

Risk and Audit Service: Performance

Audit and Governance Committee
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1. Executive Summary

- 1.1 This report summarises the performance and activity of the Risk and Audit Service for the period 6 September – 21 November 2018.
- 1.2 The report covers each of the areas of the service:
- Internal Audit
 - Health and Safety
 - Insurance
 - Risk and Resilience.
- 1.3 The report highlights the following key points:
- It has been a busy period for the Service, with the completion of a number of key pieces of work. The performance indicators and key data in this report reflect this positive progress.
 - The service continues to seek to support the effective management of risk, which is especially pertinent as the Council transforms.
 - The development of the service continues, with a number of improvements having been completed in the period.

2. Introduction

- 2.1 The Risk and Audit Service is managed by the Chief Internal Auditor.
- 2.2 The mission of the Service is *“to deliver a first-class risk and audit service that is highly respected and valued by Sefton and is the envy of our peers”* and the Service has the following objectives:
- To lead the Council in embedding a system of internal control and risk management that facilitates the achievement of the organisation’s objectives
 - To be a valued corporate influence in promoting the due consideration of risk in Council decisions, strategies and plans
 - To align the service with the Council’s changing needs.
- 2.3 In delivering this mission and objectives, the Service encapsulates the following teams:
- **Internal Audit** – this statutory service provides the internal audit function for all areas of the Council, including maintained schools. Internal Audit can be defined as: “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (Public Sector Internal Audit Standards)
 - **Health and Safety** – supports Council officers and members in providing an effective health and safety management system that meets the Council’s statutory health and safety duties; thereby controlling the risks of injury and ill health to staff and others affected by the Council’s activities.
 - **Insurance** – fulfils the duty to provide an appropriate insurance service for the Council, including claims management, advice on insurance issues and the management of insurable risk.
 - **Risk and Resilience** – develops risk management and mitigation strategies for the Council on emergency planning (ensuring that the Council meets its statutory responsibilities as a Category 1 responder under the Civil Contingencies Act 2004), public safety and business continuity issues.

2.4 This report summarises the main aspects of the performance of the Service for the period 6 September – 22 November 2018, covering the following areas:

- Internal Audit:
 - work undertaken in the period, including a summary of work completed and an outline of the high priority recommendations made.
 - performance against Key Performance Indicators
 - anti-fraud update
 - developments relating to this part of the Service.

- Health and Safety, Insurance and Risk and Resilience:
 - work undertaken in the period, with key data provided where applicable
 - developments relating to these parts of the Service.

2.5 The report concludes by looking ahead to the challenges which will be addressed in the forthcoming period.

3. Internal Audit: Performance Update

3.1 Work Completed

During the period 6 September to 21 November 2018, 23 audits were completed. Audits shown in italics are at draft stage – completed Action Plans are awaited from clients. These can be summarised as:

Audit Title	Audit Opinion	Recommendations		
		High	Medium	Low
Arvato Exit Support - Cash Up, Bootle and Southport One-Stop Shops	No Risk	0	0	0
Procurement Review	Moderate	1	2	2
VFM - Locality Services Commissioned - Procurement of Rock Salt	Moderate	0	1	0
VFM - Investment and Employment - Tourism - Hire of Victoria Park to hold annual food and drink festival	No Risk	0	0	0
VFM - Regeneration and Housing - Property Pool Plus social housing allocation ICT system	No Risk	0	0	0
St.Monica's Primary School	Very Good	0	1	1
<i>Rimrose Hope Primary</i>	<i>Very Good</i>	<i>0</i>	<i>1</i>	<i>1</i>
<i>St.Jerome's Primary School</i>	<i>Fair</i>	<i>0</i>	<i>4</i>	<i>1</i>
<i>Forefield Primary School</i>	<i>Good</i>	<i>0</i>	<i>4</i>	<i>1</i>
<i>Private Vehicle Sales</i>	<i>Minor</i>	<i>0</i>	<i>0</i>	<i>4</i>
Shoreside Primary School	Major	3	3	0
<i>VFM - Investment and Employment - Tourism - Southport Visitor Guide</i>	<i>Minor</i>	<i>0</i>	<i>1</i>	<i>0</i>
<i>VFM - Health and Wellbeing - Leisure - Maintenance, Service and Repair of Swimming Pool Ultra Violet System</i>	<i>Minor</i>	<i>0</i>	<i>1</i>	<i>0</i>
<i>VFM - Locality Services Provision - Purchase of fuel for vehicles and plant via a fuel card</i>	<i>Moderate</i>	<i>0</i>	<i>1</i>	<i>0</i>
CSC Placement Audit	Moderate	0	11	2
LAS Project	Ongoing Assurance Provided			

Audit Title	Audit Opinion	Recommendations		
		High	Medium	Low
LCS Project		Ongoing Assurance Provided		
Rowan Park / Rowan Park Follow Up Review		One Recommendation Not Implemented		
Liverpool City Region - STEP Q2		Assurance Provided		
Liverpool City Region - M58 Junction 1 Q2		Assurance Provided		
Troubled Families Period 11		Assurance Provided		
Disabled Facilities Grant 2017-18		Assurance Provided		
Liverpool City Region - Integrated Transport Capital Block Funding 2017-18		Assurance Provided		

The high priority recommendations outlined in the audit reports can be summarised as:

Procurement

- On a routine basis (ideally at least monthly), an analysis of expenditure should be undertaken by the Procurement Team to identify potential non-compliant expenditure, and to request relevant Officers / Service Areas to demonstrate compliance with the Council's Contracts Procedure Rules.

Shoreside Primary School

- A number of recommendations were made in relation to the financial controls surrounding expenditure and protecting the Council's finances during the transition to academy.

3.2 Key Performance Indicators

Description and Purpose	Target	Actual	Variance and Explanation
<p>Percentage of the Internal Audit Plan completed</p> <p>This measures the extent to which the Internal Audit Plan agreed by this Committee is being delivered. The delivery of the Plan is vital in ensuring that an appropriate level of assurance is being provided across the Council's systems.</p>	<p>65%</p> <p>See graph below</p>	<p>48%</p> <p>See graph below</p>	<p>-17%</p> <ul style="list-style-type: none"> Small impact of sickness absence Vacancy of Audit Manager
<p>Percentage of Client Survey responses indicating a "very good" or "good" opinion</p>	<p>100%</p>	<p>100%</p>	<p>No variance</p>

Description and Purpose	Target	Actual	Variance and Explanation
This measures the feedback received on the service provided, and seeks to provide assurance that Internal Auditors conduct their duties in a professional manner.			
Percentage of recommendations made in the period which have been agreed to by management This measures the extent to which managers feel that the recommendations made are appropriate and valuable in strengthening the control environment.	100%	100%	No variance

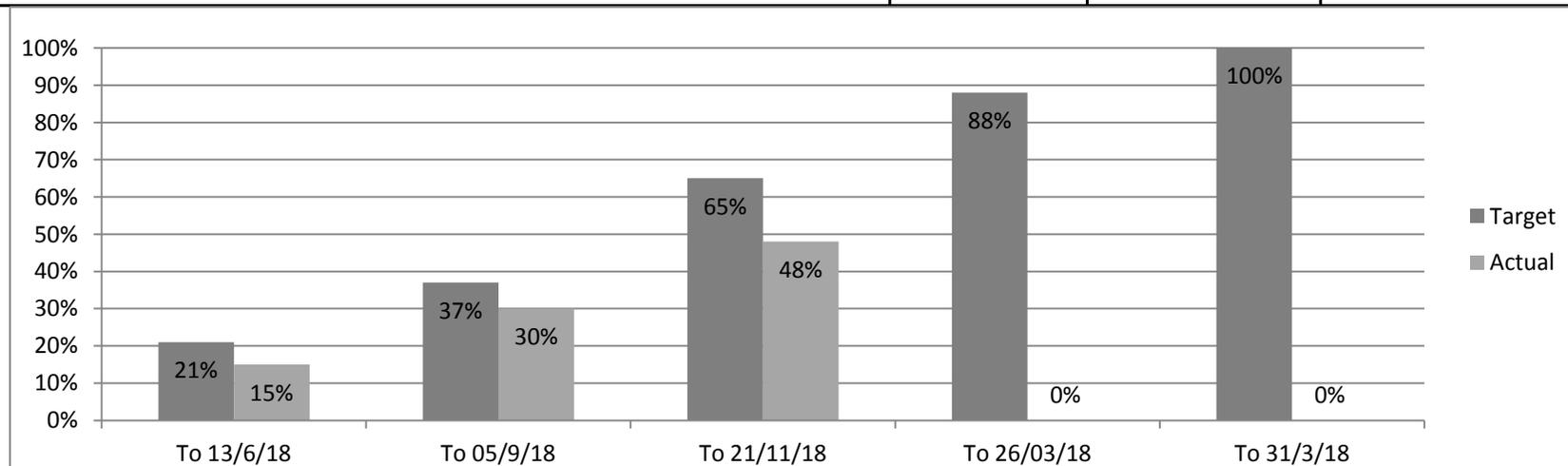


Figure 1: Percentage of the Internal Audit Plan 2018/19 Completed (profiled to coincide with the Audit and Governance Committee reporting dates)

3.3 Anti-Fraud

The following anti-fraud work has been undertaken during the period:

- A series of messages continues to be posted on a rotational basis on the Council's website, Yammer, intranet and social media so as to encourage staff and residents to report suspected fraud, and to provide a deterrent effect.
- The Team co-ordinates the Council's involvement in the National Fraud Initiative (NFI) in which the Council is required by law to participate.

3.4 Public Sector Internal Audit Standards

As previously reported to the Committee, following the external assessment in March 2018 which confirmed that the service “generally complies” with the Standards the team, has been continuing to implement the Development Plan to ensure the continued development and improvement of the service going forward, with a particular emphasis on the service being able to meet the expectations of a modern service.

3.5 Resources

- The completion of the audit plan has been affected by the current vacancy, for the Audit Manager, although there is a recruitment exercise being completed to fill the vacancy. At present it is likely that the post will be appointed in December and at that point a review of the audit plan will be undertaken to prioritise the remaining audits in the final quarter.
- To build skills and knowledge of the Internal Audit Team on risk management and business continuity, bring multitasking across the function to build capacity and to bring a joined up approach across the function on risk and control the Internal Audit Team will be actively involved in the facilitation of operational risk registers and business impact analysis across the Council.

4. Health and Safety: Performance Update

4.1 Work Completed

During the period, the following key pieces of work/projects have been undertaken:

There was a planned audit of health and safety risk assessments undertaken by the internal audit team during the period. The final report has highlighted that actions should be undertaken to improve the reporting arrangements for health and safety performance including risk assessments, the review of terms of reference for a number of committees to clarify their roles and improvements to the procedures for ensuring that management undertake risk assessments.

Following the audit a review of health and safety has been undertaken by the Health and Safety team including a SWOT analysis of the current health and safety function. As a result of the exercise actions have been identified to ensure that health and safety is implemented effectively across the Council and a health and safety improvement plan has been developed which will be presented to the forthcoming Corporate Health and Safety Committee in December 2018 for approval. The improvement plan includes the agreed actions from the health and safety audit that had been undertaken by the internal audit team. Proposed actions in the health and safety improvement plan to be undertaken over the next six months include:

- Review of the Health and Safety Policy to be presented to the next Corporate Health and Safety Committee in December 2018 before being provided to Cabinet for final approval. The policy to include health and safety objectives and key performance indicators.
- Review of the terms of reference for the Corporate Health and Safety Committee to be included in the Health and Safety Policy to ensure effective monitoring of health and safety within the Council.
- Review of the roles and responsibilities of key staff for health and safety which is to be included in the Health and Safety Policy.
- Presenting a Health and Safety Improvement Plan to the Corporate Health and Safety Committee in December 2018 for approval and delivering actions from the plan.
- The reporting of statutory compliance in buildings to be reported on an ongoing basis initially to the Corporate Health and Safety Committee.
- Undertaking a survey with senior management to determine the effectiveness of the current health and safety management system

- Ensure that an effective Health and Safety training needs assessment is designed for all employees before the development of a health and safety training plan.
- Design and present an annual health and safety report to the Cabinet for approval.

The Health and Safety Team have been working with the Property Services to facilitate the formal definition of building related statutory compliance responsibilities for the current building arrangements where the Head of Services are responsible to the shortly to be implemented proposed landlord corporate landlord function where Property Services takes central responsibility for the Council's buildings. Does this need rewording a bit

The team is currently developing a formal risk based buildings compliance programme for the next 12 months with Property Services along with a detailed testing programme that will be provided to buildings managers in advance to enable independent verification of the statutory checks that should be undertaken concerning such matters as gas safety, electrical safety, asbestos, and legionella.

The team has been working with the ICT provider to update and upgrade the Council's incident reporting system which was launched in September 2018 across the Council including schools in September 2018. The revised incident reporting system will improve ease of use, reporting and will also facilitate compliance with the Data Protection Act 2018.

4.2 Key Incident Data

The data below relates to the period 10 September to 15 November 2018 using the new incident reporting system:

Incidents reported for period 10.9.18 – 15.11.18	
Injury Cause	Number
Slips Trips and Falls	17
Fall from Height	5
Violence	3
Bump to Head	2
Lifting	2
Other	4
Physical Impact	8
Road Traffic Accident	1
Total	64
RIDDOR	5

The main cause of accidents for the stated period across all services is slip trips and falls.

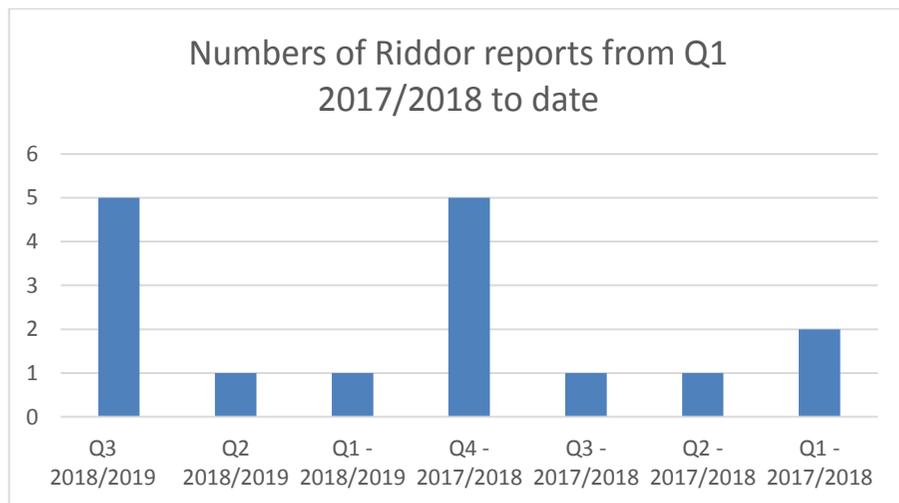
The RIDDORs related to:

- One of the RIDDOR accidents involved a staff member falling from height where the Council insures but has no responsibility for staffing or the ongoing management of the building. Although not directly the responsibility of the Council Health and Safety have investigated the circumstances behind the incident and provided guidance on undertaking risk assessments and managing contractors to schools and other service areas.
- Two RIDDOR incidents involved violence to a staff member by service users.
- One RIDDOR incident related to a slip, trip and fall involving a staff member following over in an outside area
- One RIDDOR reported involved the unsafe management of a chemical.

All RIDDOR incidents are reviewed by Health and Safety for learning lessons which are shared with other service areas where appropriate.

The new incident report system will enable in future the ability to track trends over time on the type of incidents to enable more comprehensive reporting and focused action to be taken.

The numbers of RIDDOR incidents reported in the past 15 months is detailed in the graph below:



4.3 Developments

- The Work-related Stress survey was completed in July 2018 and the results have been analysed with support from HSE's Stress Team. A total of 895 members of staff (almost 30% of the workforce) responded to the survey from across a wide range of services areas excluding schools as HSE are undertaking a separate pilot exercise in Sefton schools. These responses will go a long way towards helping us create a clearer picture of what stress looks like in Sefton. The team is undertaking work to support the Council to strengthen its system of risk assessment. This will entail the review and update of the risk assessment guidance, its relaunch with appropriate publicity, and associated support and review of compliance.
- There will be a focus during the next quarter of delivering the Health and Safety Improvement Plan with planned priorities of:
 - Refreshing the Corporate Health and Safety Policy
 - Development of an annual report on health and safety management to be provided to the Cabinet.
 - Devising a health and safety training needs assessment that can be adopted across the Council
 - Improve the reporting of health and safety performance on key health and safety objectives
 - Improve the current reporting on building related statutory compliance
 - Improving the embedding of undertaking risk assessments across the Council
 - Enhance building compliance review by health and safety team.

5. Insurance: Performance Update

5.1 Work Completed

During the period, the following key pieces of work/projects have been undertaken:

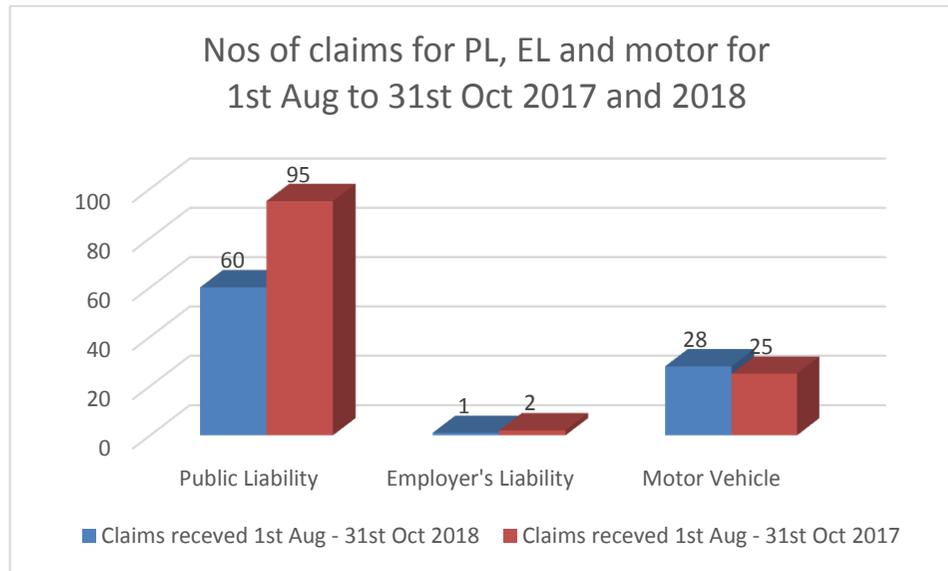
- Following the inception date of the new policies extensive work has been completed on setting up new systems with the insurance companies for handling new claims on motor and material damage. Meetings have been held with the new insurance providers to build relationships and agreed expectations for the new contracts too.
- The Council continues to defend cases robustly so as to protect the public purse. The team also works extensively with Service Areas to improve the management of insurable risk in areas where there are high numbers of claims. The Council generally has high defensibility rates and such risk management activity will assist in improving the position further.
- A SWOT analysis has been undertaken on insurance and an improvement plan has been developed to improve the service provided to the Council over the next 12 months. Proposed actions include:
 - Improved reporting on claims to service areas
 - Improving reporting on claims to Audit and Governance Committee
 - Improve motor risk management to minimise motor claims
 - Review warranty conditions for the new policies to identify new procedures to be developed
 - Market research and prepare for broker review to take place in Q1 2020
 - Evaluate Sefton's approach to the new national Highways Code of Practice

5.2 Key Claims Data

The following graph relates to the period since the last update (1st August to 31st October 2018) and include:

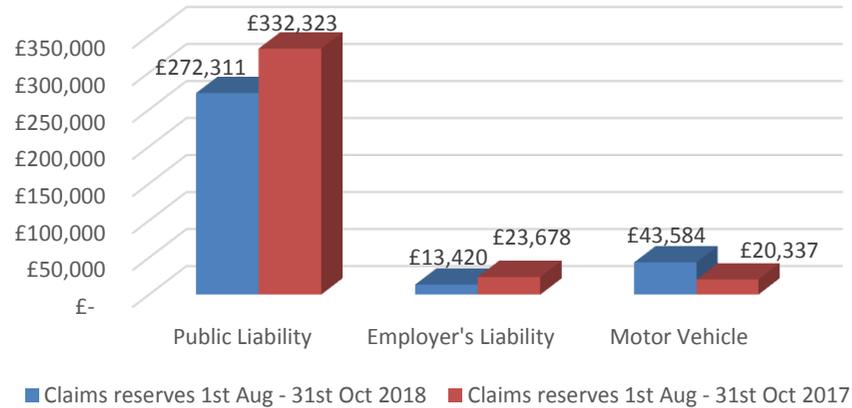
- Numbers of claims for Public Liability (PL), Employers Liability (EL) and motor claims received by Sefton Council for the period 1st August to 31st October 2018 compared to the same period in 2017
- Value of the reserves for PL, EL and motor claims received by Sefton Council for the period 1st August to 31st October 2018 compared to the same period in 2017

- The average value for PL, EL and motor claims received by Sefton Council for the period 1st August to 31st October 2018 compared to the same period in 2017.



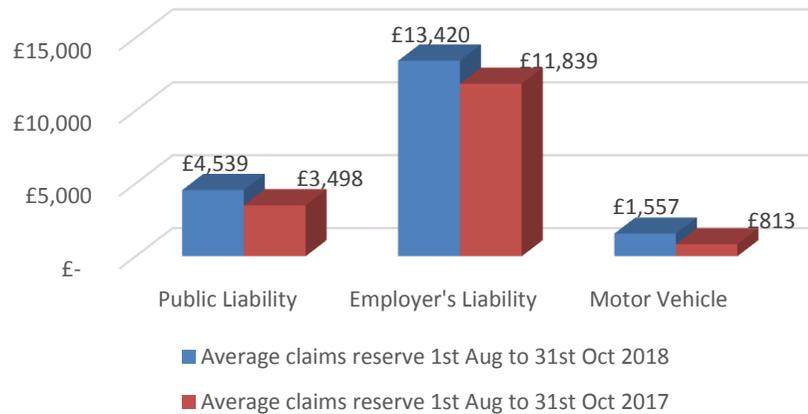
Numbers of PL claims have dropped in this period compared to a year ago which relates in part to the introduction nationwide of the insurance portal which has capped claimants solicitors costs and also reflects the robust Highways inspection regime in place at Sefton. The numbers of EL claims has reduced and remain at very low levels for the size of the organisation. There is a small increase in motor claims which will be monitored.

Value of reserves for PL, EL and motor claims for 1st Aug to 31st Oct 2017 and 2018



The value of the PL and EL reserves on the new claims has declined which reflects the lower number of claims received in 2018 compared to 2017. The increase in motor claim reserves is substantially above the proportionate change in numbers of claims.

Average reserve claims costs for PL,EL and Motor claims for 1st August to 31stOctober 2017 and 18



The graph highlights that average PL and motor average reserve claim costs have increased from 2017 to 2018 which reflect a small number of larger claims which have affected the average. The change in EL average costs is a reflection of their only being only one claim in the period.

5.3 Developments

- The inception of the new insurance arrangements has presented an opportunity to issue updated reminders to Heads of Service to consider insurance implications in service developments and changes, and to advise the Insurance Team accordingly.
- The inception of new insurance arrangements also presents a fresh opportunity to reinvigorate management of insurance contracts by reviewing the service provided and ensuring that the Council is receiving requisite quality and value for money.
- The new allocation of risk management days will continue to be used to develop the Council's management of risk and its impact on insurable risk. The days have already been used to great effect to supplement the Council's inhouse training offer with a range of high quality health and safety and risk management training.
- An update on the insurance implications for coastal is that the Council's approach to the management of our coastal defences is set out in our Flood and Coastal Erosion Risk Management Strategy which can be found on the Council's website. Key to this is to understand the risk of coastal erosion and tidal flooding a part of which includes understanding the condition of our defences. As our defences reach the end of their lives we will undertake a review of options to address this in line with the policies set out in our strategy.
- For Hightown this involved undertaking coastal defence works through the placing of sand in the system which has resulted in higher beach levels. This work is monitored on a regular basis to ensure that it is performing as expected and there is no immediate risk of coastal erosion impacting on residential properties. At Crosby the defences in the vicinity of Hall Road Car Park are towards the end of their useful life, as such we are starting to explore the options for replacing these.

6. Risk and Resilience: Performance Update

6.1 Work Completed

During the period, the following key pieces of work/projects have been undertaken:

- A SWOT analysis has been undertaken for the Risk and Resilience Team which has looked at Emergency Planning, Business Continuity and Risk Management. Improvement Plans have been developed to take each area forward and work has started to implement the actions. A focus of the work plan has been to fully integrate the Risk and Resilience Team with other functions within the wider Audit and Risk Team to build capacity and capability.
- There has been a renewed focus on implementing the Council's Risk Management framework during the period with work started on facilitating operational risk registers across the Council and ensuring that up to date service risk registers are in place for all service areas. A pilot was run in September and October on the resource implications of the exercise and resources has been brought in from the Internal Audit Team to provide assistance to the Risk and Resilience Team to undertake the facilitated sessions. It is planned to have all of the operational risk registers in place before the end of April 2019.
- During October 2018 a draft policy framework for managing business continuity has been designed to set out the Council's approach which is broadly aligned to ISO 22301 and the Business Continuity Institute Good Practice Guidelines 2018. The framework includes:
 - Draft Business Continuity Policy
 - Draft Business Continuity Strategy
 - Draft Business Continuity Manual
 - Draft Business Continuity Risk Register
- A Business Continuity Implementation Plan has been drafted and the team are currently working on implementing the key actions. The next priority is the completion of business continuity impact analysis which will be undertaken from December 2018 to March 2019 for all functions within the Council. Resources from the Internal Audit Team will be assisting the Risk and Resilience Team to undertake the analysis work.

6.2 Developments

- The next priority for business continuity is the completion of business continuity impact analysis which will be undertaken from December 2018 to March 2019 for all functions within the Council. Resources from the Internal Audit Team will be assisting the Risk and Resilience Team to undertake the analysis work. The business impact analysis will identify how service areas will continue to deliver in the event of a major disruption for example loss of a premises.
- Two e-learning modules are being developed and should be ready to be rolled out in April 2019 to provide general awareness for all staff on the importance of business continuity and more focused awareness training for managers with more active roles in the business continuity plans to be developed.
- The Risk and Resilience Team have been trained on how to undertake the Business Continuity Impact Analysis.
- Work has been completed with Heads of Service to review the Corporate Risk Register, to ensure that this is fully reflective of the major risks facing the Council. Progress being made has been positive in increasing the extent to which robust risk management arrangements are embedded across the Council. An updated Corporate Risk Register and a revised Corporate Risk Management Handbook is presented to this Committee for approval.
- The next priorities for emergency planning include:
 - Walkthrough and scenario testing of the Sefton Command and Control
 - The development of service area emergency plans to underpin the Major Emergency Guidance and identify the operational capability required to support the strategic and tactical emergency management structures
 - Formalise the current risk specific plans for coastal shoreline clean- up and pandemic illness.
 - Refreshing the training plans for the Emergency Duty Officers

7. Looking Ahead

7.1 The development journey for the Service continues, with a number of key projects being undertaken to embed the role and influence of the team over the next quarter:

- Following the completion of the operational risk registers a new risk register review system will be developed to ensure that the operational risk registers are refreshed, there are ongoing linkages to the service registers and the registers are updated to include the proposed changes in the Corporate Risk Management Handbook.
- Define a draft risk management statement on appetite to be shared with Strategic Leadership Board.
- Continued delivery of the Internal Audit Plan 2018/19, focusing attention on reviewing the key risks to the organisation, which will evolve as the Council changes.
- Refreshing and refining the Council's management of emergency planning, risk management and business continuity.
- Developing clear accountability for health and safety related matters in Council buildings.
- Implementing the Health and Safety Improvement Plan.
- Supporting the Framework for Change by providing audit advice and guidance on the risk and control issues emerging from the Public Sector Reform and economic development and strategic investment projects.

8. Conclusions

- 8.1 Internal Audit has made progress in the completion of the Internal Audit Plan 2018/19 in the period. Performance in respect of the agreement of recommendations and the feedback from clients has been particularly positive and reflects the value added by the Service.
- 8.2 The Council's accident record continues to be positive. There is a significant workload of activities required to improve the health and safety management system over the next six months with the associated aim of increased reporting visibility for key governance committees. There remains a focus on establishing a clear system for gaining assurance of compliance across all Council buildings.
- 8.3 The new insurers are working closely with the Council and the transfer to the new providers has been successful. Current claims performance remains good although work is required to improve motor risk management.
- 8.4 The team is playing a key role in supporting the implementation of risk management across the Council, through co-ordinating the review of the Corporate Risk Register, and supporting Heads of Service and their teams in implementing operational risk registers. Further work is planned to improve risk management within the Council by adopting enhanced risk management techniques.
- 8.5 Progress has been made in embedding business continuity with a clear road map for the next six months. There are clear implementation plans in place across each of the service areas to deliver improvements which will result in improved services as well as an integrated risk and audit approach.