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AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 30 September 2008

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

17 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.

18 MINUTES

The Director of Law, HR and Asset Management presented the minutes of the meeting held on 30 June 2008, which had been received or approved by the Council on 14 July 2008.

In response to a question from the Chair in relation to the distribution of the Statement of Accounts summary leaflet (minute 7 refers), the Director of Finance indicated that it would be sent to all members of the Council, once the revised Statement of Accounts had been approved (see minute 21 post).

Resolved – That the minutes of the meeting held on 30 June 2008, having been confirmed by the Council, be received.

19 APPOINTMENT OF VICE-CHAIR

Further to minute 3 (30 June 2008), which deferred consideration of this matter, the Director of Law, HR and Asset Management requested the Committee to consider the appointment of a Vice-Chair for the remainder of the municipal year.

Resolved – That Councillor S Quinn be appointed Vice-Chair for the remainder of the municipal year.

20 AUDIT COMMISSION SUMMARY REPORT - ADULT SOCIAL SERVICES - FOLLOW UP OF PIDA DISCLOSURE

Mr Iain Miles of the Audit Commission introduced the summary report 'Adult Social Services – Follow up of PIDA Disclosure' dated August 2008, which had been produced following an investigation of concerns that had been brought to the

attention of the Audit Commission in October 2007 under the Public Interest Disclosure Act 1998 (PIDA). The concerns were in respect of aspects of the Council's provision of services within Adult Social Services and Supporting People, and although a number of issues were outside the remit of the external auditors, there were two areas considered relevant, which involved the Council's procedures in respect of –

- Arrangements for the commissioning and monitoring of contracts for Supported Living and Supported People services, to ensure the Council was receiving value for money; and
- Application of the Department of Health's Fairer Charging Policy.

He outlined the objectives of the review and set out the detailed findings in relation to commissioning and monitoring of contracts and fairer charging. The main conclusions were that the contract arrangements for Supporting People and Domiciliary Care met good practice in many respects. However, the contract arrangements for Supported Living needed to be progressed further if they were to ensure the Council was getting good Value for Money (VFM) and he set out the areas that needed to be addressed. The contracts for Domiciliary Care services were open ended and did not specify a termination date and the Council had not yet formally determined if those services were to be advertised again allowing new providers to bid at lower costs. The review concluded that to provide ongoing VFM, the Council needed to ensure that the service was subject to tendering on an agreed periodic basis.

In relation to the application of the Fairer Charging policy, the review had concluded that the Council was slow in fully applying the Fairer Charging guidance which was issued in September 2003, the Council's Fairer Charging policy not having been applied in full until 2007. One of the allegations raised under PIDA was that there was a 'Special Charging Policy' applied by the Social Services Department, dating back to 1999, that covered Supported Living service users with Learning Disabilities. The allegation made was that the policy had not been approved by Committee and was 'excessive and unlawful'. The review confirmed that a charging policy was applied at some Supported Living establishments and it was not clear from discussions with officers the extent to which the charging policy was in place or whether it had been approved by Members.

During a review of its charging policy, the Department for Adult Social Services had informed service users that where charges under Fairer Charging would be lower than the original charges, compensation would be awarded from April 2003. However, although no such compensation had yet been given, officers had confirmed that service users would be reimbursed where it became clear that they had contributed more than was due under Fairer Charging. This review was planned to be completed by March 2009.

He reported also that the Council now had in place a number of procedures which reduced the risk of potential financial abuse of service users not being identified and suitably addressed. However, there remained a substantial risk that users receiving services from one of the Council's Supported Living providers were being charged unfairly. The provider concerned had not arranged for the completion of financial assessment forms for service users and as a result the Council was not in a position

to know whether the aggregate of charges levied on service users by the Council and contributions required by the provider were in compliance with the Fairer Charging Guidance. It was not clear who was currently ensuring that service users were receiving adequate protection from the risk of financial abuse. He indicated that the situation had existed for several years and the Council needed to ensure, as a matter of urgency, that appropriate safeguards were in place to protect service users from the risk of any potential financial abuse.

The report highlighted areas where arrangements could be strengthened and included a number of recommendations to address the issues. The Director of Adult Social Services had welcomed the Audit Commission report, and the Head of Service (Wellbeing and Communities) referred to the Action Plan that had been produced to ensure compliance with the recommendations. She was confident that all of the issues had been addressed by the Department, and commented that a police investigation had concluded that there had been no illegal events. However, there remained concern that there was a risk that an independent Supported Living provider could be charging people unfairly for services, although there was no evidence of this. She indicated that a review was being undertaken to ascertain whether people had contributed more than was due under Fairer Charging for services provided by the Council. The review was planned to be completed by March 2009 and where it became clear that service users had contributed too much, the Department would ensure that reimbursement payments would be made.

In response to a question from a member, the Head of Service (Wellbeing and Communities) indicated that although there had not been a 'special charging policy' for care in 1999, some Supported Living service users may have been expected to pay for day to day expenses such as food and transport. It was unclear whether such an arrangement had been approved by members.

Members expressed their concern that charges may have been levied without first having been considered by members and commented that the issue of compensation should be included in the department risk log. The Chair commented that the dates for compliance in the Action Plan were too distant and that it should be redrawn to ensure earlier compliance with all of the Audit Commission's recommendations.

The Cabinet Member for Corporate Resources commented also that the Audit Commission Report should be referred to the Cabinet for consideration, together with a full report response to it from the Director of Adult Social Services.

At the request of the Chair, the Deputy Chief Executive summarised the views expressed by the Committee and agreed to liaise with the Director of Adult Social Services to ensure that urgent progress would be made.

Resolved –

(1) That the Audit Commission Report 'Adult Social Services – Follow up of PIDA Disclosure' be referred to the Cabinet and to the Social Care, Health and Inclusion Overview and Scrutiny Committee, for consideration.

(2) That the Action Plan contained within the PIDA report be re-drafted to ensure earlier compliance with the recommendations contained within it.

(3) That the officers be requested to investigate whether a charging policy had been in place dating back to 1999 and, if so, whether or not it had not been approved by members.

21 STATEMENT OF ACCOUNTS

Further to minute 7 (30 June 2008), the Director of Finance reported that following approval by the Committee, the Statement of Accounts had been subject to audit, and the District Auditor's findings were set out within the Annual Governance Report (see minute 22 post). He summarised a number of amendments to the financial statements that had been agreed with the District Auditor and were detailed in the Annual Governance Report. He commented that none had any impact on the financial position of the Council.

The Audit Opinion would be issued following consideration of the Annual Governance Report and the approval of the amended Statement of Accounts. 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 2008. The Auditor's 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.

As in previous years, further enhancements and improvements were made to the year-end process, including the quality and content of the Statement and supporting papers. The Audit Commission view of the arrangements for producing the Statement of Accounts was that they were satisfactory, produced by the target date and the working papers were deemed to be good. In addition, the accounts for 2007/2008 reflected a number of major changes in accounting policy that originated in the SORP (Statement of Recommended Practice) 2007, which required considerable changes to be made to the arrangements to account for capital and financial instruments.

Resolved –

(1) That the amendments to the Statement of Accounts for 2007/2008, the Annual Governance Report and the Letter of Representation (Appendix 1 of the Annual Governance Report) be noted.

(2) That the letter of Representation be agreed and the revised Statement of Accounts for 2007/2008 be approved.

(3) That, subject to the agreement of the Annual Governance Report, the recommendations contained within it be approved.

(4) That regular progress reports be presented to this Committee with regard to achieving compliance with the recommendations contained within the Annual Governance Report.

22 AUDIT COMMISSION - ANNUAL GOVERNANCE REPORT

The District Auditor, Mr M Thomas presented the Annual Governance Report, and apologised for its late submission to the Committee. The report summarised the

findings from the 2007/2008 audit, and identified the key issues for the Committee to consider before the issue of opinion, conclusion and certificate. He expected to issue an unqualified opinion on the financial statements which, although complete, contained some errors. He commented that during the audit, management had agreed to 5 adjustments to the figures in the accounts that had been recommended, and also made amendments to some notes to the accounts. The more significant issues included a material adjustment of £9.465m to the prior year figure for tangible fixed assets and a note to explain the treatment of an increase of £9m in the estimate of pension fund assets that was agreed should not be amended. In total the adjustments had no overall impact on revenue resources.

He commented that the arrangements for production of financial statements were satisfactory and that the draft financial statements had been produced by the target date with good working papers to support the financial statements. He indicated that this had also been a year when new and more complex accounting and reporting arrangements had been introduced, for example, the introduction of the new revaluation reserve, accounting for financial instruments and the new Annual Governance Statement. The Council has introduced those new requirements successfully whilst also improving on issues raised last year. The report made recommendations for some further improvement in quality assurance processes and internal control across the Council.

With regard to value for money, the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008 and it was therefore proposed to issue an unqualified conclusion.

The District Auditor highlighted key areas of judgement and audit risk that had been considered as part of the audit, and he set out a number of recommendations, which would form the basis of an Action Plan to address issues that had been identified in relation to accounting practice and financial reporting; and weaknesses in internal control. He commented also that before an opinion was issued, the Authority was required to provide written representations in respect of a number of matters. He provided an explanation of the information required and included in the report a draft letter of representation.

In response to comments from the Chair, the Director of Finance stated that the risks and recommendations set out in the report would be included in internal risk logs. He also proposed to present regular update reports on progress against the Action Plan and confirmed that all of the District Auditors recommendations had been reflected in the revised Statement of Accounts.

Resolved –

(1) That the revised Statement of Accounts be approved and signed by the Chair of the Audit and Risk Management Committee.

(2) That the draft Letter of Representation be approved and signed by the Chair for submission to the District Auditor.

(3) That the Action Plan be agreed, subject to the submission of regular progress reports to future meetings of the Committee.

(4) That the Director of Law, HR and Asset Management be requested to schedule next years meeting earlier in the Committee cycle, when formulating the 2009/2010 Committee Calendar.

23 GRANT CLAIMS AND RETURNS - AUDIT COMMISSION REPORT

The Director of Finance reported upon issues raised in the Audit Commission report on grant claims related to the 2006/2007 financial year. He commented that the Authority received approximately 25 annually recurring grants, which required claim forms to be submitted and audited. In addition there were also a number of 'one off' claims, which tended to be linked to specific projects often, but not exclusively, within the Regeneration Department. The Authority also acted as the 'Accountable Body' for a number of grants which it passed on to third party organisations and he indicated that a separate annual audit certificate had to be produced by the Audit Commission for each claim, and returned to the relevant grant paying body. The Audit Commission undertook the grant audit role alongside its other duties as external auditor to the Authority.

The District Auditor presented the Audit Commission annual report on grant claim performance and issues and he commented that the Council had been proactive in developing good management arrangements for the submission of grant claims. He outlined the main conclusions from the audit and highlighted a number of concerns. The report made six recommendations of key actions and he commented that the Council had appointed a new officer, who had been responsible for the Grant Claim Co-ordination role from January 2008. The role and responsibilities were well defined in the Council's Grant Manual, which outlined procedures that would enhance the efficiency of the planning process and the timely delivery of certified forms to grant-paying bodies. He commented that although the Council had established many areas of good practice over the last few years, there were a number of areas where it was necessary to ensure documented procedures were consistently applied. Key actions for 2007/08 were –

- to improve the completeness of the Claims and returns register which would be used to monitor the processing of all claims and returns;
- to ensure that the procedures documented in the Grant Manual were applied consistently over the year;
- to address those factors that were within management control that had influenced the assessment of the control environment to carry out further testing; and
- to review the errors and amendments identified from the certification work and provide guidance to grant claim compilers which addressed those issues.

The Director of Finance commented that the Authority had already brought in measures to tackle most of the issues raised in the Audit Commission report and a number of other measures would also be undertaken to address the issues raised. All of the recommendations within the Audit Commission report had been accepted and would be implemented with immediate effect.

Resolved –

(1) That the report, and the actions to address the recommendations contained within the Audit Commission report, be noted.

(2) That the thanks of the Committee be accorded to the District Auditor for his detailed report.

24 **CORPORATE PLAN FINANCIAL AND PERFORMANCE MONITORING SUMMARY**

The Deputy Chief Executive/Director of Corporate Services presented a copy of the report of the Chief Executive on financial and performance monitoring, which had been considered by the Cabinet on 4 September 2008 (minute 177 refers). The report presented an overview of the performance of the Council in delivering the vision for Wirral as set out in the Corporate Plan and covered the first quarter of 2008/2009. It provided an overview of the Authority's performance and detailed appendices gave a more detailed break down against performance, capital and revenue budgets and risks. It also identified the list of three year targets for the Corporate Plan.

In response to comments from members with regard to the way the information contained within the report was presented, the Deputy Chief Executive commented that the Cabinet had expressed similar views and had requested a brief summary report to detail each priority for improvement and the progress made against that priority in lay terms, so that improvements made could be easily understood in terms of their overall benefit to Wirral. In areas where improvements were not being achieved, actions being taken to remedy the position would be set out in the same way.

Future reports would be improved in terms of their 'user-friendliness' and he commented on the rationale for a 'traffic signal' indication of progress that had been discussed by the Cabinet. He indicated that meetings were scheduled with the Cabinet Member for Corporate Resources to further consider the format of future reports and the Chair expressed the view that she should also be present at those meetings to ensure that any change to the format of future reports would take into account the views of the Audit and Risk Management Committee. The Deputy Chief Executive agreed to discuss the request with the Cabinet Member.

Resolved – That, subject to the views expressed by the Committee in relation to its format, the report be noted.

25 **WIRRAL'S PERFORMANCE MANAGEMENT FRAMEWORK: ANNUAL REVIEW OF THE COUNCIL'S CORPORATE PLAN FOR 2009/2010**

The Deputy Chief Executive/Director of Corporate Services presented his report, which had been considered by the Cabinet on 25 September 2008 (minute 196 refers), upon proposals for reviewing the Council's Corporate Plan. The new Corporate Plan had been agreed by the Council on 21 April 2008, with the new vision and objectives agreed by the Cabinet on 14 November 2007. The review was to inform the budget setting process for 2009/2010 and to ensure that the objectives and improvement priorities remained valid, relevant and appropriate, and that the associated delivery plan was refreshed.

The Cabinet (minute 196) resolved that –

(1) the Council be recommended to agree –

(i) that the main priorities for improvement identified for 2008/2009 remain the most important areas of focus for the Council and should therefore be retained as priorities for 2009/2010; and

(ii) the minor revisions relating to recycling and the need for a sustainable and stable budget;

(2) Chief Officers develop departmental plans and budget proposals for 2009/2010 that reflect the strategic objectives set out in the Corporate Plan and the revised priorities for improvement indicated in the Appendix to the Director's report;

(3) the Departmental Plans and the changes for the Corporate Plan delivery framework be reported to the Cabinet on 15 January 2009, with the latter then submitted to Council for formal approval.

Resolved – That the report be noted.

26 **AUDIT COMMISSION REPORT - DEMOCRATIC ARRANGEMENTS**

Further to minute 5 (30 June 2008), the Director of Law, HR and Asset Management reported upon progress against the Action Plan that had been developed in response to issues identified by the Audit Commission in relation to Democratic Arrangements. He indicated that compliance with the Action Plan would continue to ensure value for money for the residents of Wirral, and in response to a comment from the Chair, he proposed to present a further update to the next meeting of the Committee.

Resolved –

(1) That the report be noted.

(2) That a further update report be presented to the next meeting of the Committee.

27 **LONE WORKERS SECURITY**

Further to minute 71 (7 April 2008), the Deputy Chief Executive/Director of Corporate Services reported upon progress in relation to the Lone Working Security Policy. He presented the revised Health and Safety Arrangements for Management of Lone Working and commented that the arrangements had been developed through existing practices within a number of Council departments.

He indicated that working alone need not present a greater risk than working in a team situation or in a busy working environment, and that the risk was more to do with hazards that may arise and how the risks were monitored. Responsibility for ensuring the health, safety and welfare of any employee who worked alone lay with the respective line manager and at the heart of the arrangements and guidance produced for managers was the need to ensure that Risk Assessments had been undertaken.

In response to a question from a member, he confirmed that the revised management arrangements had been shared with departmental teams and that the trade unions had been consulted. The proposals would now be presented to the next Corporate Health and Safety Committee for consideration.

Resolved – That the revised Management Arrangements for Lone Working be noted, and any issues arising from them be brought to the attention of the Deputy Chief Executive/Director of Corporate Services.

28 **COMPREHENSIVE PERFORMANCE ASSESSMENT - USE OF RESOURCES ACTION PLAN**

The Director of Finance reported upon progress against the 2008 Comprehensive Performance Assessment Use of Resources (UoR) Action Plan. He commented that significant further progress had been made since activities against the Action Plan were last reported to the Cabinet on 22 May 2008 (minute 12 refers) and he highlighted the most significant achievements across each key line of enquiry area with a description of the major areas covered in each theme.

He reported upon a series of activities that had been included in the Action Plan, which were scheduled to be undertaken over the next quarter and he commented that once Guidance had been issued by the Audit Commission on the Comprehensive Area Assessment (CAA) UoR key lines of enquiry, the existing Action Plan would be re-written and converted to match the new key lines of enquiry.

In response to a comment from the Chair in relation to CAA pilots that were being undertaken in other areas, the Director of Finance indicated that officers were in regular contact with their counterparts in pilot local authorities. The Deputy Chief Executive/Director of Corporate Services reported also that Wirral had recently been successful in an application to run a pilot scheme and he proposed to present an update to the next meeting.

Resolved –

(1) That the progress against the Use of Resources Action Plan be noted.

(2) That regular reports be presented to the Cabinet and to the Audit and Risk Management Committee on progress against the Action Plan, which will be revised in line with forthcoming Audit Commission guidance.

(3) That an update report on the CAA pilot scheme be presented to the next meeting of the Committee.

29 **RISK MANAGEMENT STRATEGY**

The Director of Finance reported upon revisions to the corporate approach to managing risk as agreed by Cabinet on 23 July 2008 (minute 156 refers). He commented that the effective management of risk was recognised as an essential feature of a well-run organisation and was particularly important at a time when the Authority was making substantial changes in the drive to improve services. He reported that given that a fundamental review was carried out in 2007, the main objective of the current review was to bring the strategy up to date as regards factual

changes in arrangements and address any new areas for improvement. He set out the principal amendments that were proposed and commented that in accordance with the governance arrangements, the revised strategy had been shared with the Corporate Improvement Group and their comments taken into account.

He reported also that although the revised strategy set intentions and provided a broad framework, its successful implementation was dependent on the individual activities which underpinned the approach and he outlined the actions planned over the next 12 months, viz: –

- **Corporate Risk Register**
The annual refresh of the key corporate risks was to be undertaken by Chief Officers in the Autumn following confirmation of the 2009/2010 Priorities for Improvement. The Corporate Improvement Group would review the corporate risk register each quarter.
- **Training**
Another risk management training event for Members would take place before the end of the calendar year.
- **Comprehensive Area Assessment (CAA)**
The focus on risk within the CAA posed challenges for the Authority in ensuring that its arrangements were fit for purpose. The Risk & Insurance Officer would be working with the Performance and Policy Division to consider whether any changes were required.

Resolved –

(1) That the revised Corporate Risk Management Strategy be noted.

(2) That those Members who were not able to be present at previous risk management training sessions be invited to attend a future event.

30 **CORPORATE RISK AND INSURANCE MANAGEMENT**

The Director of Finance reported upon recent progress made against the objectives for Corporate Risk and Insurance Management and the anticipated developments in the coming months.

Resolved –

(1) That the report be noted.

(2) That a further report be presented to the next meeting of the Committee.

31 **INTERNAL AUDIT WORK - JUNE TO AUGUST 2008**

The Director of Finance reported that in order to assist in effective corporate governance and to 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 in the Corporate Risk Register and as assessed

by Internal Audit in consultation with Chief Officers and Managers. His report identified and evaluated the performance of the Internal Audit Section and included details of the actual work undertaken over the period and the number of 'High' risk recommendations identified in reports.

A key item for members to note was that an audit to review the systems in operation to control the Pacific Road Bar Operations had been conducted at the request of the Head of Cultural Services following a number of reported incidents that were being investigated by the Regeneration Department. The audit identified a significant number of control weaknesses and identified actions to address issues in relation to the overall control environment. Actions required to address the issues within a reasonable timescale had been agreed with management and follow up audit work was scheduled for later this year to assess progress and to consider the impact of the actions on the control environment. The findings of the audit would be reported at the next meeting of this Committee in December 2008.

Resolved – That the report be noted.

32 **MEMBERS TRAINING**

The Director of Finance reported that, in accordance with best practice, two basic training sessions per annum had been held for members of the Committee, provided by one of the authors of 'Audit Committees – Practical Guidance for Local Authorities'. He reported that a number of Members had requested the provision of a more advanced training session and that this had been arranged for 8 October 2008, at Wallasey Town Hall. The Chair commented on the value of audit training and encouraged all members of the Committee to attend if it was possible for them to do so.

Resolved – That the report be noted.

33 **LOCAL GOVERNMENT CHRONICLE (LGC) AWARDS 2008**

The Director of Finance reported upon the submission of an entry to the LGC Awards 2008. The awards had been held for a number of years and were intended to celebrate the highest levels of achievement in local government, and he commented that the Council had been successful last year in being declared the winner of the Procurement Initiative Award. He suggested that if the Authority was again short listed, members may wish to consider attendance at the awards ceremony on 3 November 2008 at the Dorchester hotel in London. He confirmed that the cost of travel and overnight accommodation for those attending could be met from within the existing budget provision.

Resolved – That, should the Authority be short listed in the LGC Awards 2008, attendance at the awards ceremony at the Dorchester Hotel in London on 3 November 2008 be referred to the Cabinet for approval of duty.

34 **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR - THE IMPACT ON THE AUTHORITY OF THE PRESENT FINANCIAL CLIMATE**

In response to a question from a member, the Director of Finance reported upon the impact on the Authority of the volatility of the current financial markets. He

commented that variable interest rates had a substantial impact on the value of the Authority's assets. Higher interest rates resulted in higher returns from the Authority's investments, although the rates at which the Council could borrow money had also increased.

In addition, there had been an increase in the number of benefits claimants and there had been a reduction in income as a result of increased collection difficulties. He reported also, that from today, the Council had ceased temporary investments in banks, and invested with the Government instead.

Resolved – That the report be noted.
