

# AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 17 February 2016

Present: Councillor J Crabtree (Chair)

Councillors RL Abbey D Elderton  
C Blakeley P Gilchrist  
A Davies M Patrick

Deputies: Councillors J Salter (In place of P Doughty)  
L Fraser (In place of J Hale)

## 41 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.

## 42 MINUTES

With reference to Minute 33, Councillor Blakeley requested of the Chair that urgent consideration be given to a matter that had been brought to his attention. Given the nature of the subject, he further requested that the matter be considered under Part 2, following exclusion of the press and public.

The Chair agreed to Councillor Blakely's request for the urgent business item under Part 2 (exempt items) following completion of the Committee's regular scheduled business.

**Resolved – That the minutes of the meeting held on 24 November 2015, be approved.**

## 43 INTERNAL AUDIT UPDATE

The Head of Financial Services introduced the report of the Chief Internal Auditor that identified and evaluated the performance of the Internal Audit Service and included details of any issues arising from the actual work undertaken during the period 1 November to 20 January 2016. The Head of Financial Services informed of three items to note concerning audit work undertaken as identified at Section 3.2 of the report, namely:

- Merseyside Pension Fund: Contract Procedure Rules - undertaken at the request of the Strategic Director (Transformation & Resources), of

the procurement of Infrastructure Advisory Services to Merseyside Pension Fund (MPF). The objective of the audit was to determine whether the process undertaken for entering into the current agreement complied with the current Contract Procedure Rules (CPRs). Members noted that a full review of the circumstances and a report outlining the reasons for the non-compliance including steps taken to prevent recurrence would be produced.

- Better Care Fund: As a government scheme which requires Local Authorities to work with their local Clinical Commissioning Group (CCG) to devise, submit and implement plans to work more closely together, the scheme introduced a pooled budget funding regime which also incorporated a reward element, dependent upon the achievement of agreed targets in reducing non-elective hospital admissions. Members noted that it was found that there was significant progress in respect of all the areas identified.
- Edsential: Members noted that Internal Audit had been appointed the provider of internal audit services to Edsential for an initial period of two years, under the buy-back arrangements in place for the company. Significant work had been undertaken to produce an Internal Audit Plan for this period.

Members questioned the Head of Financial Services on the matter of review of ICT Business Continuity by Strategic Directors as contained in the report appendix (page 21 of the Agenda Pack). Members were informed that the officers had taken note of the risks associated (primarily relocation of the data centre and backups) covered by the Chief Information Officer in his update to the Audit and Risk Management Committee in September 2015.

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

#### 44 **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.

The report also informed 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.

Members noted that given that risks associated with the delivery of the Wirral 2020 Plan could differ substantially from those faced previously, a refreshed

set of priorities and a different tactical approach to the delivery of outcomes had been identified.

The Risk and Insurance Manager informed the Audit and Risk Management Committee that a report had been prepared for Strategic Leadership Team (SLT) that covered the output from earlier work, and provided a national perspective on the critical risks facing the local authority sector.

The Risk and Insurance Manager informed the Audit and Risk Management Committee that information as to the controls in place which help to mitigate the risks was being collated. Drawing on the output from the recent risk appetite survey the SLT was also to consider whether additional action was warranted to mitigate the risk further.

The outcome of this process and the revised risk register will be provided to future meetings of this committee.

#### **Resolved – That**

- 1) the refreshed set of corporate risks be reported to the Committee; and**
- 2) further reports on the Corporate Risk Register be presented to future meetings of this Committee.**

#### **45 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 November in relation to key actions planned for 2015-16.

The report informed on two 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 provided additional information to the Audit and Risk Management Committee of specific areas of note i.e Risk Appetite and In-house handling of insurance claims up to a figure of £5,000.

Risk Appetite - Members were informed that whereby data had been gathered from members of the Strategic Leadership Team and Cabinet in December by means on an on-line survey. This information was currently being evaluated and is to inform a discussion to be held in the coming weeks aimed at reaching an agreed position on the nature and scale of risks which the Council was prepared to accept in order to deliver the Wirral Plan.

Claims Handling – Members were informed that discussions with existing insurers in relation to in house handling of liability claims had restarted. This had been driven by efforts to reduce expenditure on external claims handling fees but also as a reaction to the changing claims environment. The Risk and Insurance Manager advised that there was an opportunity for the Council to save an estimated £20,000 per year as a result of this change in practice.

A number of questions were asked by Members concerning the separation of functions, and involvement of internal audit in monitoring of payments and the handling of claims. A Member further enquired about why the Members of the Committee had not been involved in the primary on-line survey regarding risk appetite. The Risk and Insurance Manager informed that primary governance decisions on this matter fell to the Cabinet and SLT, although the Audit and Risk Management Committee would receive a response and report in due course.

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

#### 46 **INSURANCE FUND BUDGET 2016/2017**

The Risk and Insurance Manager presented the report of the Acting S151 Officer that set out the elements which make up the Insurance Fund, the cost of running the Risk & Insurance Section and the Budget for 2016/17. The report also outlined proposed changes to the corporate insurance programme.

The Audit and Risk Management Committee were informed that under the provisions of the Local Government and Housing Act 1989 Local Authorities were allowed to set aside financial provisions to cover self-insured losses. Members noted that by 'self-insuring' an Authority avoided paying insurers' administration profit margins and Insurance Premium Tax on predictable levels of claims.

The Risk and Insurance Manager further informed that in addition to the three main classes of insurance the Authority also procured external insurance for a number of smaller risks. As part of efforts to maximise the value from the Council's expenditure on its insurance programme, officers had considered the range of risks to be insured and whether it was more appropriate to self-insure. The following changes were proposed and had been incorporated into the insurance budget for 2016/17:

- Loss of or damage to Marine craft will now be fully self-insured. Only cover for Marine liability will be purchased from an external insurer.
- Cover for loss or theft of Money will now also be entirely self-insured.
- Cover for Personal Accident will be reduced to assaults on Council staff and Members. (Incidents for which the Council has a liability will continue to be covered by the Employers Liability insurance policy).
- The existing Fidelity Guarantee policy will be replaced with a Crime policy. In addition to the employee dishonesty risk covered by Fidelity Guarantee insurance a Crime policy would cover third party computer and funds transfer fraud, invoice fraud and cheque or credit card forgery albeit with an increased deductible.

As a result Members noted that the Budget for 2016/17 was £95,000 less than the agreed Budget for 2015/16 (not including the additional £20,000 saving identified through the self-handling of claims as referred to in Minute 45).

**Resolved - That the Insurance Fund Budget 2016/17 be agreed.**

#### 47 **EXTERNAL AUDIT - COMMITTEE UPDATE**

Mr Robin Baker, Engagement Lead Grant Thornton UK LLP presented his report that provided the Audit and Risk Management Committee with an update on progress in delivery of the external auditor's responsibilities. His report also included:

- a summary of emerging national issues and developments of relevance to the Committee; and
- a number of challenge questions in respect of the emerging issues.

Mr Baker informed that in respect of the 2015/16 Accounts Audit Plan that an interim stage had been reached, assessing controls and processes and that all was on track to provide an opinion on the Council's 2015/16 financial statements.

The Committee was advised of specific areas highlighted in the report, namely:

- The Highways Network Asset;
- Better Care Fund; and
- Value for Money

Members noted the information and recommended 'challenge questions' as contained in the report, and received additional advice from Mr Baker and the Head of Financial Services on the subject of appointing of independent

members to Audit Panels arising from the Local Audit and Accountability Act 2014 whereby 'relevant authorities' are able to appoint their own local auditors via the Panel. Members noted that this matter would require attention and completion within the next 12-18 months.

Mr Baker reported that a detailed Audit Plan would be presented to the Committee at its next meeting.

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

#### 48 **EXTERNAL AUDIT - GRANTS CERTIFICATION LETTER**

Mr Robin Baker, Engagement Lead Grant Thornton UK LLP presented the summary letter for Grants Certification work undertaken for Wirral Council.

The Committee was informed that the external auditor was required to certify certain claims and returns submitted by the Council, typically six to nine months after the claim period.

Members noted that the external auditor had certified one claim and return under Public Sector Audit Appointments (PSAA) arrangements for the financial year 2014/15 relating to the expenditure of £139.8 million. Mr Baker informed that the external auditor was satisfied with the arrangements the Council had in place for this most high value and complex claim – although further appropriate actions to secure improvement in performance should be implemented. It was noted that the qualification was not out of line with other local authorities, and had recorded improvement compared to previous years.

The Grants Certification Letter summarised that the indicative scale fee for certification work as set by the Audit Commission for 2014/15 (Wirral Council) was £31,800.

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

#### 49 **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**

The Group Solicitor introduced the report of the Head of Legal and Member Services that presented a summary of the use of covert surveillance by the Council, to detect evidence of criminal behaviour, between 1 September 2015 and 31 January 2016.

The report informed that during this period, the Council had used covert surveillance with the intention of detecting evidence of criminal behaviour, and that on 26 August and 15 December 2015 magistrates had approved authorisations to use covert surveillance to detect suspected flytipping on 3 sites in Wirral.

Members were further informed that similar offences had been detected by means of prior covert surveillance, and that on 22 October 2015 and 26 August 2015 members of the public had pleaded guilty to offences relating to unlawful flytipping in Buccleuch Street, Birkenhead and Brimstage Lane, Brimstage respectively and had been sentenced and fined accordingly.

A further 3 cases considered by magistrates on 28 August, 4 November and 24 October had resulted in cautions (with costs) having been administered to members of the public who had illegally deposited household waste in Ditton Lane, Moreton and garden waste in Noctorum Lane, Bidston.

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

50 **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

**Resolved – That in accordance with section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following item of business, on the grounds that they involve the likely disclosure of exempt information as defined by paragraph 7 of Part 1 of Schedule 12A (as amended) to that Act - information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.**

**The public interest test had been applied and favoured exclusion.**

51 **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 2)**

Having agreed to a request for the urgent business item under Part 2 (exempt items) following completion of the Committee's regular scheduled business, the Chair invited Councillor Blakeley to inform the Committee on his concerns over a specific matter.

Councillor Blakeley and other Members asked questions of Officers regarding the current status of a specific internal audit investigation.

**Resolved – That**

- 1) the Chief Executive and Chief Internal Auditor be requested to provide a full break down of internal audits that have taken place in the previous two years that the Committee had not received, with an explanations as to why;**
- 2) the Committee be provided with a full explanation as to its purpose, what reports it receives and what reports it does not; and**

- 3) requests an assurance from the Chief Executive that, in support of the Council's no tolerance policy regarding fraud, a full prosecution is pursued for anyone caught defrauding Wirral Council.**