

# Risk and Audit Service: Performance Report

Audit and Governance Committee  
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# 1. Executive Summary

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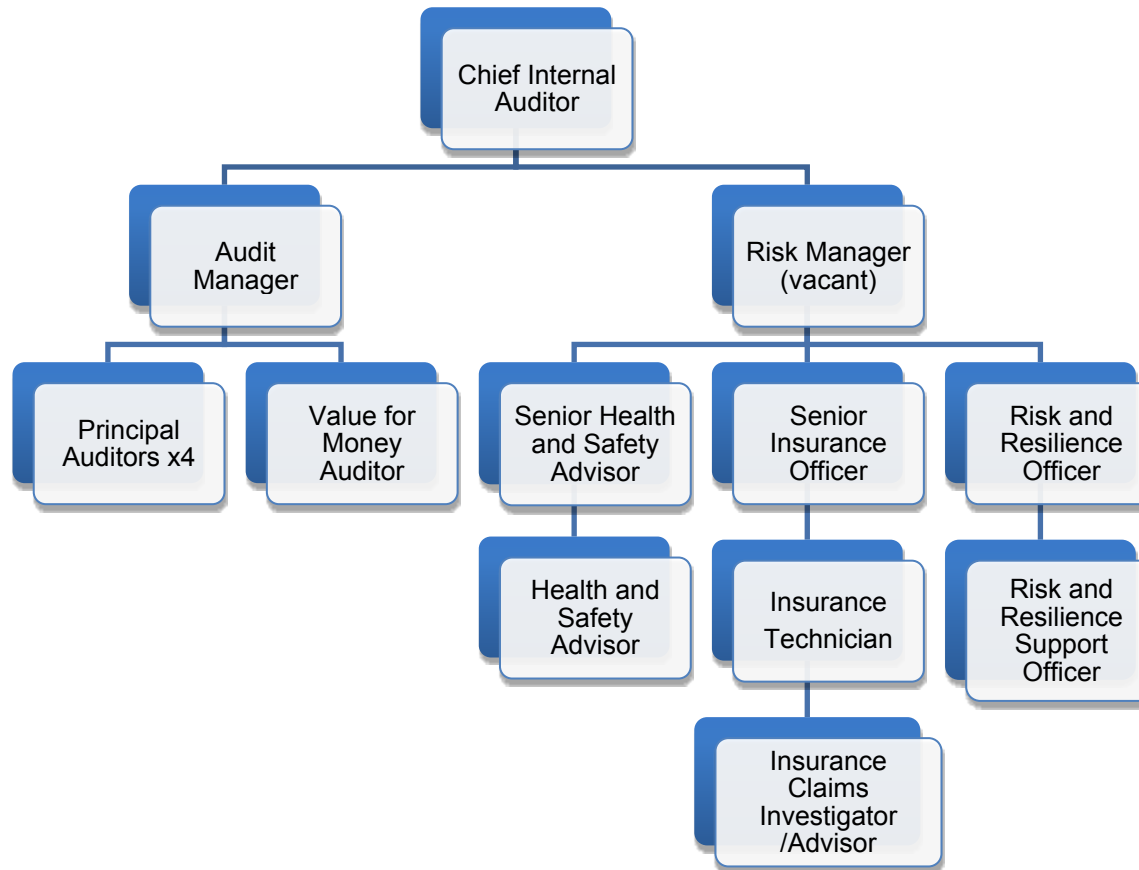
- 1.1 This report summarises the performance and activity of the Risk and Audit Service for the period 1 September to 22 November 2017.
- 1.2 The report covers each of the areas of the service:
- Internal Audit
  - Health and Safety
  - Insurance
  - Risk and Resilience.
- 1.3 The report highlights the 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 as the Council transforms.
  - The development of the service continues, with a number of improvements having been completed in the period.

## 2. Introduction

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- 2.1 The Risk and Audit Service is managed by the Chief Internal Auditor, who reports to the Head of Corporate Resources.
- 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 The service structure is:



2.4 This report summarises the main aspects of the performance of the Service for the period 1 September – 22 November 2017, 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 1 September to 22 November 2017, 14 audits were completed. These can be summarised as:

Audit Title	Audit Opinion	Recommendations		
		High	Medium	Low
Anti-Social Behaviour Unit	Moderate	1	4	0
Aintree Davenhill School	Very good	0	2	0
Church Town Primary School	Good	0	3	1
Meols Cop High School	Good	0	2	1
Accounts Payable	Moderate	3	1	0
Maricourt High School	Very Good	0	2	0
Treasury Management	Negligible	0	0	0
Capital Programme	Negligible	0	0	0
Children Social Care payments (Follow up)	All recommendations implemented			
Bulky Waste and Skip Hire (Follow Up )	All recommendations implemented			
M58 Junction 1 Q2	Assurance Provided			
Liverpool City Region - STEP Grant Q2	Assurance Provided			
Liverpool City Region - AGE Grant Return	Assurance Provided			
Trouble Families Grant H1	Assurance Provided			

The four high priority recommendations made related to:

*Anti-Social Behaviour Unit:*

- A review of the current standards in terms of evidencing referral response timescales and staff resource should take place which should include an appropriate risk assessment to ensure compliance with overarching strategic objectives and any statutory requirements. Periodic monitoring checks should be undertaken to ensure that requisite standards in terms of response times and evidence recording are achieved.

*Accounts Payable:*

- Procurement across the Council should be carried out via Agresso in accordance with the Council directive and the alternative I Want Finance Portal software should only be used as an exception and for one off payments only, with the requisite controls in place to prevent duplicate payments.
- In order to improve control there needs to be a separation of duties within the Accounts Receivable Team so that the same staff members must not set up suppliers on Agresso and then issue refunds.
- To further improve the effectiveness of the payment mechanism within the Council, procurement should be carried out using Agresso following the processes outlined in the Agresso User guides. Approval to commit the Council to procure goods and services should be obtained prior to receipt of invoice.

### 3.2 Key Performance Indicators

Description and Purpose	Target	Actual	Variance and Explanation
<p><b>Percentage of the Internal Audit Plan 2017/18 completed</b>                      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><b>60%</b>                      (to 22/11/17)                      See graph below</p>	<p><b>47%</b>                      (to 22/11/17)                      See graph below</p>	<p><b>13%</b></p> <ul style="list-style-type: none"> <li>• Additional reviews undertaken at the request of management</li> <li>• Small impact of sickness absence</li> </ul>
<p><b>Percentage of Client Survey responses indicating a “very good” or “good” opinion</b>                      This measures the feedback received on the service provided, and seeks to provide assurance that Internal Auditors conduct their duties in a professional manner.</p>	<p><b>100%</b></p>	<p><b>100%</b></p>	<p><b>No variance</b></p>
<p><b>Percentage of recommendations made in the period which have been agreed to by management</b>                      This measures the extent to which managers feel that the recommendations made are appropriate and valuable in strengthening the control environment.</p>	<p><b>100%</b></p>	<p><b>100%</b></p>	<p><b>No variance</b></p>



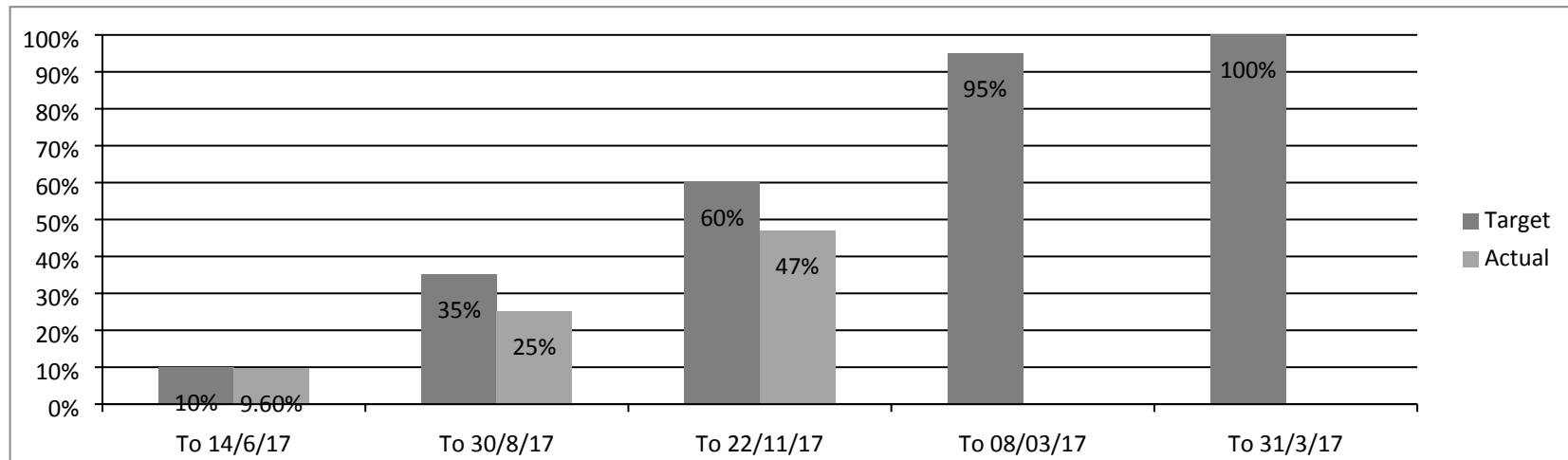


Figure 1: Percentage of the Internal Audit Plan 2017/18 Completed (profiled to coincide with the Audit and Governance Committee reporting dates)

### 3.3 Anti-Fraud

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

- International Fraud Awareness Week ran from 12-19 November 2017. During this period, a series of messages was posted on the Council's website, Yammer, intranet and social media so as to encourage staff and residents to report suspected fraud. This included a short video interview with the Cabinet member for this area, Cllr Lappin, lending her support to the initiative. It is hoped that this will lead to an increase in the number of reports of suspected fraud made, and also have a deterrent effect. This Committee will be kept updated on the outcomes of this work.
- There has been a focus on proactive anti-fraud work and the service has undertaken detailed planning in using the time allocated to this within the overall Internal Audit Plan. This encapsulates such areas as Council Tax, Housing Benefit and Blue Badges, and work will be undertaken to review specific anti-fraud controls in these areas.
- An assessment of the Council's approach to fraud is to be completed in the next quarter, utilising the CIPFA document "Code of Practice on Managing the Risk of Fraud and Corruption".

- In respect of the most recent National Fraud Initiative exercise, the Cabinet Office provided a total number of 8,038 matches across 101 different reports. Work has been completed on 62 of the reports. Checks undertaken on the matches provided have led to the identification of:
  - 3 frauds matching taxi drivers to asylum seekers, resulting in the revocation of the taxi licences.
  - 9 matches categorised as errors with recoverable overpayments identified totalling £26,850.10.
  - 176 matches where errors were identified but no recoverable overpayment.
- The forthcoming NFI exercise will concern Council Tax single person discount, and this Committee will be kept informed of the outcomes of this exercise, which tends to yield significant results.

### 3.4 Public Sector Internal Audit Standards

The last report to this Committee (September 2017) detailed the requirements of the Public Sector Internal Audit Standards and set out the process for ensuring compliance. This highlighted that a self-assessment exercise had been undertaken and that the outcome of this assessment was that the Internal Audit service was found to **generally conform** with the requirements of the Standards, but that a small number of actions have been identified so as to ensure full compliance.

It was also highlighted that the service must be the subject of an external quality assessment at least once every five years by a qualified independent assessor from outside the organisation. It has now been agreed that an independent validation of this self-assessment will be undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) in March 2018. The results of this exercise will be reported to this Committee at its June 2018 meeting, by which time the feedback will have been received.

### 3.5 Resources

During the period, there were 35 days lost to sickness within the Audit team. This makes the cumulative figure of 40 days so far this year, which indicates a significant improvement on this period last year.

## 4. Health and Safety: Performance Update

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### 4.1 Work Completed

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

- The service held a Schools Health and Safety Conference on 2 November 2017. The event was very well attended and received, and was an excellent opportunity for all parts of the service to engage with schools and showcase the services it can provide to them. The theme of the day was “a sensible approach to health and safety risk management in schools”, and the speakers helped to promote a proportionate approach to the management of risk. There was a range of speakers in attendance, including Tim Gill, author of “Rethinking Childhood”; Steve Jones of CLEAPSS (Consortium of Local Education Authority Providers of School Science); and representatives from Merseyside Fire and Rescue Service and Police Counter-Terrorism advisers. There was also a range of workshops regarding data protection, minibus safety and building health and safety management.
- The team has been instrumental in updating the Legionella and Asbestos Management Plans, and these were approved by the Corporate Health and Safety Committee. The team has also undertaken further update and rationalisation of the Health and Safety standards on the intranet.
- The last report to this Committee highlighted the work that is ongoing to review compliance with the legislative Health and Safety requirements for Council buildings. The first round of compliance visits has now taken place and this reflects a positive picture. In conjunction with this, the Corporate Health and Safety Committee’s role in obtaining assurances from responsible persons on compliance with requirements is being strengthened. The Corporate Health and Safety Committee held in October initiated this approach, and a presentation to Senior Leadership Team was given on 30 November to formalise this.

### 4.2 Key Incident Data

The data below relates to the period 1 September – 22 November 2017:

<b>Number of incidents reported to the Health and Safety Executive under RIDDOR</b> (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013)	1
<b>Number of substantial complaints</b> (those which have warranted investigation)	0

### **4.3 Developments**

- The Health and Safety team is continuing to develop its role and profile in order to have a greater corporate influence by being consulted as a matter of course in key decisions and strategies that have health and safety implications. In particular, the impact of the Public Sector Reform projects on how the Council works and accommodates its staff will have implications for health and safety, and the team is seeking to be involved in providing advice and guidance to relevant projects from the outset, so as to ensure that plans incorporate sound principles for the management of health and safety risk.
- The team is to play an important role in assisting the Council in working towards the Workplace Wellbeing accreditation, which is operated by Public Health England. This is at an early stage, but the achievement of the standard is complementary to the aims of the PSR3 project “A New Deal with Citizens”, in which the development of a healthy workplace is key to achieving change within the wider Borough.
- The service is taking advantage of the Risk Management days available as part of the Insurance contract to provide free training on Health and Safety for staff and members: IOSH (Institute of Occupational Safety and Health) training is to be provided in January 2018, a briefing is to be given to Heads of Service in May 2018; and a health and safety briefing for members is to be organised.

### **4.4 Resources**

During the period, there was one day lost to sickness within the Health and Safety team. This makes the cumulative figure of one day so far this year, which indicates a significant improvement on this period last year.

## 5. Insurance: Performance Update

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### 5.1 Work Completed

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

- A review meeting was held with Weightmans, the Council's legal advisors, on the service provided in respect of litigated insurance claims. The advent of the Ministry of Justice Claims Portal in 2013 is having an increasing impact in reducing the number of litigated claims, and the Council continues to defend a high rate of those litigated claims received.
- The team successfully completed insurance renewal for inception from 29 September 2017. Deductibles were held at previous levels, but changes in market conditions, chiefly the change in the Discount Rate for personal injury claims, have had an impact on premiums (for public liability in particular). Although the proposed legislation for the Claims Discount Rate will increase the amount of future compensation paid to successful claimants, it will hopefully be lower than first thought due to the anticipated change from -0.75% to somewhere within the range of 0 – 1%.

### 5.2 Key Claims Data

This data relates to the period since the last update (1<sup>st</sup> August to 31<sup>st</sup> October 2017):

<b>Category</b>	<b>Number of claims received</b>	<b>Total reserve on claims received (£)</b>	<b>Number of insurance claims paid out</b>	<b>Amount paid out in insurance claims (£) (not necessarily related to claims received in this period)</b>
Public Liability	95	332,323	32	93,607
Employer's Liability	2	23,678	5	27,008
Motor Vehicle	25	20,337	8	15,004

### **5.3 Developments**

- The team is working on a more formalised approach to the management of its contracts with claims handlers and legal advisers. Regular review meetings take place, but the aim of this development is to hold providers to account for their performance, and to ensure that evidence is available for this. It is worthy of note that performance is generally strong and any issues identified are addressed effectively.
- The team is also working to develop a suite of management information so as to inform those teams within the Council where most claims are received. This is intended to assist managers in those teams, within accepted resource constraints, to address any issues which may lead to a reduction in claims or improved defensibility rates.
- The Council was, along with all other local authorities, given the opportunity to be part of the formation of the new insurance entity, the LGA mutual. The Council has decided not to become a founder member of this entity, but will keep a watching brief on its development. The forthcoming insurance procurement exercise (approved by Cabinet in July 2017) will give an opportunity to explore the market and take advantage of the increased competition the introduction of new players into the market will bring.

### **5.4 Resources**

During the period, there were two days lost to sickness within the Insurance team. This makes the cumulative figure of 15 days so far this year, which indicates an increase on this period last year.

## 6. Risk and Resilience: Performance Update

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### 6.1 Work Completed

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

- The review of Emergency Planning continues, encompassing a number of key strands, including the review of Command and Control structures, training, and recruitment of volunteers. The Committee will be kept updated of the progress of this piece of work.
- The team has participated in a number of emergency planning exercises with multi-agency partners. The results of the exercises are used to inform Council responses to such incidents.

### 6.2 Developments

- Work supporting the development of the Council's risk management arrangements continues. An updated Corporate Risk Register and Corporate Risk Management Handbook are presented to this Committee for approval. The team will continue to support the Council in its risk management activities, and develop the robustness of this approach further over the medium term, in line with the plans outlined in the Corporate Risk Management Handbook.
- The service is taking advantage of the Risk Management days available as part of the Insurance contract to provide free training on Risk Management for staff. Three dates (November 2017, January 2018 and March 2018) have been arranged for the training of those responsible for the compilation and maintenance of risk registers. This will assist greatly in embedding the principles of risk management in the organisation.
- The schools Health and Safety Conference highlighted a need for there to be clearer guidance to schools on emergency procedures, including those to be invoked in the event of a terrorist incident. The team has begun to develop such guidance, which will act as a framework for schools and assist them in designing their own procedures.

### **6.3 Resources**

During the period, five days were lost to sickness within the Risk and Resilience team. This makes the cumulative figure of eight days so far this year, which indicates a significant improvement on this period last year.



## 7. Looking Ahead

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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:

- Supporting the development of the system of corporate risk management, so as to demonstrate a clear and consistently applied approach, which is crucial during such times of sustained organisational change.
- Continued delivery of the Internal Audit Plan 2017/18, focusing attention on reviewing the key risks to the organisation, which will evolve as the Council changes.
- Developing a range of plans and approaches to support the Council in its management of key insurance, health and safety and major incident risks.
- Developing clear accountability for health and safety related matters in Council buildings.
- 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

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- 8.1 Internal Audit has made positive progress in the completion of the Internal Audit Plan 2017/18 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 Health and Safety SLA with schools is having a positive effect on their awareness of health and safety risk management. Key incident data shows a positive picture in terms of the Council's Health and Safety record, with very few incidents having been reported to the Health and Safety Executive.
- 8.3 The Insurance Team has successfully completed the insurance renewal exercise, and now begins to look ahead to the forthcoming procurement exercise for insurance beyond September 2018.
- 8.4 The Risk and Resilience Team is undertaking a review of the Council's planned approaches to a major incident, seeking to develop a more comprehensive structure and framework for response and recovery.