

# AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 25 November 2014

Present:

Councillor J Crabtree (Chair)

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

## 34 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.

## 35 MINUTES

**Resolved – That the minutes of the meetings held on 17 September and 8 October, 2014, be approved.**

## 36 ANNUAL AUDIT LETTER

The Chair introduced Mike Thomas, Director from Grant Thornton UK LLP, who was attending his final meeting of the Committee after seven years and thanked him on behalf of the Committee for all his help and advice over the past years.

Mike Thomas then presented the Annual Audit Letter for Wirral Council, which summarised the key findings arising from the work undertaken for the year ended 31 March 2014. This included:

- Financial statements audit in which no significant issues were identified.
- An unqualified Value for Money conclusion for 2013/14 had been issued on 29 September, 2014.
- Whole of Government Accounts, the consolidation pack had been reviewed and it was consistent with the audited financial statements.
- Certification of grant claims and returns, this work was ongoing and detailed findings would be reported upon completion of the work.

Mike Thomas thanked the Chair for his kind words and said that it had been a pleasure working with Wirral Council over the last seven years, although it was over some challenging times it had been a respectful relationship.

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

37 **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 August to 31 October 2014 and provided specific details of five items of note, which were brought to the attention of the Committee:

- Financial Systems
- Commissioning
- Performance Planning and Management
- Fraud Awareness Week
- Information Governance

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 also drew the Committee's attention to developments within internal audit.

Responding to comments from Members, the Chief Internal Auditor stated that with regard to commissioning, work was currently ongoing and findings to date indicated that whilst there was no inference of impropriety against any Council officer there had been examples identified of inadequate control which needed to be corrected, and on a number of occasions the Council's Contract Procedure Rules had been breached and these would be reported to the Committee in January.

He stated that as there were only a small number of contracts with non-compliance out of a considerable number this did not highlight corporate compliance as a significant issue. He acknowledged that the examples identified should not be happening. In respect of creditors, the three duplicate payments were for a relatively small amount and work was being undertaken with colleagues in creditors / payments to prevent this happening again and the section was looking to recover the monies. An update would be brought back to the next meeting and he had no concerns at this point about the Creditors / Payments Service meeting the December, 2014 deadline for action implementation.

With regard to the Single Person Council Tax Discount review a decision had been taken by the Council Tax Service to bring in an external firm to review the findings from the NFI exercise. It was intended that by January 2015 the exercise would have concluded and Internal Audit would be able to undertake a comprehensive follow up review, the outcome of which would be reported to Members via the regular update report.

The Chief Internal Auditor agreed to provide further detail in the 'organisational impact' column in the 'Outstanding Audit Recommendations' appendix to the report when it was shown that this was not applicable.

Luan Quirke, Lead Auditor, provided the Committee with more detail on the week long fraud awareness campaign that commenced on 17 November 2014. This coincided with International Fraud Awareness Week and the aim was to heighten awareness of staff to the problem and scale of fraud in the public sector. The team were looking to promote a public campaign in the future in conjunction with neighbouring Mersey region authorities; this could be along the lines of the 'Spot the Cheater' campaign, which Stoke-on-Trent City Council had successfully run.

Responding to comments from Members, the Chief Internal Auditor stated that the 'Cheater' campaign would be something officers would look at and that Members would be engaged in the process before any campaign was rolled out. They would take the lead from professionals within the field and ensure that any campaign had a localised emphasis which people could relate to.

With regard to a record of types of fraud, the Internal Audit section did have a significant database of material and in, 'Protecting the Public Purse'. Mike Thomas commented that the National Fraud Investigation scheme would move to the Cabinet Office when the Audit Commission closed and comparative data would still be shared with local authorities.

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

## 38 **STATEMENT OF ACCOUNTS 2013/14**

Further to minute 23 (17 September 2014), the Director of Resources reported that the Statement of Accounts (SOA) 2013/14 had been published on 30 September 2014, the statutory deadline for publication, and included the Merseyside Pension Fund (MPF) accounts, as Wirral was the Administering Authority for the MPF. Following the Committee on 17 September minor amendments were requested to be made to the Statement of Accounts by Grant Thornton. These related to the Cash Flow Statement and Note 28 (Amounts Reported for Resources Allocation Decisions).

The final published Statement of Accounts also incorporated the Annual Governance Statement and Action Plan for 2013/14 approved at the Committee meeting on 17 September.

The Audit Opinion was issued on 29 September 2014 and was appended to the report. This stated that the financial statements gave a true and fair view of the financial position of the Council at 31 March 2014, of its expenditure

and income for the year and that they had been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14. Besides commenting on the Financial Statements Grant Thornton also commented on the Council's Value For Money arrangements. Grant Thornton reported an unqualified VFM conclusion for 2013/14. In 2012/13 an adverse conclusion on the Council's arrangements for securing economy, efficiency and effectiveness was issued.

The Value for Money Report set out further details on the assessment. It also set out progress that had been made since the previous year. The scale of the financial challenge facing the Council meant that issues still needed to be tackled. Grant Thornton stated that having already delivered substantial financial savings, the Council faced a significant challenge to address this budget gap and to meet its statutory responsibilities.

The Value for Money Report received contained a number of recommended actions which Grant Thornton believed would improve the Council's financial controls or give consideration to the key issues facing the Council in the future. These recommendations had been agreed and an Action Plan developed to bring improvements in the areas identified and this was detailed in Appendix 2 to the report.

The Audit Certificate issued to formally conclude the audit had been issued. The Whole of Government Accounts return was completed by the October deadline.

#### **Resolved –**

**(1) That the Independent Auditor's Report be noted.**

**(2) That progress on delivering the actions identified in the Audit Findings Report Action Plan be reported to this Committee.**

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

Further to minute 28 (17 September 2014), the Risk and Insurance Officer presented the report of the Director of Resources updating on the key actions to be taken in relation to corporate risk and insurance management during 2014/15. Risk and insurance management comprised two significant areas of activity –

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

The key actions to be implemented were included in the report to Committee on 18 March 2014 (minute 47 refers) and he provided a summary of progress since the last meeting in relation to –

- Annual renewal of Marine insurance policy
- Risk management arrangements for programmes and projects
- Academy Schools insurance procurement
- Review of Corporate Risk Register
- Future Council
- Develop training and guidance for Members and officers
- Consider options to extend the Casualty (Liability) insurance contract
- Consider options for the administration of liability claims
- Local Government Association (LGA) / Cabinet Office Roundtable
- Refresh of the Corporate Risk Management Policy
- Insurance Fund Budget 2015/16

The provision of support services to Academy schools was estimated to generate income of approximately £40,000 in 2014/15 which helped to offset the Council's insurance administration costs which were ultimately recharged to users of the service. The position regarding the submitted increase in Liability insurance costs was reported and it was intended that the increase would be offset by a reduction in the contribution to the liability section of the Insurance Fund. The existing claims management software was scheduled for an upgrade and this process would be brought forward to facilitate any potential future move to self-handling of liability claims. This process would be managed by the software providers and would not necessitate significant IT involvement.

Responding to comments from Members the Risk and Insurance Officer outlined the status of Friends Groups such as with parks. If they were loosely incorporated and didn't have charitable status then, if the Council was working with them to deliver events they would be covered by the Council's liability insurance. If they became charities in their own rights then they would have to make their own arrangements. A Member suggested that a note on this information should be sent to all Members.

With regard to the option for the administration of liability of claims he was confident the team had the skills to take on the work but with the current uncertainty over the composition of the team it would be difficult to do by April, 2015 and that this would be revisited in October, 2015. In respect of the self-insured aggregate exposure being limited to £3.5m, he suggested that this amount was not unreasonable.

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

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.

Governance arrangements for the Register required that it be formally reviewed each quarter with the review being undertaken by the Chief Executive Strategy Group (CESG). This task was informed by a report from the Risk and Insurance Officer which summarised potential new risks for consideration and significant movements in Directorate and Programme Risk Registers and progress in tackling the existing corporate risks.

In line with its new terms of reference the Corporate Governance Group had considered a draft of the Risk & Insurance Officer's report at its meeting on 15 October. The Group indicated that four matters were significant enough to warrant escalation to CESG. These were incorporated into an updated version. CESG undertook the quarter two review at its meeting on 27 October 2014.

Two risks in directorate registers were considered.

- (i). Potential over spend within the children's area of the Families & Wellbeing Directorate - The likelihood for this risk had been increased sharply in quarter two. However the scale of the potential over spend (£0.5m) together with the existing and further planned controls meant that the risk did not warrant addition to the Corporate Register.
- (ii). Withdrawal of support for the content management system within the Council's web-site in early 2015 could affect the site's security and effectiveness - The potential impact of this risk made it of corporate significance in the short term. Following a request for action, plans were being developed for an early upgrade to the web-site.

Two potential new risks that were not reflected in directorate registers were also considered.

- (i). The forthcoming retirement of the existing Chief Executive could create a short term capacity problem and uncertainty about the Council's future strategic direction - Whilst this risk was added to the Corporate Risk

Register it was recognised that there were significant controls in place to mitigate it.

- (ii). Capacity pressures with the Procurement Team could prevent the Council from delivering compliant procurement - This was recognised as a corporate risk and short term actions were agreed pending the conclusion of the consultation on the restructure.

An updated version of the information presented to this Committee on 17 September concerning the status of actions being taken to mitigate the existing corporate risks was reviewed. Most actions were progressing as planned and no change to the scores for the risks was warranted. Updated information on progress in addressing the existing corporate risks would be collated to support the quarter 3 review of the Register. Directorates would be asked to provide more detailed information on their most critical risks for consideration by the Corporate Governance Group. The Quarter three review was expected to take place in January 2015.

Responding to comments from Members, the Risk and Insurance Officer assured the Committee that the graphical presentation of corporate risk scores would be revised and an explanatory narrative included. With regard to descriptions of some of the corporate risks he acknowledged that some of the issues were very specific but they did focus minds although it was expected they would be reviewed in the coming year.

**Resolved - That further reports on the Corporate Risk Register be presented to future meetings of this Committee.**

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