

# AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 21 November 2017

Present: Councillor AER Jones (Chair)

Councillors P Doughty JE Green  
D Elderton C Muspratt

Deputies: Councillors C Carubia (In place of P Gilchrist)  
A Davies (In place of A Leech)  
L Rowlands (In place of J Hale)  
M Sullivan (In place of RL Abbey)

## 37 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors R Abbey, A Leech, P Gilchrist, J Hale and Cabinet Member Councillor M Patrick.

## 38 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.

## 39 ORDER OF BUSINESS

The Chair suggested, and it was agreed that item 8 on the agenda (HR Attendance Update) be considered after item 3 on the agenda (Minutes) given that visiting officers were in attendance specifically for this item.

## 40 MINUTES

**Resolved – That the minutes of the meeting held on 25 September 2017, be approved.**

## 41 HR ATTENDANCE UPDATE

The Assistant Director: Human Resources and Organisational Development introduced her report that updated Members on the work undertaken in response to the audit review of Attendance Management (Sickness Absence). The report informed of key items to note concerning the development of Council Attendance Management action plan, activity to date and planned approach, namely:

- Attendance Management action plan – to develop a culture where wellbeing was valued and supported, improve the management of attendance in line with the policy, to target and respond to key issues in order to improve wellbeing and attendance;
- Approach so far – identification of target areas for action and performance management; and
- Future activity – 2017-18 (Quarter 3 & 4) - leadership and communication, further training and support.

The Assistant Director: Human Resources and Organisational Development updated the Audit and Risk Management Committee on the current position reiterating responses to key issues and actions to target the improvement of staff wellbeing and attendance. Members were further apprised on information being provided to managers via desktop and skills based training, to help understand the tools available, and to provide the requisite skills and confidence to deal with matters of attendance giving cause for concern.

Members questioned the Assistant Director: Human Resources and Organisational Development on key points in her verbal and written reports that included not only the cost to the council in financial terms, but as a direct impact on the quality and timeliness of services, already stretched following reductions in budget.

A Member highlighted that disturbingly the most common reason for absence was mental health related illness. He questioned the Assistant Director on what was being done to address this. The Assistant Director responded stating that this term covered absence as a result of stress, anxiety and/or depression. She informed that absences under this category tended to be the result of a specific trigger or response to pressure and management training aimed to help managers identify such issues at an early stage. She further informed that such reasons for absence would automatically generate a referral to occupational health for immediate assessment. The Assistant Director stated that demands placed upon staff within the workplace were changing and that uncertainty for the future both contributed to increased pressures that impacted on wellbeing and attendance.

A Member questioned the Assistant Director on performance management and why the targeted level of 100% completed staff appraisals had not been achieved. He also questioned whether the stress recognition training provided to managers was also provided to those officers 'acting up' into managerial posts, and how many such 'acting up' posts were currently recorded in the staffing structure. The Assistant Director responded, informing that the levels of completed appraisals had now exceeded 90% and training had been targeted at managers in services where the highest levels of stress were being reported.

A Member questioned the Assistant Director further on the subject of attendance management, and points raised in the report about how relatively little formal action was taking place by line managers to address unacceptable levels of attendance in line with the policy. The Assistant Director responded stating that there had been feedback from managers about the problems faced when dealing with 'difficult conversations' about absence i.e. 'feeling intrusive'. She added that manager training had helped in this respect, and figures were reducing slowly, with performance levels improving.

The Assistant Director: Human Resources and Organisational Development went on to inform that the absence targets were also improving, but the cost of absence to the council (£4.4 million) was a serious issue and accountability statements existed for Senior Directors, who in turn would ensure that the objectives of the Attendance Management Action Plan would be cascaded to staff.

Following further questioning from Members the Assistant Director informed that the raising of awareness via the report, combined with better levels of detail regarding sickness reporting would help address issues of culture and leadership that had in the past contributed to the problem faced.

At the Chair's suggestion, consideration was given to a supplementary report on matters arising from the issues raised, to be presented to the Employment and Appointments Committee for review. The Vice-Chair added that he felt the issues raised within the report were particularly alarming, and further suggested that a Task and Finish Workshop might also be appropriate.

Mr Robin Baker, Grant Thornton highlighted that the report had been requested based upon the concerns of Internal Audit and Members of the Audit and Risk Management Committee. He pointed out that the response to the request had informed of the cost and impact to the Council, and that the matter was still 'work in progress' with more to do.

A Member informed that it was important to maintain focus and that the matter be referred to the Employment and Appointments Committee, and that the need for strong support from senior management would suggest that there be merit in asking the Chief Executive (Head of Paid Service) to attend the Employment and Appointments Committee to provide further information on the subject of leadership culture and approach to stress and absence management.

It was:

Moved by Councillor Jeff Green

Seconded by Councillor Christina Muspratt

"That the matter of Attendance Management be referred to the Employment and Appointments Committee for consideration; and that the Chief Executive

be requested to provide an update on progress in respect of the Leadership approach to stress and absence management for staff.”

A vote was put and carried (5:2) One abstention.

### **Resolved - That**

**(1) the report be noted;**

**(2) the Attendance Management Action Plan be noted and referred to the Employment and Appointments Committee for further consideration; and**

**(3) the Head of Paid Service be requested to attend the next meeting of the Employment and Appointments Committee to provide a further update on matters regarding council’s approach to stress and absence management for its staff.**

## 42 **INTERNAL AUDIT UPDATE**

The Chief Internal Auditor introduced his report that identified and evaluated the performance of the Internal Audit Section and included 5 items of note arising from the actual work undertaken during the period 1 September to 31 October 2017. The report focused upon:

- Any items of note arising from audit work conducted;
- Any issues arising that require actions to be taken by Members;
- Performance information relating to the Internal Audit Service;
- Developments being undertaken to improve the effectiveness of the Internal Audit Service.

Members’ attention was drawn specifically to the following items of note that had been identified, namely:

**Ethical Framework Audit** - An audit was being undertaken to evaluate and review the Council’s Ethical Framework as part of the 2017/18 Internal Audit Plan under the Public Sector Internal Audit Standards evaluating the design, implementation and effectiveness of the Council’s ethics-related objectives, programmes and activities.

**General Data Protection Regulation (GDPR)** - An audit of the Councils compliance with the requirements of the new GDPR was being undertaken with a completion date of December 2017. The aim of the audit was to ensure that the Council was on track for full compliance with the regulation by the 25 May 2018 deadline. The Assistant Director: Law and Governance informed that the matter of GDPR impacted on many areas of the Council, and that the project was progressing, with a number of training and audit sessions planned. He added that he would be happy to provide an update to Members on the subject when an appropriate stage in the project had been reached.

**Counter Fraud Publicity Campaign** - Internal Audit, in conjunction with colleagues from across the Council and the Mersey region, had co-ordinated a week long Fraud Awareness campaign during November 2017 to coincide with the International Fraud Awareness week running from 12 November. The aim of the campaign was to raise public awareness, change people's attitude towards fraud and encourage Wirral residents and businesses to help spot and stop fraud.

**Highways Maintenance Contract** - At the request of senior managers an audit visit had been made to the local base of the contractor BAM Nuttall to gain an objective audit view on the percentage overhead rates that were being charged to various direct costs and the contractual basis for this. Members informed of complaints and problems experienced with regard to areas of the existing contractual service (i.e. surface coatings and white lines) and issues arising from lack of action regarding promised repairs / making good.

**Golf Courses** - As a result of concerns raised over cash security, two golf courses (Brackenwood Country Park and Arrowe Park) had been audited during the reporting period that involved on-site visits with the Golf Co-ordinator. Onsite advice was provided and subsequently reported which included the re-positioning of CCTV cameras, actions for daily and weekly cash returns, and the responsibility for administrative checks on amounts banked. Effectiveness of the arrangements and the ensuing outcomes would be reported to the Audit and Risk Management Committee.

A Member questioned why the Data Loss Prevention Follow Up Audit had, as yet, not been completed. The Assistant Chief Executive informed that the previous (Head of Digital) post holder had been optimistic in terms of delivery of this particular project, having based his estimations upon an expectation of additional funding. He thanked the current Interim Head of Digital and SIRO post holder for taking on the role and informed the Audit and Risk Management Committee that an update report on this and other IT matters was due to be considered later in the meeting under Agenda Item 9.

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

#### 43 **COUNTER FRAUD UPDATE**

The Chief Internal Auditor introduced his report that provided Members of the Audit and Risk Management Committee with an update on the activities of the Counter-Fraud Team within Internal Audit. The report covered the year 2016/17 and current year to date.

The report informed that although the Counter-Fraud Team worked closely and collaboratively with the Fraud and Compliance Team within Revenues and Benefits, the report did not include the extensive specialist activities of their work which was reported to Members separately.

A Member congratulated the Chief Internal Auditor and his team in respect of the work undertaken in respect of the National Fraud Initiative (NFI) that had resulted in significant savings for the Council, arising largely from payments recovered or stopped. Members noted that for the 2016/17 NFI exercise £167,000 had been identified to date, of which £154,000 was currently in the process of being recovered.

The Chief Internal Auditor thanked the Member and informed that it was the role of the Counter-Fraud Team to prepare relevant best practice policies and procedures, and proactively manage the risk of fraud to the Council through targeted audits in high risk areas. He added that the Counter-Fraud Team also facilitated changes to the culture of the organisation by raising awareness amongst the workforce to fraud and corruption through targeted training, and provided both a proactive and a reactive response to tackling fraud across the authority.

The Chief Internal Auditor informed that the Counter Fraud Team continued to chair and co-ordinate the activities of the Mersey Region Fraud Group (MRFG) that consisted of a number of neighbouring authorities and partner organisations. He further informed that the Team also contributed to the North West Chief Audit Executives Counter-Fraud Sub Group, to develop practical solutions to mitigate current and emerging fraud risks.

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

#### 44 **AGS SIGNIFICANT GOVERNANCE ISSUES UPDATE**

The Assistant Director: Finance and Investment (S151 Officer) introduced his report that provided Members with a progress update on actions taken by officers to address items of concern identified in the Annual Governance Statement for 2016/17. The report informed that progress was being made to address all issues identified in the action plan. Targets, timescales and responsible officers having been identified and tasks allocated and work underway. The Audit and Risk Management Committee was apprised that issues appearing in the action plan (appendix to the report) relating to Human Resources, Information Technology and Procurement were all subject of separate reports on the meeting agenda.

The Assistant Director: Finance and Investment (S151 Officer) further informed that the matter relating to the Improvement Plan regarding the Ofsted Inspection of Children's Services continued to be subject to review and action, with regular detailed reports on progress presented to both the Children and Families Overview and Scrutiny Committee and to Cabinet.

Members questioned the officers on the matter of Business Continuity and why, given business continuity plans (BCPs) had been received for all 26 identified critical services the RAGB rating remained at Amber.

A Member questioned why, given the length of time that this matter had been identified as an area for action, only 21 of the 26 areas had been tested using a walkthrough exercise, particularly in key risk areas such as Health and Care (DASS), Supported Housing and SEN Transport. It was also identified that the CYPD Social Care, Specialist Services Plan had not been reviewed as at September 2017.

The Assistant Chief Executive informed that although walkthrough tests had been completed and the implementation in the majority of areas was much improved, he believed that the rating (for the entire plan) reflected the current position, but further assessment reviews were underway and the improvement plan was scheduled for review again in 6 months. A Member suggested that only those areas that were not achieving the required targets should be listed.

Members commented on the need for the Audit and Risk Management Committee to be kept informed of progress on these matters, given the Committee's role in ensuring actions and process compliance is monitored, particularly those issues highlighted by both the external and internal auditors.

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

45 **PROCUREMENT - USE OF PROCEDURE RULES APPROVAL DOCUMENT PERMITTED UNDER THE COUNCIL CONTRACT PROCEDURE RULES**

The Head of Procurement introduced his report that report informed the Committee of the range and number of contracts awarded which had been subject to Contracts Procedure Rules (CPRs) Rule 12 Extension/Variation; Rule 11 Waiving the Rules, as required under the CPRs.

The report appendix detailed the contracts subject to the Extension/Variation or Waiver rules for the period 1 April 2017 to 30 September 2017 which under Contracts Procedure Rule 16 required that all contracts which met the following criteria were reported to Audit and Risk Management Committee, i.e.

- a) A contract awarded where the total value of which exceeds £500,000.
- b) A variation or extension to a contract approved by the Assistant Director of Finance (S151 Officer) and by others (per criteria detailed within the report appendix).
- c) A waiver or breach of the Contract Procedure Rules in relation to a contract which exceeds £50,000 in value.

The Head of Procurement informed that there had been 27 Procedure Rule Approval Documents (PRAD) exceptions to the CPR's approved for the period, and highlighted the summary report appendix, detailing the following:

- Extensions - 22 (extended within Contract terms)
- Variations - 13 (within the interests of the Council)
- Awards - 5 (over £500,000.00, under a full tender process)

Members questioned the Head of Procurement on actions taken in respect of a number of contracts and robustness of the contract procedures and procurement processes. The Head of Procurement responded, providing the Committee with specific detail on the reasons for extension, variation and exception on the projects concerned.

The Head of Procurement allayed Member's particular concerns that that an extension within contract was not automatic and contracts were subject to monitoring and review on a regular basis.

A Member also questioned officers on the circumstances relating to contract extension relating to the Wirral Recovery Orientated Substance Misuse Treatment Services (£7.2million contract). Members were informed that the Cabinet had taken up a 2<sup>nd</sup> year option, which provided the Council with good value for money.

The Chair requested that the Head of Internal Audit provide Members with some additional information on this particular contract extension. Members also requested that future report appendices be listed by contract value.

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

#### 46 IT PROGRESS UPDATE

The Head of Digital introduced his report that provided Members with a progress update on actions taken by Digital Officers to remove and mitigate risk associated with underinvestment in IT infrastructure in the past. The report informed that the Business Change Manager and the Senior Information Risk Officer (SIRO) had provided a verbal report to the June meeting of the Audit and Risk Management Committee, and at the following September meeting Members had requested a written report and the attendance of a senior member of Digital at their November meeting.

The Head of Digital's report provided Members with a progress update on the following key areas:

- IT Contingency and Disaster Recovery
- Data Loss Prevention (DLP)
- Cyber Security
- Information Governance (IG)
- Information Commissioner's Office (ICO) Audit
- General Data Protection Regulation (GDPR); and
- Patch Management

Members questioned the Head of Digital on the key areas of his report relating to the Council's risk exposure and the previous post holder's optimism regarding implementation of IT contingency and disaster recovery and the delays experienced in the past relating to the progression of this particular

project. The Head of Digital informed that the migration of the Treasury link datacentre to Merseytravel Georges Dock datacentre was progressing, and was planned to be completed by the end of December 2017. The report informed that the Creation of a Disaster Recovery datacentre on the first floor of the Treasury building in the existing room was currently being planned with an expected completion date of the end of February 2018. The Head of Digital apprised Members that the digital transmission between the Wirral based datacentre and Liverpool datacentre also incorporated two separate cable routes through the Mersey tunnel.

The Head of Digital also updated Members on the strengthening of data protection within the EU, afforded by the GDPR, and how the Council's existing firewalls were sufficient for protection against external threat. He added that the Information Governance Group, headed up by the Law and Governance Service had been holding regular meetings and that HR/OD were developing a course for all council staff.

In response to a Member question on cyber security and the Wallasey Town Hall Wi-Fi provision, the Committee was informed that the age and construction of the building meant that to maintain adequate levels of data transmission further upgrade to the Wi-Fi service would be required.

The Head of Digital informed that a review of the wireless infrastructure had been planned and would commence in the New Year.

The Audit and Risk management Committee expressed thanks the Head of Digital for his report and welcomed progress on what had been a lengthy journey.

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

#### 47 **ARMC SELF ASSESSMENT**

The Chair introduced his report, compiled in association with the Chief Internal Auditor that informed that to comply with best professional practice the Audit and Risk Management Committee was required to complete an annual evaluation of its role and effectiveness as part of the systems of internal audit. His report informed that the CIPFA publication 'A Toolkit for Local Authority Audit Committees' recommended the use of a self-assessment checklist to achieve this task. The Chair informed that the completed checklist and effectiveness evaluation was attached at appendices 1 and 2 to his report.

The Head of Internal Audit informed the Audit and Risk Management Committee of best practice applied in support of the Chair's report and stated that the overall conclusion in respect of the ARMC Self-Assessment had been that the Committee was functioning well, had met the regulatory requirements and was compliant with the necessary regulations.

Members questioned the Chair and the Chief Internal Auditor on the relevance of some of the prescribed questions, but noted that the supporting comments provided additional clarity on the actions expected and undertaken to ensure compliance with the CIPFA assessment 'toolkit'.

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

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

The Senior Risk and Insurance Officer introduced the report of the Assistant Director: Finance that provided a regular update on the work undertaken in relation to Insurance and Risk Management activities in relation to key actions planned for 2017/18.

The report informed that the risk and insurance management comprised two significant areas of activity, namely:

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

The report further informed that In addition to day-to-day operations the service was responsible for major procurement exercises and improvement activities.

The Senior Risk and Insurance Officer provided a short verbal update to the Audit and Risk management Committee on the key areas of work summarised in the report, that included:

- Alignment of Risk Management and Performance Management;
- Corporate Risk Register;
- Traded Services for Schools and Academies;
- Corporate Insurance Budget;
- Procurement of Property Business Interruption Museums, Marine, Crime and Personal Accident/Business Travel Insurance;
- Liability Claims Handling;
- Actuarial Study;
- Review of Corporate Governance; and
- Corporate Risk Management Policy.

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

49 **CORPORATE RISK REGISTER: UPDATE**

The Manager: Insurance and Risk introduced the report of the Chief Executive that confirmed the outline of a forthcoming review of the Corporate Risk Register and provided an update as to the development of risk registers for other areas. The potential impact of a governance review on future risk recording and reporting arrangements was also indicated.

The report informed that following adoption of the Wirral Plan in 2015 the Strategic Leadership Team (SLT) revised the Council's Corporate Risk Register. This had been reported to the Audit and Risk Management Committee on 14 June 2016. The report further informed that regular reviews had been undertaken by the Senior Leadership Team (SLT). Currently these addressed progress in relation to the management of the existing corporate risks as well as emerging risk areas for possible addition to the Register.

The Senior Risk and Insurance Officer informed that an update report was scheduled for consideration by the SLT the following week and a full report and conclusions would be reported to the Audit and Risk Management Committee at its next meeting in the New Year.

**Resolved - That**

- (1) the development in relation to the production of risk registers for Wirral Plan pledge strategies be noted; and**
- (2) the outcome of the forthcoming review of the Corporate Risk Register be reported to the next meeting of this committee.**

50 **EXTERNAL AUDIT - ANNUAL AUDIT LETTER**

Mr Robin Baker of Grant Thornton UK LLP, the Council's external auditors, presented a report to Members on work undertaken with regard to the delivery of their responsibilities as External Auditor covering the Year ending 31 March 2017. Mr Baker provided the Audit and Risk Management Committee with a summary of the purpose and key findings of the External Auditor that included a summary of the detailed findings from their audit work to the Audit and Risk Management Committee on 25 September 2017.

The report informed that the External Auditor had provided an unqualified opinion on the Council's financial statements on 26 September 2017. The report also informed that the External Auditor's review of the Council's arrangements to secure economy, efficiency and effectiveness which had resulted in a qualified - except for value for money conclusion. The reason for this being concern that progress in respect of Ofsted monitoring visits had not yet met expectations and some time would be needed to implement all the actions to deliver the required service improvement.

A Member questioned the External Auditor with regard to the financial pressures facing the Council, use of balances and the sustainability of its use of general fund balances. The External Auditor's report informed that the Council recognised that it continued to face significant financial pressures. The Quarter 1 revenue monitoring report for 2017/18 set out a projected £4.2 million overspend that had been mainly attributable to additional investment in Children's services. An early review of the 2017/18 financial position resulted in a further £8.5 million of the revenue budget contingency being added to service budgets, consequently only £3.5 million of this contingency remains.

The External Auditor's report further informed that revenue monitoring report detailed further risks and actions resulting in a projected General fund balance of just £9.4 million at 31 March 2018 which was below the £10 million minimum recommended by the Section 151 Officer. The External Auditor recognised that there continued to be a £3.5 million in the contingency budget, however it was important the Council take decisive action to ensure spending was constrained and the general fund balance does not fall below recommended levels.

Mr Baker apprised the Audit and Risk Management Committee on the independence of the auditor and that the same team would be delivering the next year's audit. He added that the Council faced additional pressures with regard to the required reporting deadlines, in addition to the pressures faced by the majority of local authorities in the current financial climate. Mr Baker took the opportunity to thank Mr Tom Sault, Assistant Director: Finance and Investment (S151 Officer) for his honest, clear and supportive assistance with the work of the External Auditor.

A Member questioned the delay in resolving an objection to the Council's 2015-16 accounts that related to a request for a public interest report and application to the courts for a declaration that Wirral Council's Lender Option, Borrower Option loan borrowing as referenced in the 2015-16 accounts was unlawful. The External Auditor informed that the Council had provided prompt and full co-operation on this matter, but was not possible at present to place a definitive timescale to reach a resolution regarding the objection.

The Assistant Director: Finance and Investment (S151 Officer) informed the Committee that the Council continued to face significant financial pressures and Q2 accounts had been presented to Cabinet, along with the need to action a projected overspend of £4.2million from Q1 mainly attributable to additional investment in Children's Services.

**Resolved – that the Annual Audit Letter for Wirral Council be noted.**

51 **MATTERS FOR ESCALATION TO CABINET**

None.