

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 28 September 2015

Present: Councillor J Crabtree (Chair)

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

23 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.

Order of Business

The Chair informed the Committee that he would take the Item IT Update following consideration of the External Audit and Statement of Accounts Reports, in view of the presence of officers specifically for these items.

24 EXTERNAL AUDIT - AUDIT COMMITTEE UPDATE

With the Chair's consent, Mr Robin Baker, Engagement Lead Grant Thornton UK LLP combined his oral update report comments with the External Audit Findings reports that appeared as separate items on the meeting agenda (see Minutes 25 and 26 post).

25 EXTERNAL AUDIT FINDINGS

Taken in conjunction with the previous item Mr Robin Baker, Engagement Lead Grant Thornton UK LLP presented the Audit Findings Report 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 2015.

It was reported that the audit was substantially complete and the Committee noted that all material elements of the work shown as outstanding at the time of preparation of the written report had been completed. It was further reported that subject to some minor revisions, and a restatement relating to

schools due to a technical accounting change, it was the External Auditor's intention that an unqualified opinion would be issued on the Council's financial statements. 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 also proposed to give an unqualified Value for Money conclusion.

In response to questions from Members regarding a small number of areas highlighted in the report that included procurement, new methods of service delivery, and the financial challenges affecting all Councils, the External Auditor confirmed that there were no significant control weaknesses and that appropriate arrangements were in place to ensure the Council was well placed to tackle the challenges ahead.

Resolved: That the report be noted.

26 **EXTERNAL AUDIT FINDINGS - PENSION FUND**

Taken in conjunction with the previous item Mr Robin Baker, Engagement Lead 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 2015 (Minute 17 refers). He highlighted the key issues that had arisen from the audit of the Fund's financial statements for the year ended 31 March 2015 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 £6.8bn.

Resolved – That the report be noted.

27 **PENSION FUND STATEMENT OF ACCOUNTS**

The Head of Financial Services and Acting Section 151 Officer presented his report which indicated that the Pensions Committee at its meeting held on earlier in that evening 28 September 2015 (Minute 35 refers) had approved the Merseyside Pension Fund (MPF) Statement of Accounts 2014/2015, having considered the Audit Findings Report and Letter of Representation.

The MPF Accounts formed part of the Council's overall Statement of Accounts and the Audit Findings Report for Merseyside Pension Fund (see Minute 26 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 2015. The accounts would now form the basis of the MPF Annual Report for the year ended 31 March 2015.

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

28 STATEMENT OF ACCOUNTS

The Head of Financial Services and Acting Section 151 Officer presented his report 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 2014/2015 was published on 30 June 2015 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 informed that the purpose of the Statement of Accounts was to present the overall financial position of the Council at 31 March 2015. 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 2015 (Cabinet Minute 25, 13 July 2015 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 2015. The Opinion, together with the revised Annual Governance Statement, would be included in the Statement of Accounts to be published before 30 September 2015.

A draft Letter of Representation on behalf of the Committee which gave assurances to the Auditor on various aspects relating to the Council Accounts was included as an appendix to the report.

Resolved: That

- (1) 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) the Findings and Action Plan in relation to Value for Money as detailed in section 3 of the report be agreed;**
- (3) the Chair of the Committee be authorised to sign off the Council's 2014/2015 Statement of Accounts; and**
- (4) the Chair of the Committee with the Head of Financial Services and Acting S151 Officer be authorised to sign and date the Letter of Representation.**

29 IT UPDATE

The Chief Information Officer introduced the report of the Strategic Director for Transformation and Resources that detailed the programme of work designed to mitigate and remove risks associated with an underinvestment in IT infrastructure. The report detailed progress thus far and outlined the remaining major steps to be completed to mitigate current risks.

The Chief Information Officer informed that the programme of work had delivered or was in the process of delivering its planned objectives, and provided a summary of the individual elements of the programme, namely:

- The upgrade from Window XP to Windows 7 removing the risk of unsupported end user computing software and addressing the issues of workplace business continuity through the use of laptops and enabling alternate site working.
- Storage Area Network (SAN) Refresh – replacing aging treasury building infrastructure and incorporating recovery features that included automated replication.
- Virtualisation of infrastructures to make cost effective use of IT resources to form the cornerstone of an automated IT Services Disaster Recovery Plan.
- High Availability Microsoft SQL Database Platform – replicating databases between two data centres.
- Email Office 365, a project to provide a hybrid cloud based email messaging platform due for roll out in October assuming successful testing has been completed.
- Wide Area Network (WAN) refresh to provide a fault tolerant network, removing single point dependency to many Council buildings; and
- Server Migration, rationalisation and upgrades.

Members questioned the Chief Information Officer at length regarding the subjects of email, compatibility with personal IT equipment and security. The Chief Information Officer set out key points of risk assessment, security, location and reliability of IT servers and associated data management platforms.

Members were informed that IT Officers were working incredibly hard to address some long standing issues and were working with partners, both

public and private, to ensure the risks associated with possible IT failures had been assessed and prioritised.

The Chief Information Officer stated his confidence in the work scheduled and already undertaken, expressing the view that the investment to date would improve the efficiency of the Council's IT networks, and enable the IT department to programme future upgrades as part of a coordinated schedule of works.

Resolved: That the report be noted.