

# AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 18 March 2015

Present: Councillor J Crabtree (Chair)

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

## 53 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.

## 54 MINUTES

**Resolved – That the minutes of the meeting held on 27 January, 2015, be approved.**

## 55 ORDER OF BUSINESS

The Chair amended the order of business to enable the Grant Thornton Audit Plan for Merseyside Local Government Pension Fund (Urgent business - agenda Item 10c) to be considered after the Internal Audit Annual Plan Report (Item 8 on the agenda).

## 56 OFFICER DECISION NOTICES PERMITTED UNDER THE COUNCIL'S CONTRACT PROCEDURE RULES

The Head of Financial Services presented the report of the Head of Procurement that set out the range and number of contracts awarded which have been subject to Contracts Procedure Rules E111 - Extension/Variation or Waiver and Rules E117 to E123 – Waiving the Rules. Contracts Procedure Rule E123 requires that all contracts which meet the criteria are reported to Audit and Risk Management Committee.

Members considered the appendix to the report that detailed cases subject to the Extension/Variation or Waiver rules for the period 1 December 2013 to 31 December 2014.

Responding to comments from Members on specific points regarding business travel, actuarial and contract extension in general terms, the Head of Financial Services stated that dependent upon circumstance a varied approach would apply. Examples provided in response to specific Member enquiries included:

Business Travel – option to extend (covered within the existing contract) would not preclude further investigation into alternative provision.

General matters – the Head of Financial Services confirmed that value for money procedures were continually applied to the procurement and extension of all contracts mentioned within the report appendix.

Actuarial – the sum of £750,000 mentioned in the report appendix related to a one year extension to the Merseyside Pension Fund contract with Mercer, and was not an ‘additional’ fee.

Members requested further detail relating to the reason for the variations and the Head of Financial Services offered to circulate this to Members or present an updated report to the next meeting.

#### **Resolved – That**

- 1) the report be noted; and**
- 2) a further update be presented to the next meeting of the Committee.**

## **57 CORPORATE RISK MANAGEMENT POLICY**

The Head of Financial Services introduced the report of the Risk and Insurance Officer that set out the process behind the development of a revised Corporate Risk Management Policy and the factors that had influenced its development. The report described the main proposed changes from the current Policy document, confirming a series of actions needed for its implementation.

Members were informed that following the fundamental revision of the Council’s Risk Management Policy adopted by Cabinet 12 months ago, a refreshed draft of the Policy had been produced for the Corporate Governance Group at its recent meeting held on the 12 February. The Head of Financial Services further advised that the draft document as appended to

the report reflected changes in organisational practice and structure and also took account of the output of a 2014 CIPFA national risk assessment benchmarking exercise and the findings from the Internal Audit review of Risk Management

The Committee noted the areas identified for improvement which included working with Human Resources / Organisational development to ensure that the cultural change programme supports the Council's value of being 'risk aware' as opposed to 'risk averse' and the plan for additional training and development action – to include the roll out of E-Learning modules for managers and staff.

Members further noted a full list of actions, including target dates contained in the Policy document at Section 19.

### **Resolved - That**

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

## **58 CORPORATE RISK REGISTER**

The Head of Financial Services 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 report informed that 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.

The Head of Financial Services highlighted a number of key points as part of the regular Committee update, namely:

- The proposal to include the risk of Child Sexual Exploitation (CSE) to the register. Members were advised that whilst safeguarding already featured on the register, the Strategic Leadership Team considered that CSE is significant enough to warrant inclusion and monitoring in its own right.
- As reported to the last meeting of the Committee, examination by the relevant Portfolio Holder had commenced at each Cabinet Member briefing, structured around a summary provided by the Risk and Insurance Officer.

Members noted that success in managing risks was a key factor in overall corporate performance.

Members questioned officers with regard to the specific areas of the Council's ICT systems, data protection and disaster recovery plans.

The Strategic Director Transformation and Resources informed that appropriate mechanisms are in place and that a specific objective, to provide at least one remote data centre operational by December 2015, is included as one strand in a series of options to protect critical services of the Council. The Strategic Director further informed that the Council's IT Services division is undertaking several activities aimed at improving the Council's resilience to disruption to information technology or communications services.

**Resolved – That**

- 1) the Corporate Risk Register be noted; and**
- 2) further reports be presented to future meetings of the Audit and Risk Management Committee.**

**59 CORPORATE RISK AND INSURANCE MANAGEMENT**

The Head of Financial Services introduced the report of the Director of Resources that set out the key actions to be taken in relation to corporate risk and insurance management during 2015/16. The report highlighted any key decisions which needed to be made, and included progress made since December 2014.

The Head of Financial Services summarised the key actions planned between now and the end of the municipal year 2015/16, referring Members to the report table highlighting those areas falling under the category of risk financing and risk management, where Members will have an involvement and what form it would take.

Members congratulated the Officers for the progress made since December 2014 and the work that had been undertaken in key areas as contained in the report.

- Tender for Litigation Services – as per Member’s request.
- Review of Corporate Risk Register - the subject of a separate agenda report.
- Service Planning 2015/16.
- Develop training and guidance for Members and officers.
- Annual renewals of existing insurance contracts (April 2015).
- Refresh of the Corporate Risk Management Policy - the subject of a separate agenda report.
- Insurance Fund Budget 2015/16 – as per Member’s request.

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

## 60 **AUDIT COMMITTEE UPDATE & GRANT CERTIFICATION**

Grant Thornton UK LLP, the Council’s external auditors, presented a report on the Audit Committee Update for the year ended March 2015 and Grant Certification Report for Wirral Council.

The report provided information on progress as at March 2015 in the delivery of the external auditor responsibilities.

The report also included a summary of emerging national issues and developments that might be relevant to the Council and posed a number of challenge questions in respect of the emerging issues for the Committee’s consideration.

The external auditor informed of progress in respect of the Accounts Audit Plan, Interim Accounts Audit and 2014-15 Final Accounts Audit. In addition, Members were apprised of progress in respect of the ‘Value for Money’ conclusion and other key areas that included accounting for schools, provision for business rates appeals and early payment of pension contributions.

The report contained the Grant Certification 2014/15 report which covered Housing Benefit. This stated that the external auditor was satisfied that the arrangements the Council has in place remain appropriate given the high value, volumes and complexity of the scheme.

The audit value and fees in respect of the subsidy claim reported an overall year on year reduction in the amount of £9,373.

**Resolved – the Audit Committee Update and Grant Certification Report be received.**

61 **AUDIT ANNUAL PLAN**

Grant Thornton UK LLP, the Council's external auditors, presented a report on the Audit Plan for Wirral Metropolitan Borough Council year ended 31 March 2015.

The external auditor informed of the procedures employed in support of the audit plan i.e. developments relevant to the Council's business, communications and risks.

Members were informed that no material issues existed in respect of the Plan. The areas highlighted and the underlying comments were based on the national requirements against which the Council would be assessed. Grant Thornton would monitor progress against the Plan and the Audit Findings Report would be presented to Committee in September.

Members asked the external auditor and Head of Financial Services on the implications of the earlier reporting timetable in 2017/18. Committee were informed that this was driven by Government to close the accounts and produce the year-end accounts earlier than the present June and September deadlines. This represents a challenge to both the Council and the auditor. Whilst there would be an impact on resource requirements there is time to plan for this change which would be met as it will be a statutory duty.

**Resolved – That the Audit Annual Plan be received.**

62 **GRANT THORNTON AUDIT PLAN FOR MERSEYSIDE LOCAL GOVERNMENT PENSION FUND**

Grant Thornton UK LLP, the Council's external auditors, presented a report on the Audit Plan for Merseyside Local Government Pension Fund year ended 31 March 2015.

The external auditor informed of the procedures employed in support of the audit plan i.e. developments relevant to the Pension Fund's business and the audit. The report informed of the new governance regulations taking effect from April 2015 and the move from a final salary scheme to a career average scheme ahead of other public sector schemes.

The external auditor provided a summary of the audit approach, referred to the significant and other risks that had been identified and provided an indication of fees. Members noted the inherent risks associated with

investment values for 'Level 2' investments, and complexity of assessing investment income.

**Resolved – That the Audit Plan for Merseyside Local Government Pension Fund be received.**

## 63 **ANNUAL GOVERNANCE STATEMENT**

The Strategic Director Transformation and Resources introduced his report setting out the planned approach for the production of the Council's Annual Governance Statement 2014/15. The report provided an outline of the work required to prepare the Statement, and set out indicative timescales.

The report also provided an update on the progress that the Council has made to address the significant governance issues identified in the 2013/14 Annual Governance Statement.

The Strategic Director informed that the Annual Governance Statement provided Members with a 'whole Council approach' in how significant issues of governance were being addressed. He reported that a full draft Annual Governance Statement is to be reported for consideration by the Audit and Risk Committee in June 2015, with the final version to be reported at the September meeting of the Committee.

**Resolved – That**

- 1) the approach outlined in the report with regards to producing the Annual Governance Statement 2014/15 be endorsed; and**
- 2) the progress made in addressing the 2013-14 AGS issues, and any remaining actions deemed necessary to strengthen governance arrangements in these areas, be supported.**

## 64 **INTERNAL AUDIT UPDATE REPORT**

The Chief Internal Auditor introduced his report that identified and evaluated the performance of the Internal Audit Section and included details of any issues arising from the actual work undertaken during the period 1 January to 28 February 2015.

Members were informed of four items of note concerning audit work undertaken for this period, as identified at Section 2.2 of the report, namely:

- Scrutiny – reporting a positive position in the area of governance.

- Risk Management – areas of good practice identified across the Directorates, with 10 recommendations suggesting improvements and method of implementation in the corporate system. Further work is scheduled in this area during 2015/16 to evaluate progress.
- Better Care Fund – Objective close to deadline, with implementation scheduled for April 2015.
- Data Loss Prevention – the report consolidated a number of key points raised by Members at the previous meeting of the Audit and Risk Management Committee.

The report included additional information referring to outstanding audit recommendations, internal audit performance indicators and internal audit developments.

The Committee noted the actions being taken and 'RAG' status of the completed and follow up audits completed as reported in the report appendix. Members were apprised that a number of 'amber' reports (produced as at February 2015) had now attained a 'green' rating as at the time of the Committee meeting.

Councillors requested that their thanks to the Internal Audit Officers for their work over the past 12 months be recorded. Members commented on specific projects, that included:

- Implementation of the Strategic Audit Plan;
- Restructure in line with best practice;
- Development of a Merseyside Region Fraud Network – led by Wirral Council; and
- Introduction of a training and development programme for Internal Audit staff.

Following questions by Members, the Chief Internal Auditor informed of further actions to be undertaken in respect of the key items of note detailed in the report.

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

## 65 INTERNAL AUDIT PLAN 2015/16

The Chief Internal Auditor introduced his report that identified the Strategic Internal Audit Plan as approved by this Committee in June 2013 and specifically included audit work planned during 2015/16.

The Chief Internal Auditor informed that for 2015/16 work scheduled for completion had been adjusted to reflect the findings of an extensive planning exercise to ensure the ongoing relevance of risks previously identified, as well

as the inclusion of any risks to the organisation that have emerged since the original exercise (or are likely to emerge in the near future).

Members were apprised that the updated plan had been presented to the Senior Leadership Team and approved for implementation.

**Resolved - That the work proposed for in the Strategic Internal Audit Plan be endorsed.**

## 66 **ANY OTHER BUSINESS**

With this being the final meeting of the Municipal Year the Chairman thanked the Committee and Officers for all their hard work over the year, and over the past 3 year period, which had contributed to the Council's recent success in gaining the Local Government Chronicle 'Most Improved Council' Award.