

# AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 17 September 2014

Present: Councillor J Crabtree (Chair)

Councillors S Kelly M Patrick  
P Doughty A Sykes  
D Elderton J Walsh

Deputies: Councillors M Sullivan (In place of RL Abbey)  
G Watt (In place of J Hale)

Cabinet Member: Councillor AR McLachlan

## 18 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.

## 19 MINUTES

**Resolved – That the minutes of the meeting held on 22 July 2014, be approved.**

## 20 INTERNAL AUDIT UPDATE

The Chief Internal Auditor presented a report which identified and evaluated the performance of the Internal Audit section. It included details of issues that had arisen from the actual work undertaken during the period 1 June to 31 July 2014 and provided specific details of two items of note, which were brought to the attention of the Committee in relation to Performance Management and Risk Management –

- With regard to the corporate Performance Management system, he was pleased to report that all of the agreed recommendations to improve systems of work had been actioned. Further audit work was scheduled for this important area of operations later in the year to evaluate the impact of the implemented actions and an update would be included in future reports.
- With regard to the corporate Risk Management system, significant progress had been made to address the actions identified and auditors were now more confident that risks were now being identified and managed more effectively by the organisation. The Chief Internal Auditor noted also that further important development work was being undertaken to improve systems and he indicated that further audit work

was scheduled for later in the year to evaluate the adequacy and effectiveness of the controls in operation over the Risk Management Framework system following the implementation of the newly adopted Risk Management Policy. The work would seek to provide further assurance of the effective operation of risk management within Directorates and the findings would continue to be included in future update reports.

The Chief Internal Auditor provided details of outstanding Audit recommendations that had not currently been implemented and he commented that all were RAG rated as 'amber', which indicated that progress was being made to address the issues identified. He stated that there were currently no issues arising with regard to compliance with performance indicators and he highlighted some of the actions taken to date to secure the continued improvement that was important to the overall efficiency and effectiveness of the Internal Audit Service.

He referred also to a number of issues that had been raised by Members at previous meetings and gave a brief update upon the Business Rates Retention Scheme and Fraud Awareness Week. Details of both would be included in his bi-monthly update. In response to questions from the Liberal Democrat spokesperson, he provided an explanation in respect of turnaround times for the issue of audit reports and commented further upon outstanding audit recommendations related to The Learning Lighthouse and the National Fraud Initiative. Further details would also be included in his bi-monthly report.

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

## 21 PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Further to minute 7 (23 June 2014), the Chief Internal Auditor reported upon the requirements of the Public Sector Internal Audit Standards and outlined the progress being made to secure compliance. The Standards came into effect on 1 April 2013, having been developed jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) and had replaced the CIPFA Code of Practice as the mandatory guidance for internal audit standards for the whole of the public sector.

The Standards introduced 142 requirements which were additional to those detailed in the CIPFA Code of Practice and local authorities were required to demonstrate full implementation and compliance no later than 31 March 2018. The report contained a summary of a self-assessment exercise, which had found the Internal Audit Service to generally conform to 88% of the requirements of the Standards. The Chief Internal Auditor set out a number of key actions to ensure full compliance and assured Members that there were no areas of significance where the service was not fully compliant. In response to comments from Members, he proposed to circulate the detailed action plan with his bi-monthly update.

In response to further questions from Members with regard to how Wirral compared to other local authorities in securing compliance, he indicated that

discussions with colleagues from across the North West Region suggested that Wirral was more advanced than others, due in part to the nature of work that had been required to be undertaken over the past 12 months to improve performance. He commented also that colleagues across the region had agreed to a Peer Review process to provide external quality assessment. A further update report would be presented on the assessment process in due course.

**Resolved –**

- (1) That the report be noted.**
- (2) That the actions being taken by the Internal Audit section in becoming fully compliant with the Public Sector Internal Audit Standards, be supported.**
- (3) That the Committee recognises that the positive outcome of the self assessment, with Wirral already being 88% compliant with the Standards, is due to the significant work that has been undertaken by the Internal Audit team and the thanks of the Committee be accorded to the Chief Internal Auditor and his staff.**

**22 AUDIT FINDINGS REPORT - MERSEYSIDE PENSION FUND**

The Director – Assurance (Grant Thornton UK LLP) presented the Audit Findings Report for Merseyside Pension Fund (MPF), which had been considered by the Pensions Committee on 15 September 2014 (minute 29 refers). He highlighted the key issues that had arisen from the audit of the Fund's financial statements for the year ended 31 March 2014 and anticipated that an unqualified opinion would be provided. The audit had not identified any adjustments affecting the Fund's reported financial position, which recorded net assets carried forward of £6.1bn. A number of adjustments were agreed to improve presentation and the key messages were that –

- the draft financial statements were provided at the start of the audit work and high quality working papers were made available;
- some presentational improvements were needed, but no fundamental or material adjustments were required; and
- officers were available throughout audit fieldwork to provide additional supporting information in a timely manner and resolved queries promptly.

He referred also to a number of future developments that were relevant to the Pension Fund and the audit and commented that Members would be very welcome to attend training that was to be provided by Grant Thornton, in association with CIPFA.

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

## 23 **STATEMENT OF ACCOUNTS 2013/2014 - MERSEYSIDE PENSION FUND**

The Head of Financial Services presented the report of the Director of Resources, which indicated that the Pensions Committee, at its meeting held on 15 September 2014 (minute 30 refers) had approved the Merseyside Pension Fund (MPF) Statement of Accounts 2013/2014, having considered the Audit Findings Report and Letter of Representation.

The audited Statement of Accounts of Merseyside Pension Fund for 2013/2014 formed part of the Council's overall Statement of Accounts (see minute 27 post) and the Audit Findings Report for Merseyside Pension Fund (see minute 22 ante) had indicated that an unqualified opinion would be issued and that the accounts presented fairly the financial position of the Fund as at 31 March 2014. The accounts would now form the basis of the Annual Report for the year ended 31 March 2014.

**Resolved – That the report be noted and the Letter of Representation be approved.**

## 24 **ANNUAL GOVERNANCE STATEMENT 2013/2014**

Further to minute 3 (23 June 2014), the Strategic Director for Transformation and Resources presented the report of the Chief Executive, which contained the final Annual Governance Statement (AGS) and action plan, its preparation and publication being necessary to meet the statutory requirement set out in Regulation 4(3) of the Accounts and Audit (England) Regulations 2011. The Council was required to have approved and adopted a Code of Corporate Governance that complied with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government; and to report publicly through the AGS the extent to which the governance processes outlined in the Code were operating effectively in practice.

He commented that the production of the AGS was based upon relevant supporting evidence provided by Internal Audit, with the overall direction provided by the Chief Executive Strategy Group to ensure high level corporate engagement and ownership. Although the Council's Internal Audit team had been responsible for undertaking the relevant assurance work, it was important to note that the AGS was not owned by the audit function but was a Council statement on the effectiveness of its governance processes. The Chair was pleased to comment upon the remarkable and rapid improvement that had been made by the Council and the Strategic Director assured Members that the significant governance issues that were appended to the document would be closely monitored and addressed over the next 12 months.

**Resolved – That the Annual Governance Statement and action plan for 2013/2014 be agreed.**

## 25 **AUDIT FINDINGS REPORT - WIRRAL COUNCIL**

The Director – Assurance (Grant Thornton UK LLP) presented the Audit Findings for Wirral Council, which highlighted the key matters that had arisen

from the audit of Wirral Council's financial statements for the year ended 31 March 2014. He reported that the audit was substantially complete, with the exception of work on the Whole of Government Accounts, which would be completed in accordance with the national timetable. As at 10 September 2014, and subject to completion of the outstanding work, it was expected that an unqualified opinion would be issued on the Council's financial statements and the report contained a draft Letter of Representation. The draft statements detailed gross expenditure of £745m, net assets of £105m and a General Fund balance of £17.2m. Key messages arising from the audit were that –

- no significant issues were identified;
- the accounts were well prepared with few errors and the Council provided working papers in support of the draft statements;
- further working papers were produced as required during the audit; and
- Finance staff were available throughout the audit, answered questions promptly and provided additional information in a timely manner.

He was also pleased to report that, based upon the review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. It was proposed to give an unqualified Value for Money conclusion. A separate, more detailed report was presented for consideration (see minute 26 post) and he commented that the conclusion represented a significant improvement from 2012/2013, when a qualified "adverse" conclusion was issued, as the review had identified a number of areas where arrangements had not been effective.

In response to questions from Members with regard to the small number of areas where IT arrangements could be further strengthened, the Director confirmed that these were not significant control weaknesses and were RAG rated as 'green'. The Chief Internal Auditor commented also that arrangements for the issue and recovery of mobile phones had also been strengthened and much more robust systems were now in place.

**Resolved –**

- (1) That the report be noted.**
- (2) That a report on the Value for Money Action Plan be presented to the next meeting of the Committee.**

## 26 **REPORT ON VALUE FOR MONEY**

The Director – Assurance (Grant Thornton UK LLP) presented the Report on Value for Money for Wirral Council, which summarised the findings from work supporting the Value for Money (VfM) conclusion. It complimented the Audit Findings Report (see minute 25 ante) by the provision of additional detail on the themes that underpinned the VfM conclusion. The report would not normally have been presented to Committee but, he had done so on this occasion to highlight the Council's direction of travel. He set out the criteria upon which the VfM conclusion was based and outlined the audit approach. He referred also to the National and Local context against which the

assessment had been undertaken and commented that with demand for many Council services expected to rise, at a time when central funding was being cut, it was now more important than ever for Councils to have sound arrangements for securing value for money.

Wirral had recognised the scale of the financial challenge it faced and had developed a fundamental proposal designed to transform the Council and help deliver the major savings required. The Future Council programme sought to ensure that resources were used effectively to achieve the outcomes required by residents. He set out summary observations against various risk areas and provided an analysis of various benchmarking data against Wirral's nearest statistical neighbours. In response to a question from a Member, he confirmed that Wirral's place in its comparator group was not of concern at this stage.

The overall VfM conclusion was that on the basis of the work undertaken and having regard to the guidance on the specified criteria published by the Audit Commission, he was satisfied that in all significant respects the Council had in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

## 27 **STATEMENT OF ACCOUNTS 2013/2014 - WIRRAL COUNCIL**

The Head of Financial Services presented the report of the Director of Resources, which advised that the Council's Constitution allocated responsibility for the approval of the Statement of Accounts to the Audit and Risk Management Committee. The Statement for 2013/2014 was published on 30 June 2014 and had been subject to audit by the Council's external auditor, Grant Thornton UK LLP, who had presented their findings, within the Audit Findings Report (see minute 25 ante).

He commented that the purpose of the Statement of Accounts was to present the overall financial position of the Council at 31 March 2014. The amendments to the Accounts were as detailed in the Audit Findings Report (see minute 25 ante) and the financial position of the Council remained unchanged from that reported in the Accounts published at 30 June 2014 (minute 9 (23 June 2014) refers) and reported to Cabinet on 8 July 2014 (minute 28 refers). Subject to the Committees consideration of the Audit Findings Report and agreement to the Letter of Representation, Grant Thornton would issue the Audit Opinion, which would state that the Accounts represented a true and fair view of the financial position of the Council at 31 March 2014. The Opinion, together with the revised Annual Governance Statement, would be included in the Statement of Accounts to be published before 30 September 2014.

**Resolved –**

**(1) That 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 2 of the report now submitted.**

- (2) That the Director of Resources be authorised to sign off the Council's 2013/2014 Statement of Accounts in consultation with the Chair of the Committee.**
- (3) That the Director of Resources be authorised to sign off the Letter of Representation, in consultation, with the Chair of the Committee.**
- (4) That the Statement of Accounts for 2013/2014 and the arrangements for further amendments be approved.**

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

The Risk and Insurance Officer presented the report of the Director of Resources, which set out the key actions to be taken in relation to corporate risk and insurance management during 2014/2015. The two significant areas of activity were –

- the provision of advice and support to Members and officers in developing the corporate risk management framework and processes, and
- risk financing, which incorporates insurance procurement, management of the Council's Insurance Fund and claims management.

In addition to day to day operations the insurance service was responsible for major procurement exercises and improvement activities and the Director set out progress in respect of those actions since June 2014.

He reported that both the Computer Insurance and Civil Litigation contracts contained clauses giving the Council an option to extend them. In respect of the Civil Litigation contracts, the 'Jackson' reforms had resulted in the contracts format no longer being fit for purpose. As such, it was not appropriate to extend them and a procurement exercise would be held to identify suppliers from 1 April 2015. However, it was recommended that the option should be taken up to extend the Computer Insurance contract. He commented also upon a substantial increase in the cost of the Casualty Insurance contract, which was not reflective of the stable performance within the liability account. There were however, only two key insurers in the market to provide local authority liability insurance and a procurement exercise could potentially result in greater premiums or a reduction in cover.

He reported also upon options for the administration of liability claims and expressed a view that a move to a partially in source some further administration could provide a contractual saving of £30,000pa at an investment of less than £7,500pa.

In response to a question from a Member, he commented that letting contracts was done on a collaborative basis with other local authorities, with a view to secure savings wherever possible.

**Resolved –**

- (1) That the report be noted.**
- (2) That the decision on the extension of the existing liability contracts and proposed amendments to claims handling processes be delegated to the Director of Resources.**

29 **CORPORATE RISK REGISTER**

The Risk and Insurance Officer presented the report of the Chief Executive, which advised that under the terms of the Council's Constitution, one of the functions of the Audit and Risk Management Committee was to provide independent assurance that the Council's Risk Management Framework was effective. He commented that a key output from the framework was the Corporate Risk Register and to support this Committee's work in considering the effectiveness of the framework, a report was now presented on a regular basis detailing the key risks facing the authority and how they were being managed.

The Corporate Risk Register summarised those areas of uncertainty which had the greatest potential to prevent or frustrate delivery of the Corporate Plan and it confirmed how the authority was seeking to tackle them. At a strategic level the risks helped to inform future priorities and interventions. The actions required to mitigate the risks also influenced the content of Directorate Service Plans and the allocation of resources and, in that way they were a key component of the corporate planning process. Therefore, success in managing risks was a key factor in overall corporate performance.

A thorough refresh of the register had been undertaken by the Chief Executive Strategy Group (CESG) on 10 June 2014 and he provided a summary of reviews that were undertaken in July and August 2014. He indicated that the CESG had also considered a suggestion made by a Member of this Committee (minute 12 (23 June 2014) refers) that it may be appropriate for there to be two 'safeguarding' risks – one related to children and young people and another to vulnerable adults. However the consensus was that a single safeguarding risk was appropriate particularly given the joint approach to safeguarding.

He referred also to the progress update contained within the appendix attached to his report and sought the views of the Committee as to whether the high level of detail was appropriate or whether a more truncated version was preferred for future updates.

**Resolved –**

- (1) That the summary of progress made in relation to the management of the existing corporate risks be noted.**



- (2) That further reports on the Corporate Risk Register be presented to future meetings of this Committee, to contain the high level of detail in relation to progress in mitigating risks as now reported.**

30 **UPDATE OF HR POLICIES**

The Head of Human Resources presented the report of the Strategic Director of Transformation and Resources, which advised that the Council's Human Resources (HR) Policies were subject to ongoing review to ensure they remained fit for purpose, legally compliant and provided a valuable and workable resource for employees and managers on employment related issues in the workplace. She indicated that, as part of the new intranet site, implemented in January 2014, a number of key policy documents were refreshed and formatted and an opportunity had also been taken to update and rationalise the information under the People section of the site to enhance it as a more user friendly resource.

The report provided details of the following new and revised HR Policies for consideration –

- New Dignity at Work procedure and supporting documents
- Details of changes to Grievance Policy and Procedure
- Details of legal updates to Whistleblowing policy

The policies had clear links and had been reviewed as a suite, although the most significant work had been undertaken around Dignity at Work, which was a new policy. She commented that the Annual Governance Statement 2013/2014 stated, in relation to risk management, that further actions were required to embed policies for confidential reporting and grievances and the report set out the communication and training plan to ensure that all managers and employees understood the requirements of the policies and what their roles and responsibilities were in their delivery

In response to a question from a Member in relation to the involvement of trade unions in the formulation of HR policies, the Head of Human Resources confirmed that, although their agreement was not required, the trades unions had been consulted on all policies. There remained an outstanding, unresolved area of disagreement in relation to the procedure for employment appeals, insofar as it no longer provided a mechanism for a panel of elected Members to determine such appeals, which were now heard by an officer. In response to a further question as to whether the unions were in agreement with other HR policies, she confirmed that their objection was as indicated, and was more in relation to principle than practice.

The Liberal Democrat spokesperson referred to the Whistleblowing Policy, which stated that protection would be given to whistleblowers against victimisation. However, in its definition of victimisation, the Dignity at Work Policy appeared to imply that such protection would only be afforded to persons who had acted 'in good faith' and he questioned how such a determination would be made.

Following a brief adjournment, the Head of Human Resources indicated that she had reviewed the wording in the Policy and proposed an amendment for Members consideration.

**Resolved –**

- (1) That, subject to the amendment now reported, and to it being circulated to Members, the Dignity at Work procedure and supporting documents be recommended to the Council, for approval.**
- (2) That the proposed amendments to the Council's Grievance Policy be recommended to the Council for approval.**
- (3) That the changes to the Whistleblowing Policy be endorsed.**

31 **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, to detect evidence of criminal behaviour, between 1 March and 1 September 2014. During the period, authorisations were approved by a magistrate to detect flytipping, suspected acts of serious criminal damage and unlawful waste deposits.

He commented that previously authorised covert surveillance had obtained evidence, which had led to the successful prosecution and conviction of a local waste carrier for the offence of depositing builder's waste in Buccleuch Street, Birkenhead.

He reported also that, on 4 September 2014, training was conducted by Ibrahim Hasan, one of the UK's leading experts on RIPA/Surveillance Law, which meant that all officers who applied for, authorised or made applications to a magistrate were properly trained.

In response to a question from the Liberal Democrat Spokesperson with regard to the use of covert surveillance to detect harassment, the Head of Legal and Member Services commented that it was his belief that where the offence of harassment had been substantiated in terms of reasonable suspicion, the use of covert surveillance could be authorised by a magistrate. He had encouraged the Anti-Social Behaviour Team to make applications in such circumstances.

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

---