaining consistently high. The Chief Internal Auditor commented also upon continuing Improvements that had been made to the delivery of the Internal Audit Service as part of our overall improvement plan. Good progress continued to be made to deliver the program within the agreed timescale and he commented that 16 of the 18 actions had been implemented with work progressing well in the outstanding areas.

In response to questions from a Member with regard to outstanding audit recommendations in respect of Libraries cash systems, the Chief Internal Auditor confirmed that the disparity had not been as a result of theft or fraud but in relation to recording procedures. There had been a positive response from the Principal Librarian and improved procedures had been rolled out to all libraries.

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

The Chief Internal Auditor presented the Internal Audit Plan 2014/2015, which was effectively year 2 of the Strategic Audit Plan for 2013/2016, approved by the Committee on 10 June 2013 (minute 10 refers), updated to reflect the changing risk profile of the organisation. He provided an explanation of how the Audit Plan for 2014/2015 was prepared and indicated the list of proposed areas to be audited during 2014/2015.

The Chief Internal Auditor highlighted the main changes to note and commented that Wirral Internal Audit Service operated a three year Strategic Internal Audit Plan – the rationale being to ensure that Internal Audit took a wider more strategic view of risk and to ensure that audit effort was utilised as efficiently and effectively as possible to mitigate risk in a changing environment. This was particularly important for Wirral Council at present as a number of control and governance issues were presented that required the attention of senior management across the organisation as well as many fundamental changes to what and how services were to be delivered. The Audit Plan was designed to inform that process, providing relevant assurance opinions on systems either in place or developing and providing direction assessments regarding actions required to implement the necessary improvements,

The Plan provided an overview of the assurance that would be obtained through each audit. 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,

He indicated that 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 Audit Plan would remain flexible, and would be reviewed on a quarterly basis to ensure it was in line with emerging risks. In response to a number of questions from Members, the Chief Internal Auditor confirmed that issues associated with the new Business Rates Retention Scheme and the write-off of Highways Maintenance debts had not been overlooked. Auditors were fully aware of the risks that were highlighted and more detail would be provided in future reports to Committee.

In response to a further question, he provided a summary of the allocation of audit days, which had been adjusted to reflect the establishment resource currently available. He anticipated that, barring any unforeseen significant

issues arising, the resource would be sufficient to enable delivery across all areas of the plan and provide the required annual audit assurance opinion.

**Resolved – That the delivery of year 2 of the Strategic Internal Audit Plan for 2013/2016 be endorsed.**

59 **ANNUAL GOVERNANCE STATEMENT 2013/2014**

The Chief Internal Auditor presented a report, which identified and explained the planned approach for the production of the Council's Annual Governance Statement for 2013/2014. It provided an outline of the work required to prepare the Statement in compliance with statutory requirements set out in the Accounts and Audit Regulations 2011 and the principles identified in the CIPFA SOLACE Framework – Delivering Good Governance in Local Government.

The report also outlined the role of the members and senior officers in the production of a robust and accurate Statement and highlighted indicative timescales.

**Resolved – That the approach outlined in the report now submitted with regard to the production of the Annual Governance Statement 2013/2014, be endorsed and supported.**

60 **LOCAL AUDIT AND ACCOUNTABILITY ACT 2014**

The Strategic Director for Transformation and Resources provided a detailed summary of the key provisions of the Local Audit and Accountability Act 2014 ("the Act"), which received Royal assent on 30 January 2014. He explained the impact on the Council, specifically in relation to the appointment of a local auditor (external auditor) and the establishment of an independent audit panel to advise the Council on the appointment of a local auditor.

The Act abolished the Audit Commission and established new arrangements for the audit and accountability of local public bodies in England. It amended the legislative framework for council tax referendums and provided measures to ensure local authority compliance with the Code of Recommended Practice on Local Authority Publicity. Section 39 of the Act gave the Secretary of State power to direct a local authority to comply with the Code of Practice and would come into force on 30 March 2014.

The Act also introduced greater transparency and openness to meetings of local government bodies by allowing local residents to film, blog, tweet and access information related to the decisions made in those meetings. Section 40 of the Act gave the power to the Secretary of State to make Regulations allowing persons to film, photograph or make sound recordings of proceedings. The power to make Regulations would also come into force on 30 March 2014.

He commented that, it was therefore essential that the Council put in place appropriate measures to ensure the provisions of the Act were adhered to.

**Resolved –**

- (1) That Committee notes the report and the detailed explanatory note at appendix 1, concerning the changes being introduced by the Audit and Accountability Act 2014 and its implications.**
- (2) That the Strategic Director for Transformation and Resources be authorised to undertake a recruitment exercise, necessary to appoint independent members to the Audit and Risk Management Committee, pursuant to the Audit and Accountability Act 2014, once relevant Regulations and/or guidance are issued.**

61 **CORPORATE RISK REGISTER**

The Director of Resources presented the first of a series of reports on the Corporate Risk Register as indicated in the Council's new Corporate Risk Management Policy. It outlined how the Register was developed, the outcome of subsequent reviews and future action. A full copy of the current document was appended for Members' consideration and she indicated that future reports would focus on changes to the topics on the Register and progress in implementing controls.

A Member commented that the Director of Adult Social Services should also share responsibility for the controls associated with the identified risk 'Inadequate safeguarding arrangements exposing children or vulnerable adults to greater risk of abuse or exploitation' (CU1). The Director agreed to take the comment back to the Chief Executive's Strategy Group for consideration.

**Resolved –**

- (1) That, subject to comments from Members, the Corporate Risk Register be noted.**
- (2) That further reports be presented to future meetings of the Committee.**

62 **MANAGEMENT OF INSURANCE AND CORPORATE RISK**

The Director of Resources reported upon key actions to be taken in relation to corporate risk and insurance management during 2014/2015. The report highlighted key decisions which needed to be made and also included progress made since January 2014 in relation to key actions planned for 2013/2014.

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

63 **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 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.

A Member referred to challenge questions associated with the Grant Thornton report '2016 Tipping Point? Challenging the Current', which assessed whether English local authorities had the arrangements in place to ensure their sustainable financial future and indicated that some authorities were predicting reaching tipping point, when the pressure becomes acute with financial failure a real risk. The Director – Assurance indicated that the risk of local authorities going into administration was not a scenario that had had to be dealt with in the UK. However, more imaginative delivery models were now having to be considered to meet statutory responsibilities.

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

64 **AUDIT PLAN FOR MERSEYSIDE LOCAL GOVERNMENT PENSION SCHEME**

The Director – Assurance (Grant Thornton UK LLP) presented the Audit Plan for the Merseyside Local Government Pension Scheme for the year ended 31 March 2014. He highlighted the need to understand the challenges and opportunities the Pension Fund was facing and set out the impact on the Fund of key developments in the sector. He provided a summary of the audit approach, referred to the significant and other risks that had been identified and provided an indication of fees.

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

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

The Head of Legal and Member Services reported that the Regulation of Investigatory Powers Act 2000 (RIPA), which governed how public bodies used surveillance methods, required a quarterly report on the use of covert surveillance.

He confirmed that there had been no use of such surveillance by the Council between 1 January 2014 and 1 March 2014.

Since the Protection of Freedoms Act 2012 came into force on 1 November 2012, there had been a steep decline in the use of covert surveillance, leading to less effective action being taken in response to anti-social behaviour and he indicated that persistent anti-social behaviour may now only be detected by the use of directed covert surveillance if it had the prior approval of a magistrate and if it consisted of criminal offences attracting a term of imprisonment of 6 months or more. Shouting, swearing, drunkenness, playing loud music, banging on walls and doors, and intimidating behaviour was no longer capable of being detected by covert surveillance unless they amounted to acts of harassment targeted at a particular individual which may then amount to an offence under the Protection from Harassment Act 1997.

He reported also that following a strategic service review of Community Safety (including anti-social behaviour) an assessment would be undertaken of all current cases managed by the Anti-Social Behaviour Team to determine

whether an application for authorisation of covert surveillance could be made, having regard to the statutory components of the offence of harassment. It was intended that an application would be made in due course for magistrate approval of covert surveillance where there was strong evidence of behaviour which met the definition of the criminal offence of harassment. Depending upon the outcome, this could be a prelude to a more robust use of covert surveillance to tackle serious anti-social behaviour. A Member commented that offences of harassment were also covered by the Public Order Act.

He reported also upon and provided a summary of the Government's proposals to amend its Code of Practice on covert surveillance. He indicated that although most of the proposals had been anticipated by the Council's Policy and Procedure Document, which was adopted on 18 September 2013 a number of minor changes were suggested.

**Resolved –**

- (1) That the report on the use of covert surveillance and the updated Policy and Guidance Document be noted.**
- (2) That officers be authorised to take part in the consultation on updating the Home Office Code of Practice by making the following suggestions:**
  - That paragraph 2.29 of the proposals be re-worded to make it clear that no RIPA authorisation is required to monitor shouting from a property which is audible in the street outside or adjoining property.**
  - That paragraph 3.31 the third bullet point should include as an example of the use by a local authority of directed surveillance, the investigation of behaviour which would constitute the offence of harassment of e.g. a neighbour.**

**66 CODE OF PRACTICE FOR THE OPERATION OF CCTV**

The Head of Legal and Member Services presented for approval a Code of Practice for the operation of closed circuit television (CCTV), which was derived from the Home Office Surveillance Camera Code of Practice, issued in June 2013. He indicated that sections 30 and 33 of the Protection of Freedoms Act 2013 required every local authority to have due regard to its contents in carrying out its functions. The proposed Code of Practice also incorporated the guidance issued by the Information Commissioner in 2008 on how CCTV systems should be operated in order to comply with the Data Protection Act 1998 and the Human Rights Act 1998.

He commented that, if adopted by the Committee, the proposed Code of Practice should demonstrate the Council's compliance with the legislation, provided of course that its provisions were implemented.

**Resolved –**

- (1) That the Code of Practice on overt CCTV be approved and adopted.**
  - (2) That management be instructed to put systems in place to ensure compliance with the Code of Practice.**
  - (3) That management be instructed to ensure annual reviews of all existing CCTV systems are undertaken, with priority being given to reviews of systems in buildings and places to which the public have access, to be completed by no later than the end of June 2014.**
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