

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 22 September 2015

Present: Councillor J Crabtree (Chair)

Councillors RL Abbey P Gilchrist
A Davies J Hale
P Doughty M Patrick
D Elderton

Deputies: Councillors S Williams (In place of C Blakeley)

15 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.

Chairman's Announcements

The Chair informed the Committee that, in confirmation of prior notice, an additional meeting of the Audit and Risk Management Committee had been convened to take place on 28 September 2015 at 17:45hrs or at the rising of the Pensions Committee (whichever is the later).

He informed that as such, consideration of a number of agenda items would be deferred to the additional meeting. Namely items:

- 3 – IT Update;
- 9 – External Audit – Audit Committee Update;
- 10 – External Audit Findings;
- 11 – External Audit Findings – Pension Fund;
- 12 – Pension Fund Statement of Accounts; and
- 13 – Statement of Accounts.

16 MINUTES

With reference to Minute 6 (2), a Member questioned Officers concerning the status of the briefing on Contract Procurement – Commissioned Care. The

Chief Internal Auditor informed that the briefing would form part of his Internal Audit Update on this meeting's agenda.

Resolved – That the minutes of the meeting held on 8 June 2015, be approved.

17 INTERNAL AUDIT UPDATE

The Chief Internal Auditor introduced his update report that identified and evaluated the performance of the Internal Audit Section and detailed issues arising from work undertaken during the period 1 June 2015 to 31 August 2015. He informed that the report highlighted items to note, a summary of performance data and work undertaken to continuously improve the overall efficiency and effectiveness of the Internal Audit Service. Detailed appendices highlighted organisational risk, improvement and outcome for each specific audit reported.

With specific reference to Procurement of Commissioned Care, Minute 6 (2) refers, the Chief Internal Auditor informed Members that progress had been made by the department to address issues identified in his earlier report issued in October 2014, and that a follow up piece of work had now been undertaken by Internal Audit.

He informed that during the audit completed during August 2015 it was identified that significant progress had now been made with implementing the seven recommendations assessed as being high priority in the original report, and that the two high priority recommendations had been assessed as being fully implemented. Two other recommendations had also been assessed as implemented and the remaining three (1 x Medium Priority and 2 x Low Priority) had been assessed as partly implemented. The Chief Internal Auditor informed that it was envisaged full implementation would be achieved following the roll-out of further functions within the 'Liquidlogic' system scheduled for November 2015. Members noted that, where applicable, assurances had been provided confirming that lessons had been learned that will benefit future procurement exercises.

Members were informed that the audit recommendations had increased the appreciation of the need for a robust flow of information between the department, Legal and Member Services and Corporate Procurement. Where applicable (i.e. for those recommendations that are more forward focussed), assurances had been provided to confirm that lessons had been learned.

Members were further informed of key actions in relation to the remaining items of note, namely:

- ICT – Control and Governance. The Chief Internal Auditor advised that this item was the subject of a separate report on the Committee's meeting agenda for 28 September 2015.
- Organisational Culture – The report informed that the Council's management had demonstrated a strong commitment to address the recommendations, and actions had already been undertaken. Additional Internal Audit work had been scheduled and was due to be completed in the forthcoming months. To verify progress was being made, Members noted that regular reports to the Corporate Governance Group would ensure the matter remained under close scrutiny.
- Annual Governance Statement - The Chief Internal Auditor advised that this item was the subject of a separate report on the Committee's meeting agenda.
- Public Sector Internal Audit Standards – Members noted that the Wirral Internal Audit Services had developed a Quality Assurance and Improvement Programme that demonstrated full compliance with the new Public Sector Internal Audit Standards 2014 in this area. The Chief Internal Auditor advised that this item was the subject of a separate report on the Committee's meeting agenda.
- Debtor Write Offs – In response to clarification requested on this matter, the Chief Internal Auditor informed that Internal Audit were not directly involved in the actual write off process but did, on a periodic basis, independently review system process for accuracy, correctness and reasonableness. A Member made reference to the 'Eugene Sullivan' report regarding the review of outstanding sundry debts. The Chief Internal Auditor responded stating that all elements of the matter had been covered, and actions to address controls would continue to be reported back to the Committee for monitoring purposes.
- Local Audit Accountability Act 2014 – Members were informed of the requirement to have in place an independent Auditor Panel to oversee the appointment of external auditors from 2017. Members noted that a further statement on this matter by the Secretary of State is scheduled for the Autumn that will determine what action is required by the Council. The Chief Internal Auditor advised that regular updates on this matter will continue to be delivered to Committee.

Members noted the evaluation of the internal audit performance indicators and summary of the outstanding audit recommendations and actions undertaken to address identified issues as contained in the appendix to the Chief Internal Auditor's report.

Resolved: That the report be noted.

18 **INTERNAL AUDIT QUALITY ASSURANCE IMPROVEMENT PROGRAMME**

The Chief Internal Auditor introduced his report seeking the agreement of Members of the Audit and Risk Management Committee in respect of the monitoring and reporting arrangements as detailed in the Wirral Council Internal Audit Services Quality Assurance and Improvement Programme.

The Chief Internal Auditor informed that the Internal Audit's Quality Assurance and Improvement Programme (QAIP) was designed to provide reasonable assurance to stakeholders that Internal Audit performs its work in accordance with its Charter (consistent with the Public Sector Internal Audit Standards (PSIAS) and its Code of Ethics.

Members were informed that the Council's Internal Audit service had been operating in an effective and efficient manner and was perceived by stakeholders as doing so since introduction of the programme 12 months ago.

Members were told that the Internal Audit's QAIP covered all aspects of the Internal Audit activity in accordance with the PSIAS Standard 1300, monitoring, ensuring compliance, adding value and helping improve organisational operations.

Having developed the QAIP, it was requested that Members formally agree and endorse the programme.

Members questioned the Officer regarding the external assessment schedule (once every five years) noting that given the work undertaken to date, scheduled pilot, review and roll-out programme, it was expected that the first external audit visit would take place in 2018.

In response to a Member's question, the Chief Internal Auditor informed that feedback formed a mandatory element to the QAIP.

Resolved: That the monitoring and reporting arrangements as outlined in the Wirral Council Internal Audit Quality Assurance and Improvement Programme be agreed and endorsed.

19 **ANNUAL GOVERNANCE STATEMENT**

The Strategic Director Transformation and Resources introduced his report setting out the Annual Governance Statement 2014-15, meeting the statutory requirement set out in the Accounts and Audit (England) Regulations 2011, Regulation 4(3).

The Strategic Director informed that production of the Council's Governance Statement was evidence based and complied with the principles of the CIPFA/SOLACE Framework to 'Deliver Good Governance in Local Government'. Members were also told that the Annual Governance Statement was not 'owned' solely by the audit function of the Local Authority, but was a Council statement on the effectiveness of its governance processes, and as such was the responsibility of all councillors and employees.

Members were told the current processes provided a rigorous test base and good evidence of actions e.g. review of reports had been undertaken by external review agencies that included External Auditors, LGA, OFSTED and the Care Quality Commission. In each case, key governance processes had been challenged and supported, and assurance statements obtained.

The Committee heard that the Council had continued in progressing its plans during 2014-15, strengthening its governance arrangements and had now reached a stable situation, with no new governance issues arising. This had been further evidenced in the Council's recent successes in achieving awards including from the Local Government Chronicle as the 'Most Improved Council'.

The Strategic Director updated the Committee on the various principles underpinning the Annual Governance Statement 2014-15, namely:

- Principle 1: Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.
- Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Principle 3: Promoting the values of the Authority and demonstrating the values of good governance through behaviour.
- Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Principle 5: Developing the capacity and capability of members to be effective and ensuring that officers, including statutory officers, also have the capability to deliver effectively.
- Principle 6: Engaging with local people and other stakeholders to ensure robust local public accountability.

Members questioned the Strategic Director on a number of matters that included the procedures for handling absence and the Council's duty of care to its employees. The Strategic Director explained the procedures in place to support staff when they fall ill, associated aspects of health and safety, individual responsibilities and meeting / reporting arrangements between officers, and between officers and elected members, via Strategic Leadership Team (SLT) updates and Policy and Performance reporting respectively.

Resolved: That the final draft of the Annual Governance Statement and action plan be presented to Cabinet at its meeting in October 2015.

20 CORPORATE RISK REGISTER

The Risk and Insurance Manager 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 and performance process.

The Risk and Insurance Manager informed that the Cabinet Member – Governance, Commissioning and Improvement had completed a task examining a number of the most critical corporate risks asking questions on the controls, effectiveness and whether further action was required. He informed that a major review of the register would now be undertaken to take account of the new Council Plan (now the Wirral Plan) – a 2020 vision.

A Member questioned the use of the re-modelling fund in relation to risk (PE1) and its operation. The Strategic Director Transformation and Resources responded, stating that aspects of the Council's workload sometimes required specialised skill support to initiate short term, high paced work managed through the programme management office. He also informed that applications for the use of the Fund had to be evidenced as to the linkages to the delivery of the Council (now Wirral) Plan.

A Member raised a question regarding the topics of Welfare Reform and Demand for Social Care (risks EC2 and SO1) seeking assurance on the resourcing of, and timing of feedback on the subject. The Risk and Insurance Manager informed that both matters had been reviewed early on in the cycle, and had been identified as areas of highest risk to the Local Authority. Reports on these subjects had been, and would continue to be presented to the relevant Council Members (Cabinet and Policy and Performance - Families and Wellbeing Committee).

A Member questioned the growing incidence of extreme weather conditions, primarily flood risk, and asked why the risk scoring was not set at maximum given the recent flooding in parts of the borough. The Strategic Director explained that a formal review was underway, however the circumstances of recent weeks i.e. 80% of one month's rainfall in two days, and the strong partnership arrangements and action plans already in place had mitigated the effect somewhat, but additional work had been scheduled that included preparation of a business case to secure additional Grant Aid funding.

Resolved: That

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

21 **MANAGEMENT OF INSURANCE AND CORPORATE RISK**

The Risk and Insurance Manager presented the report of the Acting S151 Officer that set out the key actions to be taken in relation to corporate risk and insurance management during 2015-16. He also updated the Committee on progress made since June in relation to key actions planned for 2015-16.

The report informed on significant areas of activity, namely:

- The provision of advice and support to Members and Officers in the development of the Corporate Risk Management Framework and processes; and
- Risk Financing - incorporating insurance procurement and management of the Council's Insurance Fund and claims management.

The Risk and Insurance Manager informed that with regard to the possible extension of the Council's Liability insurance contract, following his rejection of insurers' initial terms, an improved proposal had been negotiated and

accepted by the Council's insurance provider ahead of next year's contract renewal.

The Risk and Insurance Manager took the opportunity to formally report to Members of the Council's Senior Risk and Insurance Officer Simon Hutchinson having been awarded 'Professional of the Year' at the 2015 National Alarm Risk Awards on 22 June.

The Committee congratulated the Officer on his achievement and recorded its satisfaction and delight on the winning of this prestigious award.

Resolved: That

- 1) the report be noted; and**
- 2) Mr Simon Hutchinson's success in the 'Professional of the Year' at the 2015 National Alarm Risk Awards be recorded.**

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

The Group Solicitor presented a report of the Head of Legal and Member Services that provided a summary of the use of covert surveillance by the Council, to detect evidence of criminal behaviour, between 1 June and 1 September 2015. He also informed the Committee of the outcome of an inspection on 13 May 2015 by Sir David Clarke, Assistant Surveillance Commissioner regarding the Council's use of covert surveillance.

The report informed of the inspectors recommendations, the Council's response, and detail with regard to pre-inspection materials and officers involved. Members noted an initial recommendation, already discharged, included revision to the pre-existing policy document.

Other recommendations contained within the report and noted by the Officers were:

1. That Wirral Borough Council (WBC) reconsider its present practice of conducting juvenile test purchase operations without RIPA authorisation;
2. That care be taken to ensure that correct expiry dates are accurately set, so as to minimise the risk of challenge to any future authorisations.

In conclusion, the Assistant Surveillance Commissioner stated that "WBC continues to exhibit a strong commitment to maintaining high standards of RIPA compliance.... [and] their regular training programme is particularly commendable".

Members noted a number of specific mentions of Mr Hughes, Group Solicitor and recognition by the Assistant Surveillance Commissioner of his experience in the role of RIPA coordinator and record keeper and that “his knowledge and clarity of thought are valuable assets to WBC”. Members congratulated Mr Hughes on the work undertaken and his anticipation of points that the inspector had noted for discussion.

Members were informed that since the last meeting on 8 June 2015 the Council has obtained on 26 August 2015 approval from a magistrate to use covert surveillance to detect suspected illegal flytipping at a site in Wirral.

Resolved: That

- 1) the report be noted; and**
- 2) the Officers be highly commended for the work undertaken in the administration, training and execution of covert surveillance.**