

AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 23 September 2009

<u>Present:</u>	Councillor	P Southwood (Chair)	
	Councillors	P Reisdorf L Fraser	J Crabtree
<u>Deputies:</u>	Councillors	S Mountney (In place of C Povall) J Salter (In place of RL Abbey)	
<u>Cabinet Member:</u>	Councillor	S Holbrook	
<u>In attendance:</u>	Councillor	J Green	

24 DECLARATIONS OF INTEREST

Members were asked to consider whether they had personal or prejudicial interests in connection with any item(s) on this agenda and, if so, to declare them and state what they were.

No such declarations were made.

25 MINUTES

The Director of Law, HR and Asset Management presented the minutes of the meeting held on 29 June 2009. In response to a comment from the Chair in relation to the following reports that were requested at the last meeting of the Committee, the officers agreed that they would be presented to the next meeting:

- An Explanation of Risk Register Scoring (minute 2)
- Ethical Governance Update (minute 8)
- Partnership Working Update (minute 9)
- Annual Audit Fee (minute 12)
- Audit and Risk Management Committee
 - Self Assessment Checklist Actions (minute 16)
- Additional Controls to Manage Risks in the Risk Register (minute 17)

In relation to minute 5 (Statement of Accounts) the Chair requested that the minute be amended to highlight the anxiety of members in relation to the late submission of the document.

Resolved – That subject to the following amendment, the minutes of the meeting held on 29 June 2009, be approved –

Minute 5 Statement of Accounts

The addition of the following to the resolution –

(2) That the Committee places on record its serious concern in relation to the late submission of the Statement of Accounts and this be brought to the attention of the District Auditor.

26 MERSEYSIDE PENSION FUND - STATEMENT OF ACCOUNTS

The Director of Finance presented the final audited accounts for the Merseyside Pension Fund (MPF) for the year ended 31 March 2009, which had been approved by the Pensions Committee at its meeting held on 22 September 2009 (minute 36 refers). The Financial Controller of the MPF reported that some adjustments had been incorporated into the final version and he provided an analysis of those changes, which affected the value of the Fund.

The District Auditor confirmed that there were no matters which required further adjustment and that he had issued an unqualified audit opinion.

Resolved – That the audited accounts for Merseyside Pension Fund for the year ended 31 March 2009, including the Pension Fund Annual Governance Report and the approved Letter of Representation, be received.

27 STATEMENT OF ACCOUNTS

Further to minute 5 (29 June 2009), the Director of Finance reported upon a number of amendments to the financial statements that had been requested by the District Auditor in relation to the Balance Sheet and to the Income and Expenditure Account. Changes to the Movement on the General Fund Balance for 2008/2009 were required in relation to the adjustments although there was no effect on the Council balances. The Director provided details of a number of unadjusted misstatements in the accounts that had been identified following audit and he provided an explanation as to why they had not been adjusted.

He reported that the District Auditor would report his findings within the Annual Governance Report (see minute 28 post) and an audit opinion would be issued following the approval of the amended Statement of Accounts and consideration of the Annual Governance Report, which contained the draft Letter of Representation. Once approved, the District Auditor had indicated that he would again issue an unqualified opinion and state that the accounts presented fairly the financial position of the Council at 31 March 2009. His report was incorporated within the final version of the Statement of Accounts and enabled the accounts to be agreed before the statutory deadline of 30 September 2009.

In response to concerns expressed by members in relation to the late submission of the financial statements, the Director indicated that liaison was to be undertaken with the District Auditor to ensure that deadlines for the submission of documents in future years would be complied with.

Resolved – That the revised Statement of Accounts be approved.

AUDIT COMMISSION - ANNUAL GOVERNANCE REPORT

The District Auditor presented the Annual Governance Report for 2008/2009, which summarised the findings from the 2008/2009 audit and highlighted the key issues for the Committee to consider before the completion of the audit. Subject to the clearance of outstanding matters he proposed to give an unqualified opinion on the financial statements and he concluded that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources in 2008/2009. The formal Use of Resources score would be notified to the Council on 19 October 2009.

In response to a comment from a member in relation to audit fees, the District Auditor reported upon the reasons for the fee level being above scale. However the fee level had been reduced and work was being undertaken with Council officers to reduce the level further.

Resolved –

- (1) That the matters raised in the Annual Governance Report, including adjustments to the financial statements, the Value for Money Conclusion and Use of Resources score, be noted.**
- (2) That the unadjusted misstatements in the accounts, identified following audit, be noted.**
- (3) That the Letter of Representation be approved on behalf of the Council.**
- (4) That the Action Plan within the Annual Governance Report be agreed, and that regular update reports be presented to future meetings of the Committee.**

AUDIT COMMISSION - PERFORMANCE MANAGEMENT REVIEW

The Deputy Chief Executive/Director of Corporate Services reported upon the significant steps to improve performance management both across the organisation from a corporate and departmental perspective, and for Wirral's local strategic partnership. He indicated that in April 2009, the Audit Commission began a review of the performance management arrangements in place across the council, in order to work with the authority to deliver further improvements. A key aim of the review was to focus upon how performance management was applied consistently across departments and he anticipated that the review would not only examine progress and highlight areas of good practice, but would also identify further opportunities for improvement.

He set out the findings from Stage One of the review, which involved an online survey with a sample of managers across the council, and a baseline questionnaire exercise to obtain an initial picture of performance management arrangements and issues within departments. He proposed to place the results of the online survey in the Council's Web Library and he indicated that whilst the findings were extremely positive, one of the key purposes of working with the Audit Commission was to identify areas for further investigation and improvement and he indicated those areas that would be investigated in greater detail in Stage Two of the review.

Resolved –

- (1) That the findings of Stage One of the performance management review, and the areas for further focus outlined in section 3.5 of the report now submitted, be noted.**
- (2) That the intention that Stage Two of the review will be integrated with the Audit Commission's Better Financial Management Review to reflect and build upon the improvements the council has made towards integrating performance and financial management, be noted.**

30 AUDIT COMMISSION - FINANCIAL MANAGEMENT REVIEW

The Director of Finance reported that the Council had made some significant steps to improve and integrate financial and performance management over recent years and in 2009, the Audit Commission had undertaken two pieces of work to help deliver further improvements. The 'Improvement Through Better Financial Management' report from the Audit Commission was issued in September 2009 and was initially undertaken as a separate review to inform the Use of Resources assessment in 2008/2009. The Commission then commenced a Performance Management Review (see minute 29 ante) and he commented that it was intended that the messages from the Financial Management Review would be integrated with the second stage of the Performance Management Review.

The latest direction of travel statement from the Audit Commission reflected the improvements made, stating that 'The Council continues to develop its capacity for future delivery and has improved its arrangements for managing its resources. Ambitions and priorities for the area have been clarified and performance management arrangements are being strengthened.'

The Director commented that the Council recognised that there was further work to be done and would continue to develop financial and performance management arrangements to drive further improvements. The Audit Commission review aimed to ensure that the Council continues to develop and strengthen its financial management arrangements to support the delivery of the desired outcomes.

Resolved – That the messages from the financial management review be integrated with the Audit Commission review of Performance Management to reflect and build upon the improvements made towards integrating performance and financial management.

31 OFFICE OF SURVEILLANCE COMMISSIONERS INSPECTION REPORT - 22 JULY 2009

The Director of Law, HR and Asset Management reported that the Regulation of Investigatory Powers Act 2000 (RIPA) governed how public bodies used covert surveillance methods for the purpose of preventing or detecting crime or preventing disorder. The Council's Constitution authorised the Directors of Regeneration, Technical Services and Finance to designate Heads of Service and Service Managers to authorise the use of covert surveillance in accordance with the procedures prescribed by RIPA. He outlined the use of RIPA by the Council and

indicated that between 1 July 2007 and 30 June 2009, 58 authorisations for covert surveillance had been granted by the Council.

The Director reported that the operation of RIPA was overseen by the Office of Surveillance Commissioners (OSC), who most recently inspected the Council on 1 July 2009. The Director summarised the findings of the inspection and the action being taken to implement its recommendations. The Surveillance Inspector found that all of the recommendations made by the previous inspection had been carried out and he made a number of further recommendations to improve the Council's implementation of RIPA, in relation to the Policy and Guidance Document, Central Oversight and Defects in Authorisations. The Director set out the Council's proposed response to ensure compliance with the OSC recommendations.

A member expressed concern with regard to retrospective authorisations and also expressed the view that some of the examples of covert surveillance contained within the policy and guidance document were matters for the police, rather than officers of the Council, particularly in relation to serious anti-social behaviour, intimidation and the detection of drug crime.

The Director commented that officers of the Council worked very closely with Merseyside Police and he indicated that although the use of covert human intelligence sources (CHIS) was very unlikely to be used by the Council, it was nevertheless a power conferred on local authorities by the Act. As a result, it was essential that the policy and guidance contained practical advice to those who may, in exceptional circumstances, need to consider the use of a CHIS.

Resolved –

- (1) That the report of the Office of Surveillance Commissioners be noted and the proposed response to its recommendations, subject to (2) below, be endorsed and referred to the Cabinet for approval.**
- (2) That authorisation for the use of covert human intelligence sources (CHIS) can be given only by the Chief Executive, or the Deputy Chief Executive/Director of Corporate Services in his absence.**
- (3) That a report be presented to the next meeting of the Committee on the training programme for staff who may be applicants or Authorising Officer.**

32 USE OF SMART CCTV ENFORCEMENT VEHICLE

Further to minute 21 (29 June 2009), the Director of Technical Services reported upon the use by the Technical Services Department of the mobile CCTV enforcement vehicle (Smart Car) to detect parking contraventions. He outlined the powers of the Council to undertake civil parking enforcement and reported that the introduction on 31 March 2008 of Part 6 of the Traffic Management Act 2004 (TMA) gave further powers in relation to parking enforcement. One of the many changes introduced with the TMA was the powers given to authorities to issue penalty charge notices by post and also to undertake enforcement through the use of an approved device. In November 2008 the Council extended its contract with its enforcement service provider and as part of the contract renewal negotiations was offered the use of a mobile CCTV vehicle at no additional cost to the Authority. Through its

enforcement service provider Wirral subsequently sought approval from the Home Office for the use of a mobile CCTV enforcement vehicle (Smart car) as an approved device. The Secretary of State granted approval on 23 February 2009 and the CCTV enforcement vehicle had been used for parking enforcement purposes regularly since 31 March 2009.

He set out the regulations and guidance documents that supported the TMA 2004 to ensure that the system was operated fairly and with proportionality and integrity, and he presented the Council's Code of Practice for Operation of CCTV Enforcement Cameras in Wirral. The complete CCTV operation was undertaken under the principles contained within the Code of Practice (CoP) and following the CCTV enforcement procedures manual. The CoP set out aims, key principles and minimum standards, and the procedures manual detailed how the system would be used to comply with the CoP. The purpose of the CoP was to ensure that the public could be confident that the system was being used only for its intended purpose and with due regard for privacy, data protection, confidentiality and fairness. He reported that included in the document were standards for equipment, systems, personnel, training, use of cameras, recording and viewing, security, integrity, document release and retention.

The Director provided details of how the CCTV vehicle was used in practice on a day to day basis and he indicated the programme of locations for enforcement had been compiled having regard to a known history of road traffic accidents, vulnerable road users and busy shopping areas that were reliant on roadside deliveries and were affected by persistent short duration parking.

On a motion by Councillor Southwood and seconded by Councillor Reisdorf, it was –

Resolved – (5:0) (Councillor Fraser abstaining from (1) and (2) below)

(1) That the report be noted.

(2) That the Code of Practice for Operation of CCTV Enforcement Cameras in Wirral be endorsed.

33 DATA QUALITY ACTION PLAN AND PROGRESS REPORT

The Deputy Chief Executive/Director of Corporate Services presented Wirral's Data Quality Action Plan, which had been developed to address recommendations by the Audit Commission from an assessment undertaken in 2008. The Action Plan also included recommendations made by internal audit and showed progress as at 7 September 2009.

Resolved –

(1) That progress against the Data Quality Action Plan at the second quarter 2009/2010 be noted.

(2) That an update report be presented to the next meeting of the Committee, the information to be presented in accordance a format preferred by the Committee to highlight progress against Audit Commission recommendations.

34 **ROLE OF THE CHIEF FINANCE OFFICER**

The Director of Finance reported that following discussions between HM Treasury, the Audit Commission and CIPFA, and a consultation exercise, CIPFA had issued a statement on the role of the Chief Financial Officer in Public Service organisations. In recognition of the centrality of financial issues to organisational success it was Government policy that all Government Departments should have a professional Finance Director reporting to the permanent secretary with a seat on the departmental board, at a level equivalent to other Board members. In *Managing Public Money*, HM Treasury recommended "It is good practice for all other public sector organisations to do the same, and to operate the same standard". This meant that the Finance Director should be professionally qualified, report directly to the paid head of the organisation, and be a member of the senior team that exercised management leadership, with a status equivalent to other members.

The Director set out the five principles contained within the Statement issued by CIPFA and he confirmed that all were already met and complied with in Wirral.

Resolved – That compliance with the five principles contained within the CIPFA document be noted.

35 **AUDIT COMMISSION REPORTS**

The Chief Internal Auditor provided a summary of reviews undertaken by the Audit Commission since April 2006 to date, together with the action taken by the Council to implement the recommendations contained within the associated reports. He reported that 41 final reports had been issued in respect of the Council and 8 in respect of the Merseyside Pension Fund. All had been reported to the appropriate Committee and assurances had been obtained that recommendations had been implemented or were in the process of being implemented and that members had been kept up to date on current progress.

Resolved –

(1) That the report be noted.

(2) That an updated report be presented to the next meeting of the Committee, to include more detailed information in relation to outstanding issues.

36 **INTERNAL AUDIT WORK: JUNE TO AUGUST 2009**

The Chief Internal Auditor reported that in order to assist in effective corporate governance and fulfil statutory requirements, the Internal Audit Section of the Finance Department reviewed management and service delivery arrangements within the Council as well as financial control systems. Work areas were selected for review on the basis of risks identified on the Corporate Risk Register and as assessed by Internal Audit in consultation with Chief Officers and Managers. He identified and evaluated the performance of the Internal Audit Section and provided details of the actual work undertaken between 11 June and 31 August 2009.

During the monitoring period, 46 audit reports were produced and 66 high and 73 medium priority recommendations were identified. Management had agreed to implement all of the recommendations within a satisfactory timescale and he indicated that there were no items of significance identified during the audit process that required action by members.

Resolved – That the report be noted.

37 **CORPORATE RISK REGISTER**

The Director of Finance provided a summary of the review of the issues contained within the Corporate Risk Register, approved by the Cabinet on 3 September 2009 (minute 94 refers). The Corporate Risk Register was a key element of the Risk Management Strategy and contained those issues that had the greatest potential to prevent or frustrate the achievement of the Strategic Objectives as set out in the Corporate Plan. It had been developed over time and the aim of the review was to rationalise the risks in order to produce a more easily understandable and manageable Risk Register. He highlighted the main changes to the Register and confirmed that it was important to remember that the Register described critical potential threats and that the inclusion of a particular issue did not mean that the event or situation described was a current problem, rather that it would be significant if it was not managed effectively.

In response to a comment by the Chair in relation to communications with members and to the risks associated with adequate information not being received, the Director agreed to bring this to the attention of members at the next review of the Register.

Resolved –

(1) That the revised Corporate Risk Register be noted.

(2) That progress in managing corporate risks continue to be included in the quarterly Performance and Financial Monitoring Report.

(3) That the report be referred to the Council Excellence Overview and Scrutiny Committee for consideration.

38 **CORPORATE RISK AND INSURANCE MANAGEMENT**

The Director of Finance reported upon recent progress made against the existing corporate risk and insurance management objectives and the anticipated developments in the coming months.

Resolved – That the report be noted.

39 **REPORTS SUBMITTED AFTER DEADLINES - UPDATE**

The Director of Law, HR and Asset Management presented information in relation to the number of late reports received by Committee Services for the cycle of meetings that ended with the meeting of the Council on 13 July 2009.

Resolved – That consideration of this matter be deferred and an update report be presented to the next meeting of the Committee.
