

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 2019 – 6 December 2019.
- 1.2 The report covers each of the areas of the service:
- Internal Audit
 - Health and Safety
 - Insurance
 - Risk and Resilience.
 - Counter Fraud
- 1.3 The report highlights the following key points:
- This has continued to be 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. Internal Audit 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.
 - **Assurance Team** – will develop a Counter Fraud strategy and co-ordinate the development of counter fraud services across the Council.

2.4 This report summarises the main aspects of the performance of the Service for the period 6 September 2019 – 6 December 2019, 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
- request amendments to current year Internal Audit Plan
- 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 2019 – 25 November 2019, 24 audits were completed. These can be summarised as:

Audit Title	Audit Opinion	Recommendations		
		High	Medium	Low
2019/2020				
ICT Leavers	Moderate	0	4	2
Accounts Payable	Major	6	5	1
Accounts Receivable	Major	7	12	4
One Stop Shops – cash handling	Moderate	3	3	4
Melling Primary School	Moderate	1	5	1
<i>Court of Protection / Appointeeship</i>	Moderate	1	2	3
European Social Fund	Moderate	0	3	3
<i>Procurement</i>	Moderate	0	5	6
<i>St. George's Primary School</i>	Moderate	0	7	1
<i>Valewood Primary School</i>	Moderate	0	3	4
Cash Handling at One Stop Shops	Moderate	3	3	4
M58 2019/20 Q2 Grant Certification	Assurance provided to facilitate certification			
STEP 2019/20 Q2 Grant Certification	Assurance provided to facilitate certification			
Pot Action Fund (18/19)	Assurance provided to facilitate certification			
Additional Pothole Action Fund (17/18)	Assurance provided to facilitate certification			
Flood Resilience Fund (17/18)	Assurance provided to facilitate certification			
Integrated Transport and HW Maintenance Grant (18/19)	Assurance provided to facilitate certification			
Troubled Families – Period 15 Grant Certification	Assurance provided to facilitate certification			
A59 2019/20 Q2 Grant Certification	Assurance provided to facilitate certification			
Urban Traffic Control 2019/20 Q2 Grant Certification	Assurance provided to facilitate certification			
<i>ASC Systems Development (previously LAS Project)</i>	<i>Ongoing Assurance Provided</i>			

Audit Title	Audit Opinion	Recommendations		
		High	Medium	Low
<i>LCS Project</i>	<i>Ongoing Assurance Provided</i>			
<i>ContrOCC Working Group</i>	<i>Ongoing Assurance Provided</i>			
Operational Risk Register	Ongoing and additional support provided			

Where the audit is at draft stage the audit is annotated in *italics* in the above table

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

Accounts Payable

- A number of recommendations have been suggested to improve the controls used to manage Accounts Payable effectively including updating documented procedures for staff to follow, updating the Council's Financial Procedure Rules, ensuring that purchase orders are issued appropriately and there is adequate segregation of duties is in place for refunds.

Accounts Receivable

- A number of recommendations have been suggested to improve the controls used to manage Accounts Receivable effectively including updating documented procedures for staff to follow, updating the Council's Financial Procedure Rules, design of Key Performance Indicators, earlier intervention to chase debts and the accounting treatment of the write off of debt from a central budget to service areas.

One stop Shops

- A number of recommendations have been suggested to improve the control of cash at the One stop shops including key management, the inclusion of floats on the Council's balance sheet, existing procedural notes to be updated and cash records to be held in accordance with document retention guidelines.

The three audits above are part of a dedicated and targeted programme of work to review the key systems that came back to the council in October 2018 and that a full overview will be included at year end.

Court of Protection / Appointeeship

- The Council's Financial Procedure Rules should be updated to include Appointeeship and Deputy responsibilities.

Melling Primary School

- A charge card payment form was incorrectly certified.

3.2 Key Performance Indicators

Description and Purpose	Target	Actual	Variance and Explanation
<p>Percentage of the Internal Audit Plan completed 2019/2020 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% See graph below</p>	<p>50% See graph below and narrative</p>	<p>15%</p> <ul style="list-style-type: none"> • Time lag between the appointment of the Audit Manager and the replacement Principal Auditor. • Delay in recruitment of Trainee ICT- Auditor. • Provided additional support to assist with the embedding of Operational Risk Registers. • Management requested activity. • Increased preparation requirements for Annual Governance Statement 2020/21
<p>Percentage of Client Survey responses indicating a “very good” or “good” opinion 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>100%</p>	<p>100%</p>	<p>No variance</p>

Description and Purpose	Target	Actual	Variance and Explanation
<p>Percentage of recommendations made in the period which have been agreed to by management</p> <p>This measures the extent to which managers feel that the recommendations made are appropriate and valuable in strengthening the control environment.</p>	100%	100%	No variance
<p>Percentage of audit recommendations implemented at the original target date</p> <p>This measures the extent the effectiveness and timeliness to which management implements audit recommendations. Provides assurance that control weaknesses are addressed promptly.</p>	65%	100%	All recommendations reviewed in the quarter have been implemented within the original timescales in the action plan.

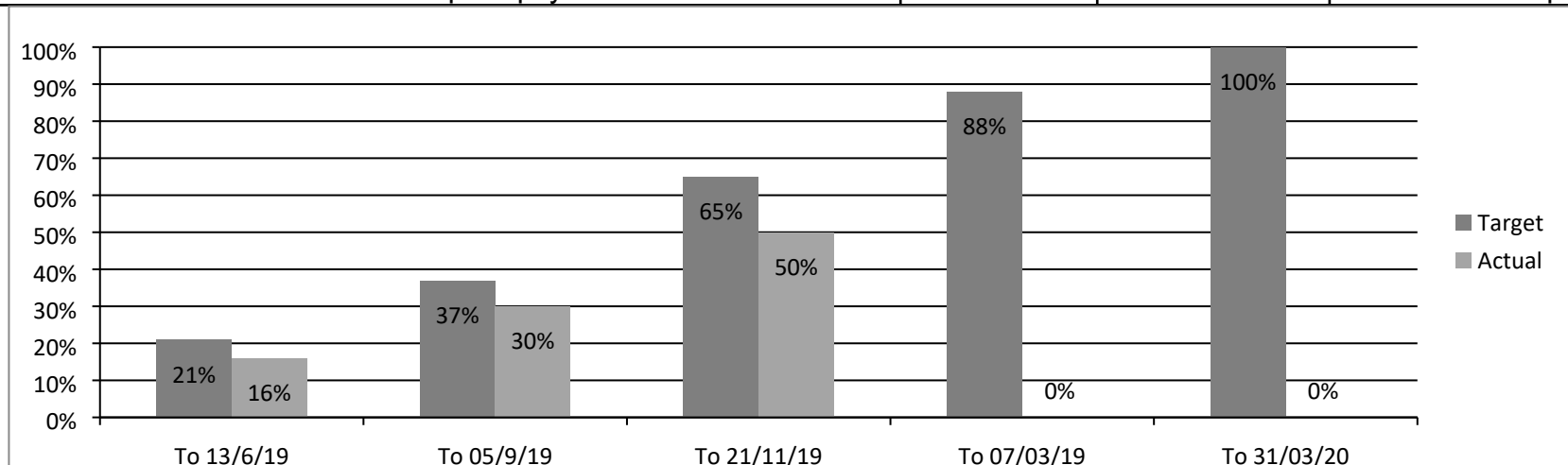


Figure 1: Percentage of the Internal Audit Plan 2019/20 Completed (profiled to coincide with the Audit and Governance Committee reporting dates)

3.3 Corporate Governance

An internal audit review of corporate governance was completed in August 2019 in accordance with principles of the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government, 2016 Edition”. The review was undertaken following the completion of the AGS in June 2019. The review has demonstrated that the Council in the main complies with the principles and sub-principles outlined in the document.

From the review carried out, the findings are categorised as a “Significant Governance Issue” where the finding:

- Seriously prejudices or prevents achievement of a key target;
- Has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- The external auditor regards as having a material impact on the accounts/value for money conclusion;
- Audit and Risk Management Committee advises that it should be considered significant;
- The Chief Internal Auditor identifies and reports on it as significant;
- It has been reported as significant by external bodies – for example Care Quality Commission, Ombudsman, Information Commissioner, independent consultants;
- The issue, or its impact, has attracted significant public interest, or has seriously damaged the reputation of the body;
- May make it harder to prevent fraud or other misuse of resources;
- May put financial stability, security or data integrity at risk.

The “Significant Governance Issues” identified during the review were reported to the Strategic Leadership Board (SLB) on 13 June 2019 and were included in the AGS 2018/19 (in the form of an Action Plan) which was approved by Audit and Governance Committee on 24 July 2019. The AGS 2018/19 was duly signed by Chief Executive and Leader of Council before being published on 31 July 2019 as part of Council’s Statement of Accounts 2018/19. The progress on the completion of the Significant Governance Issues Action Plan is monitored and updates are provided to SLB and the Audit and Governance Committee for information.

Internal Audit completed a follow up review during November 2019 to ensure that work had commenced to address the significant governance issues identified and reported in the AGS 2018/19.

The table below provides details of the work completed to date.

No	Governance Issue	Source	Action to Address the issue	Timescale	Lead	Update November 2019
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No	Governance Issue	Source	Action to Address the issue	Timescale	Lead	Update November 2019
1	The Council's Core Purpose and Framework for Change Programme was introduced in 2016/17. It will be important that the Council can demonstrate how it is meeting the objectives set out within these strategic approaches as part of its overall performance management process. During 2018/19 the Corporate Performance Framework has been developed and is expected to be implemented in the financial year 2019/20.	Senior Leadership Board	Final Corporate Performance Framework to be completed and implemented.	31 March 2020	SLB	On-going work with Members and the Leader of Council – agreed to be taken annually at outturn. Head of Corporate Resources and Head of Strategic Support currently evaluating options ready to populate in advance of outturn. 31st March 2020
2	A review of the Council compliance with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption is partially completed.	AGS Review	Work will continue to complete the review and a report will be submitted to SLB for their consideration and action.	30 September 2019	Chief Internal Auditor	Review completed in September 2019 and report to be submitted to SLB for consideration and action 31 December 19.
3	The Council should ensure that it has appropriate arrangements to update its Constitution for key changes on at least an annual basis.	AGS Review	An annual review is currently being undertaken and will be presented to Council for approval on 18 July 2019. In the event that key changes arise outside of this they will be reported as required through Audit and Governance Committee and Council.	Throughout 2019/20	Chief Legal and Democratic Officer	The Constitution has been updated and approved by Audit and Governance Committee on 19 June 2019 and Council on 18 July 2019. The revised constitution was published in Sep 2019 Completed.

3.4 **Anti-Fraud**

The following anti-fraud work has been undertaken during the period by the Internal Audit Team:

- Internal Audit provided advice and support in conjunction with the Schools' Finance Team and Human Resources to school staff following a theft at a Sefton school. The stolen money has since been recovered by the school.
- Analysis was undertaken of suspicious and potentially fraudulent emails sent to one of the Council's suppliers by an employee. The motive of the employee was to mislead the supplier rather than obtain financial benefit from the communications. The employee resigned.
- There is an ongoing assignment at the request of management reviewing contractual arrangements and employee conduct. Audit are currently gathering and reviewing information on the area and progress will be reported to this committee in future reports.

3.5 **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, the Audit 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. Progress during the quarter has been undertaken on the potential use of specialist audit software to improve the speed and depth of testing and developing an assurance map of the external sources of inspection that the Council is required to participate in.

3.6 **Resources**

- The recruitment process to the newly created Trainee ICT Auditor post is underway. This post was created following the deletion of the Value For Money (VFM) Auditor post, during the quarter 1 2019/20 re-structure, and will strengthen the team's capability in regard to ICT reviews. Internal Auditors will ensure that that the issues surrounding value for money are considered as part of every review that is undertaken.
- The temporary contract for the Principal Auditor recruited in June 2019 has been extended until the end of the current financial year to provide additional capacity across the Internal Audit Team whilst the recruitment of the permanent Audit Manager takes place.

- Staff development continues through a mix of office based webinar and discussion training, engagement with regional audit groups (such as for school audits, ICT audits and contract audits) and through external conferences and training events. One area which will benefit both the audit service and provide an excellent opportunity for staff development is a current exercise to undertake a gap analysis comparing our current practice with international practice standards of the Institute of Internal Auditors (beyond the headline practice areas specified by the Public Sector Internal Auditor Standards). An outturn report will be provided to Members in the Summer of 2020.
- To enhance Audit coverage and to address one area of weakness identified in the external assessment in 2018, the viability of specialist audit software, IDEA, is being considered. This is an exciting development and may have wide ranging impact on the way in which audits are undertaken in future. An update will be provided in future reports.

3.7 Updates to Audit Plan

As both an outward facing and proactive service, the in-year demands placed on Internal Audit can differ to those envisaged in March when this Committee approved the Audit Plan. To better reflect work undertaken to date and planned work for the remaining quarter of this financial year and to continue to provide the maximum value to the Council, approval is sought to amend the current Internal Audit Plan.

Audits removed from the current Internal Audit Plan will be considered for inclusion in the future 2020/21 Annual Audit Plan.

Additions to Audit Plan	Days	Audits Removed from 2019/20 Plan	Days
Annual Governance Statement 2020/21 Additional time to meet legislative requirements	14	Housing Options	10
Operational Risk Registers Additional support to assist with the embedding	12	Public Health Outcomes	10
Cash Handling – Golf and Leisure Centres Specific Request of Management	14	Sandway DC	15
Counter Fraud Staff Development	3	Health and Safety	10
Contractual Arrangements and Employee Conduct In year development	35	Commercial Activities	15
ContrOCC Project Support New project	5	Multi-agency Agreements	15
IDEA Planning and Business Case	4	Call Centre	15

Additions to Audit Plan	Days	Audits Removed from 2019/20 Plan	Days
Internal Audit improvement plan			
North West Procurement Group Participation in new regional group	3		
Total	<u>90</u>		<u>90</u>

3.8 Developments

The following developments are due to be completed within the quarter in addition to the planned activity on the Internal Audit Plan

- A review of the current internal audit reports to simplify the presentation with the aim of improving clarity and reducing time spent producing the reports.
- Develop proposals on the use of specialist audit software
- Recruitment of a permanent Internal Audit Manager and Trainee ICT Auditor.
- Consider the resourcing implications from the recruitment of the Internal Audit Manager
- Develop the Internal Audit Plan for 2020/21 to be presented to the Audit and Governance Committee in March 2020.

4. Health and Safety: Performance Update

4.1 **Work Completed**

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

- The new post of Health and Safety Co-ordinator, included in the Quarter 1 2019/20 re-structure, has now been advertised externally following an internal advertisement with interviews due to take place in December/ January. A temporary Health and Safety Adviser has been in post since July 2019 to provide capacity whilst a recruitment exercise was undertaken.
- The Health and Safety Team completed a risk assessment training exercise during October and November 2019 for 250 managers who are required to complete risk assessments for their staff as part of their role. The training requires managers to refresh existing risk assessments and for the completed documents to be reviewed by the Health and Safety Team during December 2019/January 2020.
- The Council's claims management provider, Gallagher Bassett, provided a free accredited Institute of Occupational Safety and Health Managing Safely course for the Council's Health and Safety Co-ordinators who attended between 9 – 17 September 2019.
- In addition to the Managing Safely Course, Gallagher Bassett also delivered a Control of Contractors course between 11 June and 1 October 2019 for which 23 staff attended.
- A Risk Management for Highways Professionals course, which 18 staff attended, was also delivered on the 2 October 2019. This was held to assist the Highways Section following the introduction of the Highways Infrastructure Code of Practice in October 2018.
- Work is continuing in the development of a Council's health and safety training needs assessment which will eventually build into the Council-wide health and safety training plan.
- Health and Safety Key Performance Indicators have been devised which include information from the Departmental Health and Safety Committees and is fed back to the Corporate Health and Safety Committee. There has been steady progress during the year on improving governance, risk assessments and training.

- Work continues to further embed the Departmental Health and Safety Committees into the Council's health and safety framework with Heads of Service being encouraged to plan three meetings in advance to ensure these meetings are a priority for the forthcoming year.
- A revised standard core agenda for the various health and safety sub-committees has been designed and provided to the Heads of Service to ensure a consistent approach at each meeting.
- A member of the Health and Safety team has recently undertaken a Radiation Protection Officer course to act as the Council Co-ordinator between the Radiation Protection Supervisor at CLEAPSS, the Consortium of Local Education Authorities for the Provision of School Science, and the schools who buy into the scheme. This aims to ensure the safe storage and use of radioactive sources which are held and used in schools as part of practical science to meet the requirements of the National Curriculum.
- A course was also attended on the EVOLVE on-line system, which was facilitated by the Health and Safety team for the use of schools for planning, approving and managing educational visits and extra-curricular activities.

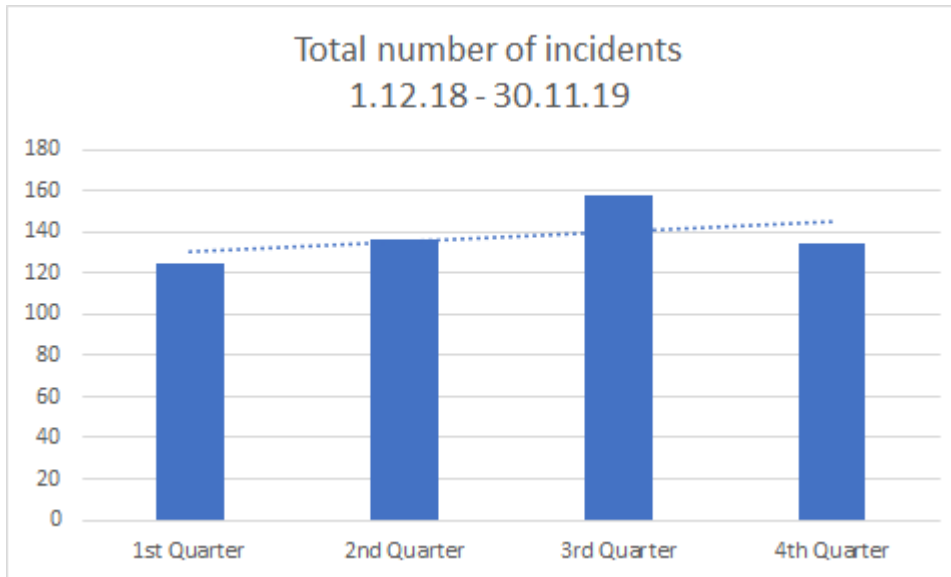
4.2 **Developments during the Quarter**

There has been contact with the Health and Safety Executive (HSE) in an enforcement capacity following the reporting of an incident at one of the Council owned premises. An improvement notice was issued at the time of the incident and the HSE is currently investigating the incident and further enforcement action may be taken as a result of the review. The Health and Safety Team are working closely with the local management team to ensure the lessons learnt from the incident are implemented to enhance the local health and safety system.

4.3 **Key Incident Data**

The Health and Safety team continue to manage the Council's incident reporting system which records incidents following work-related incidents and near misses involving employees, contractors and members of the public.

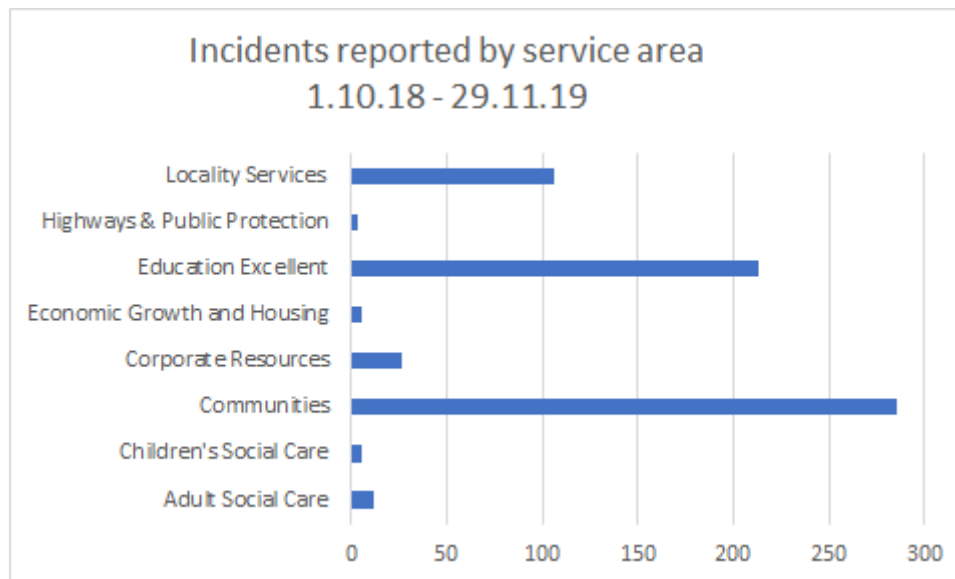
The chart below shows the total number of incidents reported across all service areas over a 12-month period from 1 December 2018 to 30 November 2019.



The above chart shows a small decrease in the number of incidents being reported compare to the previous quarter. Whilst a decrease in reported incidents could potentially be seen as a positive outcome there is believed to be both mis-reporting in a number of Service Areas and under reporting of incidents which is discussed below in the report. The accurate picture of reported incidents and near misses is a key element of an effective health and safety system as it enables the organisation to understand trends and set out actions to address key weaknesses in processes that are identified through analysis of the incidents.

A priority for the Health and Safety Team during the next six months is to raise awareness across the Council to improve the reporting of incidents and near misses which will assist in identifying underlying issues and trends. The Team will be working with colleagues in Communications to improve the accuracy of the numbers of incidents that should be reported.

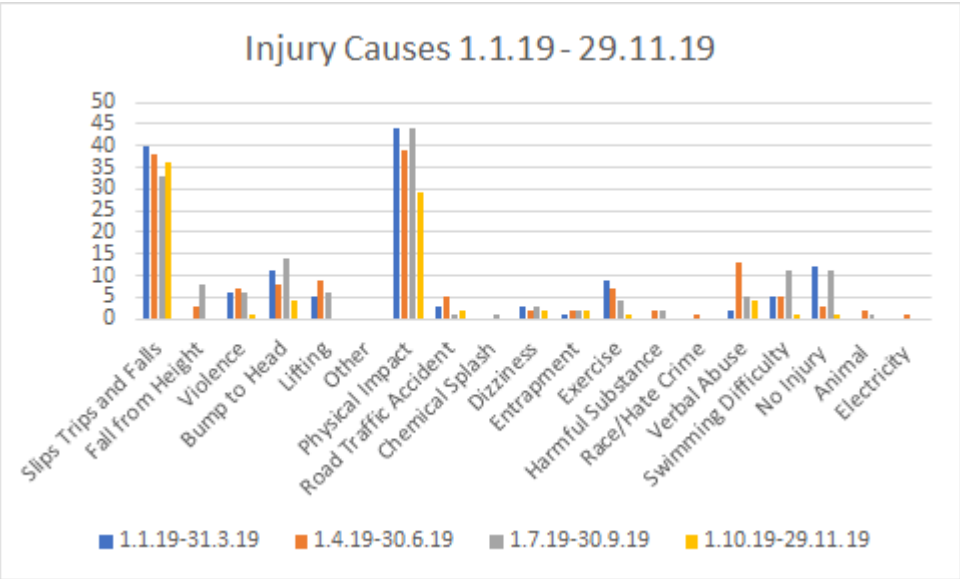
The charts below show the number of incidents reported by Service areas from the period 1 October 2018 to 29 November 2019 as reported by managers on the Council's Incident Reporting system.



Communities and Education Excellence have recorded the largest number of incidents reported during the period. On investigation, it is noted that the two areas are recording incidents which are outside of the definition of work-related accidents, incidents and near misses involving employees, contractors and members of the public. The over reporting of incidents includes minor slips for children in the playground during normal play and members of the public being dizzy from the use of a sauna. Staff are recording the non-work-related incidents on the work-related incident reporting system in case further issues are raised and action is required.

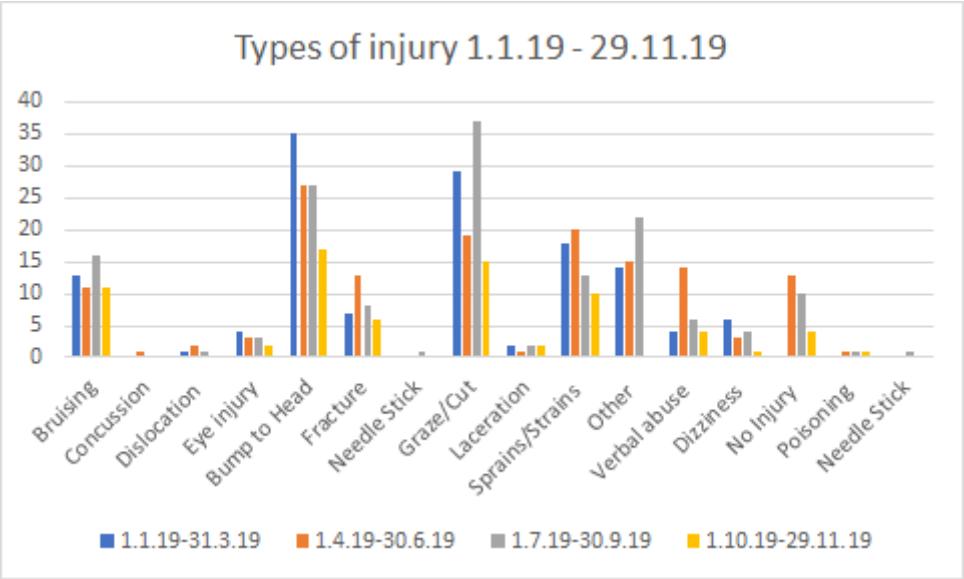
In addition, from discussions with teams across the Council we are aware that there is also under reporting stemming from lack of awareness of the importance to report incidents by employees no matter however potentially trivial it may seem and perception as to whether an incident should be reported. This can be particularly seen in verbal abuse related incidents.

The charts below show the key injury causes for from the period 1 January 2019 to 29 November 2019 as reported by managers on the Council's Incident Reporting System.



In the last quarter, the main type of injury cause is slips, trips and falls followed by physical impact. It should be noted as in the previous chart there is evidence of the over reporting with for example the injury causes of swimming difficulty and exercise.

The charts below show the key types of injury from the period 1 January 2019 to 29 November 2019 as reported by managers on the Council's Incident Reporting system.

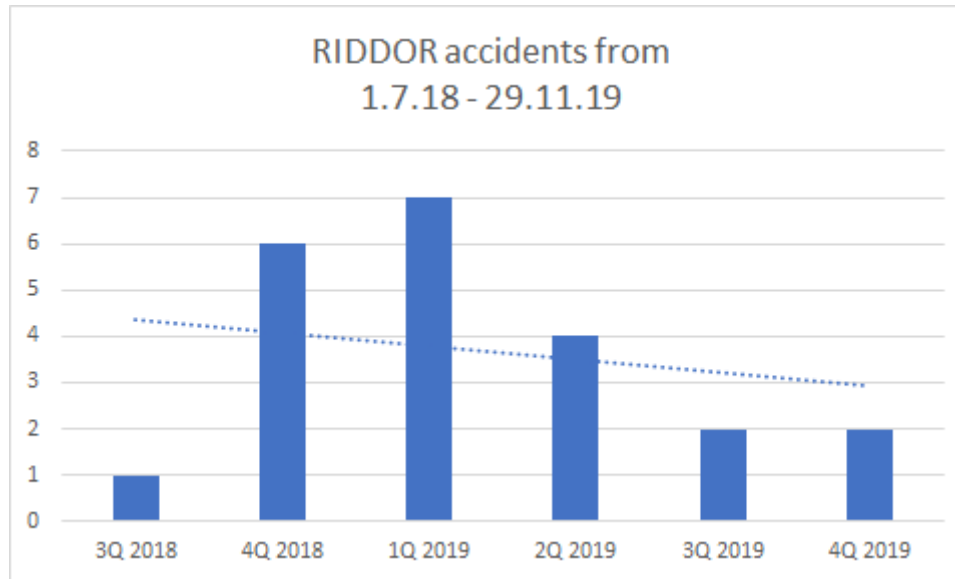


During the last quarter, the main type of injury following an incident is bump to the head followed by grazes and cuts.

Of particular note from the chart is that of the 14 fractures reported over the last two quarters, only one is workplace related where the injured person tripped over in a workplace environment and broke their nose. The other 13 reported fractures involved pupils running and tripping over in the playgrounds, sports injuries and one miss reported incident.

Other reported injuries are injuries not named in the dropdown box and reflects where the manager reporting the incident has not put the type of injury into the recording system and it has defaulted to other injury. We will be working with managers to ensure that the incidents are accurately recorded.

The chart below shows the number of incidents reportable under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) since 1 July 2018 to 29 November 2019.



The chart shows an improving trend in RIDDOR accidents since the peak in the first quarter 2019 and an overall downward trend.

The two RIDDOR incidents relate to:

- A member of staff walking down the stair, slipped and twisted their ankle. The stairs were dry with no contamination or defects.
- A member of staff was injured after being grabbed and pushed by a service user.

There were no significant trends or incidents within the data that required intervention There has been no contact with Health and Safety Executive regarding any of the reports.

The incidents reported through the incident reporting system are reviewed by the Health and Safety Team on an on-going basis.

4.3 **Developments**

There will be a continued focus during the next quarter of delivering the Health and Safety Improvement Plan with planned priorities including:

- Completing the design of the health and safety training needs assessment before rolling out across the organisation to inform the completion of the Council Health and Safety Training Plan.
- Design of the health and safety training material and assessment of the cost of the training to be included in the Council Health and Safety Training Plan.
- Continuing the delivery of risk assessment training presentation for all the outstanding managers who have responsibility for one member of staff or more and have the responsibility to undertake risk assessments.
- Continue to deliver a health and safety management inspection regime involving schools with a service level agreement with the Council this will provide assurance that the schools health and safety management systems are suitable and sufficient. An approach will be developed where the Council retains responsibility for the management of health and safety at the school where the school currently does not have an SLA with the Council.
- A review of the service level agreement with schools will be undertaken to ensure it effectively and efficiently provides assurance where the Council retains the health and safety management responsibility for the school. Options will be designed for schools where the governing body retains responsibility for health and safety so that the Council's health and safety team can provide suitable assurance on the design and operation of the school's health and safety management system.
- A focus on improving the accuracy of incident reporting across the Council.

5. Insurance: Performance Update

5.1 Work Completed

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

- Renewal of the Authority's insurance policies took place on 29th September 2019 and, as forecasted, produced no major changes with terms and conditions remaining unchanged. Expiring rates were also maintained except for the motor policy, where there was a 5% increase, which insurers felt they could not sustain going forward because of the recent change in the Ogden rate (used to calculate future losses in personal injury claims). In addition, there was a small uplift in the Marine Craft premium due to both inflation and an increase in exposure.
- A mini tender exercise via The Chest has also been completed for the following policies, which had not been tendered with the main insurance programme in September 2018, due to their specialist nature, so that in time they will fall in line with the main policies tender timescales and the procurement demonstrate value for money:
 - Premises Pollution for Sefton Council
 - Directors & Officers Insurance for the Mayors Charity
 - Directors & Officers Insurance for Sandway Homes
 - Directors & Officers Insurance for Sefton New Directions
 - Professional Indemnity and Public Liability for Sefton Arc
 - Cyber for Sefton Council

Except for Directors & Officers Insurance for Sandway Homes, expiring terms and ratings were maintained and a small reduction for Sefton Arc was also achieved. The increase in exposure as a result of moving forward with the building plans for Sandway Homes produced a substantial increase in proposed premium for Sandway Homes Directors & Officers policy.

- The Department for Education (DfE) recently put forward a Consultation Paper for all Local Authority Maintained Schools (LAMS) to secure their future insurance cover through an extension of the Risk Protection Arrangement (RPA) that most, if not all, Academies currently utilise. A large exercise, in consultation with colleagues in Finance, was undertaken before the DfE were provided with a response to meet the 4th November deadline. Full detail of the cover to be made available

to LAMS is not yet known, however from the results of the exercise undertaken, economies of scale will be lost and if LAMS transfer to the RPA scheme, there will be a likely increase in net costs to the Council. Although a set date is not yet known, the result of the consultation is expected in the January 2020.

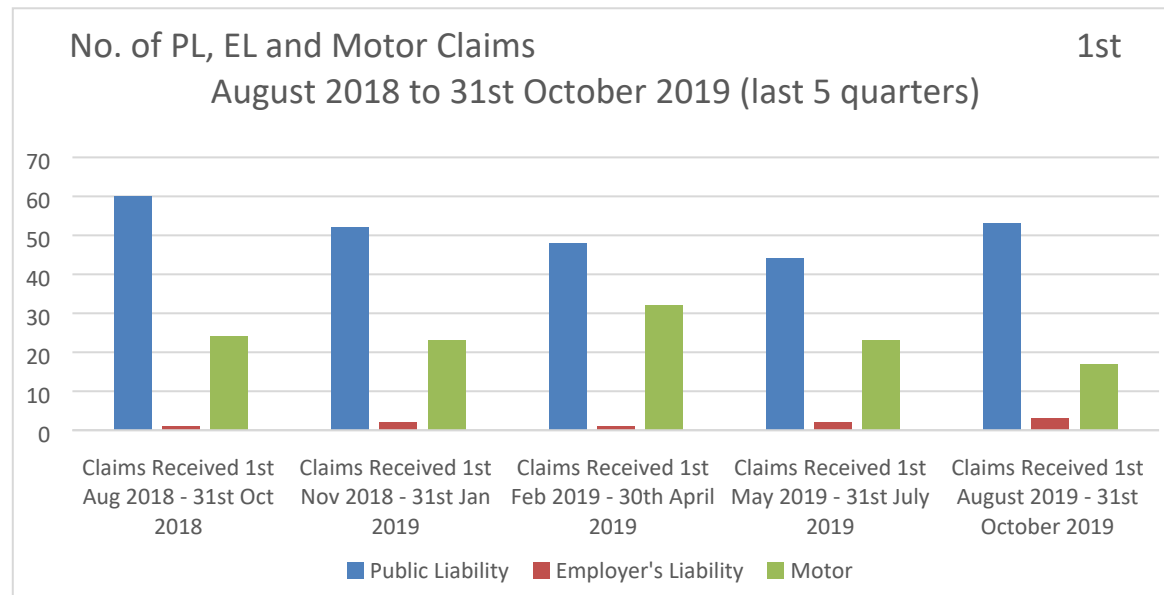
- Under the terms of the Council's contract with its liability insurers, an allocation of training days to assist with implementing effective risk management across the organisation is available. The Council makes regular use of these days and a recent event was held to assist colleagues in the Highways Team following the introduction of the new Well-Managed Highways Infrastructure Code of Practice in October 2018. The session was well attended and as well as giving insights into the subject matter also provided assurance on the effectiveness of the processes that Highways currently have in place.
- The Council continues to defend cases robustly to protect the public purse. The team also works extensively with Service Teams 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 maintaining and potentially improving the position further. Since the last update, there have been no claims that have been contested in court which is pleasing in itself and which provides a degree of assurance that the Council's risk management practices are effective.
- The Team continue to attend as many free of charge seminars/workshops as possible to raise awareness and increase knowledge of current trends, opportunities and developments within the sector.

5.2 Key Claims Data

The following graphs outline the insurance performance and include:

- Numbers of claims for Public Liability (PL), Employers Liability (EL) and motor received by Sefton Council for the period 1 August 2018 to 31 October 2019.
- Value of the reserves for PL, EL and motor claims received by Sefton Council for the period 1 August 2018 to 31 October 2019.
- The average reserve value for PL, EL and motor claims received by Sefton Council for the period 1 August 2018 to 31 October 2019.

The graph below outlines the number of claims for PL, EL and motor received for the period of 1 August 2018 to 31 October 2019



Despite a steady reduction in numbers of PL claims received in the first four quarters, numbers have increased by 20% between the fourth and fifth quarter. Overall however, numbers have reduced by 12% from August 2018 to October 2019 and remain at an acceptable level. The majority of claims received in the last quarter relate to standard slips, trips and falls.

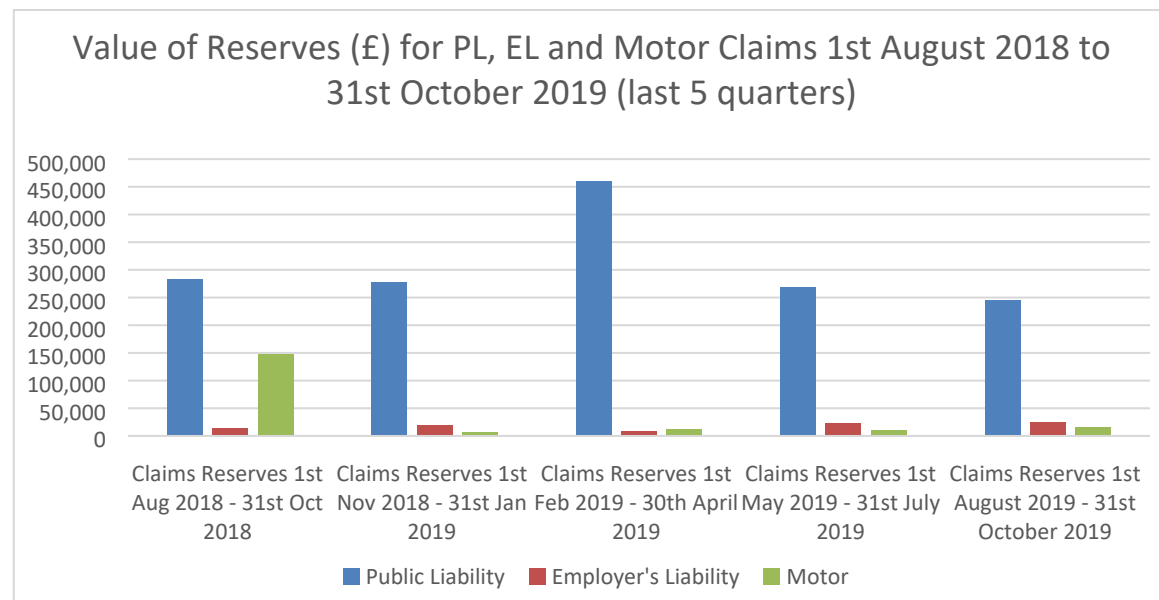
EL claims have once again remained low throughout the period which is a continuance of historical good performance.

The numbers of motor claims have varied over the period with a recent declining trend being evident in the data which looks promising. The majority of the motor claims received continue to be minor scrapes and bumps to our own fleet of vehicles.

Overall there has been a decrease of 14% in the number of claims over period, the current profile of claims numbers on all three areas presents no sign for concern at this point however the numbers will continue to be monitored for any changes in trend.

Working alongside the Authority's external Claims Handler's and other service areas, the Insurance Team continue to defend claims wherever possible and recover monies from third parties where applicable.

The graph below outlines the value of the reserves for PL, EL and motor claims received for the period 1 August 2018 to 31 October 2019.



Claim reserves are allocated by the insurer independent of the Council and are determined by the type of injury sustained to third parties and/or damage occasioned to their property.

The steady reduction in PL claims numbers, is, with the exception of the February to April 2019 quarter, also reflected in the reserves. The period saw a 65% increase in reserve from the previous quarter and this was due to more serious and/or

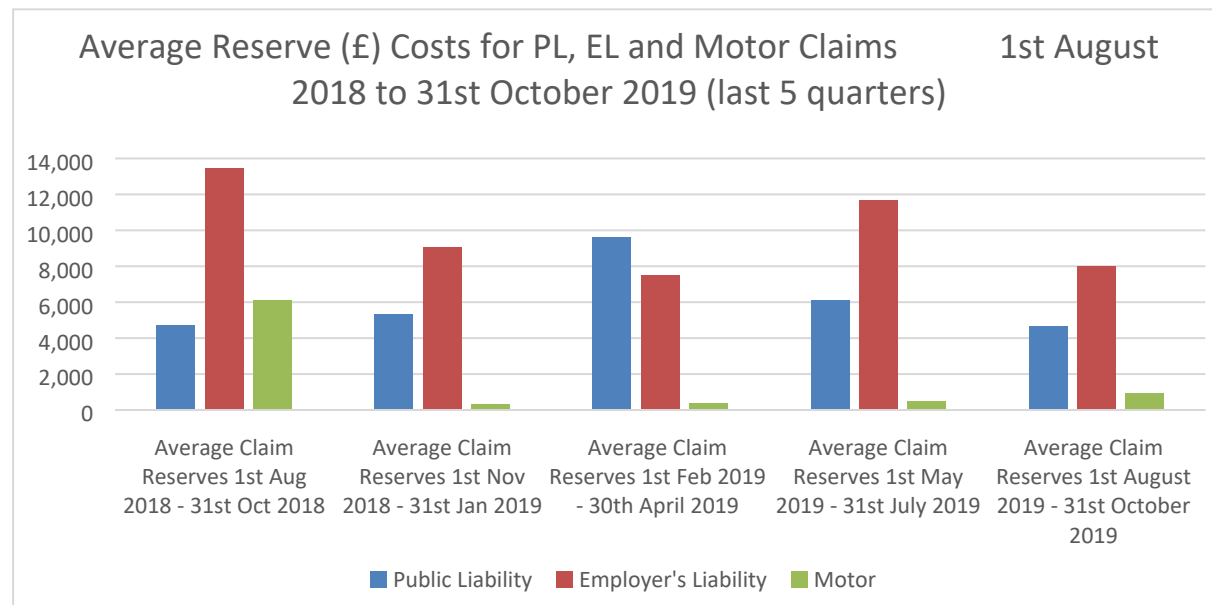
complex claims being presented. It is pleasing however that since then, reserves have reduced by 47% and overall remain 13% lower than at the start of the period.

Despite EL claims remaining at a low level, reserves have varied over the period however this is due to the numbers received and injuries sustained. The lowest reserve was £7.5k relating to a fall resulting in the employee suffering muscle damage to the arm with the highest reserve being £13.5k for injuries to the back and knees. The latter claim was however successfully referred on to an Academy school being the responsible party for the area where the fall took place.

Although there has been some fluctuation over the period, motor reserves have, except for the August to October 2018 period, improved over time. The large spike in reserves for the August to October 2018 period is due to the increase of claims received and a number of larger valued claims. By the end of the reporting period the reserves have significantly decreased again.

The trends in claims performance will continue to be monitored.

The graph below outlines the average value of the reserves for PL, EL and motor claims received for the period 1st August 2018 to 31st October 2019



The above demonstrates that the trends discussed in the number of claims and the value of the reserves are reflected in their impact on average claims size.

- Average PL claims size has, despite the spike in February to April 2019, remained stable from the outset.
- Average EL claims size has varied during the period and has seen a 40% decrease at the end compared to the outset.
- Average motor claim size has reduced from £6,113 to £896 although this is mainly because of the peak in August to October 2018.

5.3 Developments

- The end of the year will see liaison with the Chief Legal & Democratic Officer to establish a new contract for the representation of the Council in litigated insurance claims via the North West Legal Consortium Framework to be effective from 1st April 2020.

- Although dependent on the outcome of the DfE consultation on LAMS moving to the RPA scheme, the Team will liaise with colleagues in Finance early in the new year in order that a new Insurance SLA for Schools can be produced in time to commence on 1st April 2020.
- Due to re- allocation of resources over the recent past, it has become apparent that some service areas have changed their inspection regimes which may result in more insurance claims being received and potentially hinder the Council in defending the claims. Recent meetings have been held with Car Parks and Green Sefton to understand their current approach and assist them in ensuring that the inspection arrangements will be able to be effective in defending public liability claims. An update will be provided to future meetings.
- The 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 and as an aside to the meeting mentioned above, Green Sefton have already put their IOSH training to good use by creating a Health and Safety Plan for their service.
- As previously reported, the current contract with the Authority's Insurance Brokers, Aon, is due to end on 31st March 2020. The Insurance Team have met with colleagues in Procurement to move forward with the tender process via The Chest. Work is now underway to build up an attractive specification in order to receive as many bids as possible from within the broker market to enable, after full evaluation the best supplier to be appointed to assist Sefton with its needs over the coming years.
- The Team are also liaising with Procurement colleagues with regard to a tender for re-valuation of some of the Council's buildings to ensure that values are up to date and, in the unfortunate event of a major claim, insurers do not apply the average clause due to any under insurance.
- As a consequence, of the introduction of agile working and the widespread use of laptops, it has become apparent that guidelines and processes regarding the use and care of such items requires to be updated. A preliminary meeting has been held with the ICT Client Team and the outcome was that a user document will be developed to be distributed to all service areas outlining a revised process.
- Sefton is member of the North-West Insurance Officers Group and at a recent meeting an idea of creating a questionnaire between members was discussed with the aim of developing common insurance related performance measures across the various insurance teams. Although currently at its early stages it is hoped that once the subject matter is agreed and

responses received that Authorities will be able to benchmark themselves against others in relation to performance - claims received, claims paid etc.

- Plans are still underway, in conjunction with colleagues from the Health and Safety and the Property and Asset teams to discuss the findings and suggested improvements highlighted in Zurich's Portfolio Risk Review report and to draw up an action plan to address the findings. To date, Zurich have surveyed two thirds of the properties that were identified for the 2019/2020 year. Action has been undertaken on some of the findings from the reports already.
- A review of the Property Schedule utilised by the Insurance Team to establish a list of Council owned buildings requiring insurance and their value for such purposes is required to be undertaken to align service areas to the new corporate operating structure.
- As the Council continues to change and commercialism develops, discussions will continue with the current Insurance Broker to ensure that all new risks/liabilities to the Council and associated companies are identified, and where appropriate relevant insurance cover is sourced and procured.
- Regular meetings will continue with the Council's brokers, insurers and claims handlers throughout the year to ensure the smooth running of the Councils contract with each provider.
- In order to keep up with current legislation, trends in claims and the insurance market in general, the Team will continue to attend any free of charge seminars, workshops or meetings offered from market suppliers.

6. Risk and Resilience: Performance Update

6.1 Work Completed

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

- A considerable amount of time was taken supporting each of the Council's service areas in identifying their key risks in the event of a no-deal EU exit. The Ministry for Housing Communities and Local Government (MHCLG) continue to use established Civil Contingencies structures to assess community and agency risk and co-ordinate preparedness for a 'no deal' scenario relating to the UK Government EU Exit strategy. The Risk and Resilience officers have delivered a key support role to the Council's internal steering group and multi-agency partnership working in the run up to the extended departure dates.
- Strategic and Tactical level officers have been designated as Single Point of Contacts for co-ordinating EU Exit related matters on behalf of the council and link in to the Local Resilience Forum (LRF) multi-agency working groups via the Risk and Resilience team. Officers and ourselves participate in weekly Tactical Co-ordinating and regular Strategic Co-ordinating Group meetings in addition to various targeted Task and Finish work groups creating plans to mitigate specific areas of risk e.g. potential road congestion around the Port access routes. Plans Resolvare and Ro-Ro have been developed collaboratively to address this risk
- Sefton Highways Management also submitted a successful joint capital bid for funding on behalf of Merseyside Resilience Forum partners to deliver additional infrastructure at the identified holding locations for HGVs temporarily unable to board EU bound ferries due to incomplete documentation requirements.
- We have undertaken joint site visits, consultation meetings, workshops and exercises to continually review and test the plans. Progress is reported regularly to the Border Delivery Group, MHCLG, Liverpool City Region Chief Executives and LRF partner agencies. Consideration has also been given to how the Council will provide operational response within the activation phase of a multi-agency Information Cell and staffing of the shift rota should this be required to activate.
- In the run up to 31 October 2019, the team have reviewed and completed reporting templates for submission to MHCLG as required under Operation Yellow hammer. This outlines the Command, Control and Co-ordination arrangements that central government have requested all responder agencies to adhere to whilst assessing existing and emerging risks for the UK daily and provide a common operating picture of activity to ministers.

- A workshop was arranged in early September for members of the Sefton Council internal steering group for EU Exit planning at the request of the group Chair. The event aimed to explore and identify the nature of potential risk from a no deal scenario and how this may affect council service delivery. It was delivered by an external facilitator from Zurich, one of our Insurers. The event was well attended with representation from most service areas of the council.
- Following the workshop, the Risk and Resilience officers took an action to organise and deliver Service Area based risk assessment sessions. Heads of Service nominated representatives from their departments and we held a session for each, to facilitate development of LA generic EU Exit risk registers using national planning assumptions outlined under the central government Operation Yellowhammer guidelines.
- The risk registers were sent to Heads of Service for sign off and presented to the internal steering group for shared understanding of the common themes and identification of gaps for further work. This will also integrate with the controls and action plans identified for the EU Exit risk referenced on the Corporate Risk Register.
- Implementation of actions identified in the Risk and Resilience Improvement plan continue to take the work areas of Business Continuity, Emergency Planning and Risk Management forward.
- Following completion of Business Impact Analyses (BIA) for all service areas of the Council, a template for a Business Continuity Recovery plan was developed. The data collected from the BIA's and from further meetings with relevant plan owners was used to populate the recovery plans from across all the service areas. This work has now been completed for all operational teams in the Council.
- During September, there were protracted incidents of surface water and watercourse flooding, particularly in the Maghull area, from extreme rainfall events which affected some residential properties. Risk and Resilience officers were in attendance both in and out of hours with on call Emergency Duty Officers, colleagues from Green Sefton and the Environment Agency to go to site, meet with residents and assist with deployment of sandbags and flood sacks.
- The Team have organised/ attended various training exercises and events that have been hosted by the Merseyside Resilience Forum (MRF) including;
 - i. **Merseyside Shoreline Pollution - Annexe to the Merseyside Emergency Response Manual (MERM).** The Merseyside coastal LA s (Sefton, Wirral and Liverpool) lead on this piece of work and have recently completed a new and updated multi-agency plan for validations and sign off by the MRF. Sefton Risk and Resilience team led the organisation of an event to walk partners and stakeholders through the plan and raise awareness of how this type of incident is managed by inviting

presentations from key role players such as the Maritime and Coastguard Agency Counter Pollution team and the Environment Agency. Colleagues from across the council attended and feedback comments to shape the next steps which is to re-visit individual Local Authority plans.

- ii. **Exercise Elsa 2** - NHS (England) led event with Local Authority, Social Care and mental health providers to explore the challenges of how we can best plan in response to psychological and trauma needs of people caught up in major emergency incidents. A model formulated at the time of the Manchester Arena attack was debated and adaptations suggested for how this may apply in a Merseyside / Cheshire setting.
- iii. **Exercise Discous** – a week-long National Counter Terrorism event hosted by Merseyside Police. Sefton officers designated as on call Emergency Duty Co-ordinators, Communications and Resilience team officers took part in the live play and table top scenarios to test council consequence management capabilities.
 - Further development of Sefton’s planning for Operation London Bridge has taken place and will continue in review to ensure the expectations of local residents are fulfilled. This plan will be tested during an exercise in December.
 - In September, a member of the team attended Alarm’s Northern Seminar where topics presented included Managing the Risk of Cyber Breaches and Developing Organisational Resilience.
 - The Risk and Audit Team have attended a selection of operational risk management meetings to improve insight of key risks and their subsequent mitigations.
 - The Corporate Risk Register has been reviewed and is due to be presented to the Audit and Governance Committee for approval. Meetings with risk owners continue to be held to ensure ongoing improvement to risk management arrangements across the Council.
 - An updated version of the risk scoring matrix is currently being prepared for consideration and will be presented for approval. This will encourage a comprehensive review of the scoring of the existing risks to the council and ensure that any new risks identified are scored appropriately.

6.2 **Developments**

- Following production of recovery plans for all operational teams within the council, a template is now being developed to introduce Business Continuity Plans at service level. The team will work with Heads of Service to ensure appropriate information from each operational plan is identified and used to populate the procedures at service level
- During the quarter, members of the risk and audit team attended risk management meetings to facilitate the update of 22 operational risk registers. The remaining registers will be reviewed next quarter in line with the recommendations of the review cycle
- An exercise will be held to ensure that the correct considerations have been made for Operation London Bridge plan to be delivered in a timely and appropriate manner
- The team will keep a watching brief on EU Exit negotiations to ensure appropriate response is taken should the no deal scenario prevail.

7. Counter Fraud: Performance Update

7.1 Work Completed

- Following a review in September 2019 of the 2018 CIPFA Fraud Risk Assessment, the document has been updated with roles, key responsibilities and an action plan.
- On 16 October 2019, the Cabinet Member for Regulatory, Compliance and Corporate Services approved the submission to Cabinet on 5 December 2019 of the revised Sefton Council Anti-Fraud, Bribery and Corruption Policy (the Policy).
- The Policy has been reviewed and revised to strengthen and improve the Council's overall arrangements for the prevention, detection and investigation of fraud, bribery and corruption. It provides guidance on how any individual can report, in confidence, any suspected fraudulent or corrupt activity.
- The Policy will support the Council's commitment to creating an environment in which fraud, bribery and corruption is minimised and complements a number of other Council policies which support internal controls and standards of behaviour. For example, for example - Whistleblowing Policy, Code of Conduct for Members, Code of Conduct for Employees and ICT Acceptable Use Policy.
- The Policy also includes a statement from the Council's new Chief Executive acknowledging the Council's responsibility for taking actions in response to the risk of fraud and corruption.
- Checks of Council Tax discounts and exemptions continue to be undertaken by the Assurance Officers to assist in the development of a Fraud and Corruption Control Plan (detailing where controls to prevent fraud and error entering the Council Tax system will be improved as a result of risk assessment).

7.3 Developments

A detailed action plan has been put in place by the Assurance Manager to ensure progress is being made with regard to Counter Fraud, which includes the following activities: -.

- The increase in capacity within the Risk and Audit team from July 2019 to deal with the level of fraud risk across the Council is already seeing progress.
- Councils Anti-Fraud strategy (the Strategy) is being defined with mechanisms put in place for developing the capability and capacity in Sefton Council to punish fraudsters.
- The Strategy will align with best practice and the Government's "Fighting Fraud and Corruption Strategy".
- Having the right skills and standards to investigate fraud involves a current proposal for the professional training, development and accreditation of two officers within the existing Risk and Audit structure.
- Collaboration has taken place by a number of officers from the Risk and Audit team working across internal and external boundaries with colleagues from other local authorities, regional networks and other agencies, sharing resources, skills and learning about good practice and innovation, and the sharing of information.
- The Strategy aims to create a culture within the Council in which beating fraud and corruption is part of daily business.
- A Council wide approach to an anti-fraud communication plan will be put in place.
- The development of an effective Fraud Risk management plan to assess the Council's overall vulnerability to fraud and identify key risks and controls within the Council. This will include a separate operational Fraud Risk Register for the assessment and measuring of fraud risk and the effective management of current/emerging risks.
- North West Counter Fraud Pilot initiative.
- Review of other major fraud areas, for example Business Rates, Council Tax Reduction Scheme (CTRS); Blue Badges; Disabled Grants; Adult Social Care payments including Direct Payments.
- Develop and agree a methodology to measure fraud losses.
- Provide an Annual report on key developments and changes in respect of counter fraud activity.
- Continue to monitor, review and update the CIPFA Fraud Risk Assessment.
- Co-ordination of the Council's work on the National Fraud Initiative (NFI) in which the Council is required by law to participate.
- Compilation of the Council's return to the CIPFA Counter Fraud Tracker, which compares fraud detection levels with peers.
- Compilation of a Counter-Fraud Internal Audit Plan, which identifies a number of areas for proactive anti-fraud review for completion in 2019-20.
- Investigation of referrals of suspected fraud and irregularity.

8. Looking Ahead

8.1 The Service continues to develop, with a number of key projects being undertaken to embed the role and influence of the team over the next quarter:

- The embedding of regular risk management review across the Council to ensure that Operational and Service Risk Registers are updated on a regular basis.
- Define a draft risk management statement on appetite to be shared with Strategic Leadership Board.
- Continued delivery of the Internal Audit Plan 2019/20, focusing attention on reviewing the key risks to the organisation, which will evolve as the Council changes.
- Building up Business Continuity Plans at Service level and the starting of limited testing of existing business continuity plans.
- Delivery of the final Health and Safety Risk Assessment Training sessions for Managers and designing a health and safety training needs assessment.
- Developing the Council's Counter Fraud approach firstly through rolling out the actions from the CIPFA Fraud Risk Assessment.
- 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.
- Developing service improvement plans for the Risk and Audit Team

9. Conclusions

- 9.1 Internal Audit has made promising progress in the completion of the Internal Audit Plan 2019/20 in the period partially due to the timely recruitment of a temporary Principal Auditor to backfill the secondment of the Post Holder to Audit Manager. 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.
- 9.2 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 improving management of health and safety risk. There remains a focus on establishing a clear system for gaining assurance of compliance across all Council buildings.
- 9.3 The Council's insurance claims performance remains good.
- 9.4 Further work is planned to improve risk management within the Council by adopting enhanced risk management techniques and ensuring that there is an effective review of risk registers in place.
- 9.5 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.
- 9.6 The recent addition of the Assurance Team into the wider Risk and Audit function has already lead to tangible improvement in the Council's Counter Fraud arrangements firstly from the review of the existing governance arrangements.