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AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 29 June 2009

Present: Councillor P Southwood (Chair)

Councillors RL Abbey C Povall
L Fraser P Reisdorf
J Crabtree

1 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.

2 MINUTES

The Director of Law, HR and Asset Management presented the minutes of the meeting held on 31 March 2009. In response to a question from the Chair in relation to minute 63 (Audit Commission Annual Governance Report – Action Plan Update), the Director of Finance confirmed that all of the outstanding items within the action plan to deliver the recommendations of the Audit Commission had now been completed.

In response to a further comment in relation to monitoring the submission of late reports (minute 74 (Reports Submitted After Deadlines) refers), the Director of Law, HR and Asset Management proposed to present a further monitoring report the September meeting of the Committee.

Resolved – That subject to the following amendment, the minutes of the meeting held on 31 March 2009, be approved –

Minute 70 – Risk Register Assessment Criteria

The addition of the following to the resolution –

(3) That the risk scoring matrix be included in all future reports to the Audit and Risk Management Committee.

3 APPOINTMENT OF VICE-CHAIR

The Director of Law, HR and Asset Management requested the Committee to consider the appointment of a vice-chair for the ensuing municipal year.

On a motion by Councillor Abbey and seconded by Councillor Fraser, it was –

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

4 **INTERNAL AUDIT ANNUAL REPORT**

The Chief Internal Auditor reported that the Internal Audit Section of the Finance Department planned and completed audits to review all relevant areas of risk and reports, including recommendations, produced following audits were presented to managers. An overall report was produced annually and he presented the Annual Audit Report for 2008/2009.

In order to meet statutory requirements the Internal Audit Section had conducted audits to review the operation of the internal control systems. The Audit Commission had reviewed the operation of Internal Audit and indicated satisfaction with the service and concluded that there were no major issues to be reported. In response to a comment from a member in relation to uncollected Council Tax, the Director of Finance confirmed that Wirral's collection rate was very high, with only small amounts written off each year.

The Chair referred to the effect of the shortfall in the level of staffing resource, which had resulted in the section being unable to complete all of its targets. The Chief Internal Auditor referred to the difficulties being experienced in the retention and recruitment of staff. However, a recruitment process for Senior Auditors was underway and he confirmed that work had been prioritised and the key target of completing all of the high risk audits had been achieved.

Resolved – That the report be noted.

5 **STATEMENT OF ACCOUNTS**

In line with the Accounts and Audit Regulations 2003, the Director of Finance presented the 2008/2009 Statement of Accounts (SOA). They had been produced in accordance with the statutory accounting framework laid down by the Accounts and Audit Regulations 2003, which was further supported by the Statement of Recommended Practice (SORP). The SORP was updated annually and specified the accounting principles and practices required to prepare a Statement of Accounts which presented fairly the position of a local authority. The Director had signed the Accounts and requested approval of the Committee for signature by the Chair on behalf of the Council.

The Accounts were subject to audit and if the Audit Commission required any material amendments to the Accounts, then as stipulated by the Regulations, they would be reported to the 23 September 2009 meeting of the Committee.

The Chief Accountant gave a detailed presentation, which provided an explanation of the content of the SOA and highlighted key messages in relation to –

- financial performance for the year;
- the position of balances at the year end;
- detailed statements and explanatory notes explaining key areas;
- comparison of 2008/09 with 2007/08;
- an explanation of the way the Accounts were compiled; and
- an explanation of details for safeguarding public money.

The Director indicated that given the complex technical nature of the Accounts, the Committee was not expected to be able to review the Accounts in detail. However, the Committee's role was to ensure that quality control procedures were in place and he set out a number of factors for the Committee to consider in scrutinising the SOA.

In response to comments from members, the Director provided information in relation to the rate of return on investments and provided an explanation with regard to both short term borrowing and comparative net revenue expenditure between 2007/08 and 2008/09.

Resolved – That the Statement of Accounts 2008/09 be approved and signed by the Chair of the Audit and Risk Management Committee.

6 CORPORATE RISK AND INSURANCE MANAGEMENT

The Director of Finance provided information on the corporate risk and insurance management objectives for 2009/2010 and detailed recent progress made against the existing objectives and the anticipated developments in the coming months. He set out the principle areas of responsibility and provided details of significant tasks which needed to be addressed during 2009/2010, together with target dates for completion.

In response to a comment from a member, the Director confirmed that the significant tasks which needed to be addressed in 2009/2010 in relation to the principal areas of responsibility were on target for completion by the deadlines set out in his report. In response to further comments in relation to various historic claims, some of which dated back to the 1950's, he reported that the processing of those claims placed a significant administrative burden on the Risk and Insurance Team due to their complex nature and often the unavailability of records. However, in relation to current claims, he confirmed that repudiation rates were very high.

Resolved – That the plans for 2009/2010 and progress to date be noted.

7 INTERNAL AUDIT UPDATE

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 provided an evaluation the performance of the Internal Audit Section and presented details of the actual work undertaken over the period April – June 2009. He commented that although there were no items of significance identified during the audit process that required action by Members, he drew attention to measures being taken by management to improve systems of control over Data Security and Removable Media following audits.

Resolved – That the report be noted.

8 ETHICAL GOVERNANCE - AUDIT COMMISSION REPORT

The District Auditor presented the Audit Commission Report on Ethical Governance and indicated that its aim was to assess how far:

- the Council had complied with Part III of the Local Government Act 2000 and the relevant sections of the Local Government and Public Involvement in Health Act 2007;
- the Council ensured that the Standards Committee had access to the right information and support to enable it to do its job properly;
- members and officers understood and were aware of ethical issues;
- members abided by the Code of Conduct; and
- members and officers had training needs in this area

The work covered four key lines of enquiry and comprised an electronic survey of members, senior managers and Democratic Services officers in the Council; and an assessment of how well the Council's ethical governance arrangements were working, including document review, interviews and focus groups. The report concluded that the Council had a good understanding of the key ethical governance issues that it faced and the action needed to promote and maintain standards. It highlighted positive features and also identified where further work and clarity was needed.

The recommendations contained within the report formed the basis of an action plan, which had been agreed with council officers to address the issues arising from the review. The report and action plan were to be presented to the Standards Committee to agree the content and comment on the action plan before it was finalised. The report, survey results and action plan were intended to provide the Standards Committee with a baseline assessment of where the Council was now and a positive framework for strengthening ethical governance arrangements to result in increased confidence in local democracy and better outcomes for local people.

Resolved –

(1) That the report be noted.

(2) That a progress report upon compliance with the action plan be presented to the next meeting of the Committee.

9 GOVERNANCE OF PARTNERSHIPS - AUDIT COMMISSION REPORT

The District Auditor presented the Audit Commission Report on Governance of Partnerships. The report referred to previous audits that were intended to strengthen governance arrangements for the establishment, monitoring and control of partnerships. The review of partnership working considered whether recommendations from previous work had been implemented and whether relevant aspects of the Value for Money (VFM) Conclusion and Key Lines of Enquiry (KLOEs) within the Use of Resources (UoR) assessment for 2009 were likely to be satisfied.

The report concluded that although the Council generally worked well with partners, it identified further work that was needed to strengthen corporate arrangements for governing partnerships, including the timely implementation of previously agreed

actions. The recently approved Partnership Toolkit was being rolled out and it was anticipated that its implementation would clarify roles and responsibilities.

The District Auditor referred to a number of recommendations contained within the report, which formed the basis of an action plan that had been agreed by officers

Resolved –

(1) That the report be noted.

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

10 **AUDIT COMMISSION REPORTS**

The Chief Internal Auditor presented a summary of reviews undertaken by the Audit Commission since April 2008 and detailed the action that Wirral Council had subsequently taken to implement the recommendations contained within the associated reports. He commented that the Audit Commission had issued 11 final reports for the period 1 April 2008 to date in respect of Wirral Council and 2 in respect of Merseyside Pension Fund, which were set out in the appendix to his report. All had been reported to the appropriate Committee, with an attached action plan where required.

Resolved – That the report be noted.

11 **ANNUAL AUDIT AND INSPECTION LETTER 2007/2008**

The District Auditor presented the 2007/2008 Annual Audit and Inspection Letter, which had been presented to the Cabinet on 23 April 2009 (minute 465 refers). It provided an overall summary of the Audit Commission's assessment of the Council and drew upon the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/2008 and from any inspections undertaken since the last Annual Audit and Inspection Letter. It confirmed that Wirral Council had improved its final assessment under CPA and was assessed as three star and improving well. He highlighted the key messages contained within the document and set out the action needed to be taken by the Council and its partners. Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work were included in reports that had been issued to the Council during the year. The report also noted that the Council had taken a positive and constructive approach to audit and inspection work and the District Auditor thanked the Council's staff for their support and cooperation during the audit.

He indicated that the first results in relation to the CAA would be published in Autumn 2009 and would include performance data from 2008/2009, the first year of the new National Indicator Set and key aspects of the Local Area Agreement.

In response to a question from a member in relation to the assessment for Financial Reporting being lower than other local comparable authorities, the District Auditor confirmed that the score of two reflected their assessment of errors within the accounts that were above the Audit Commission's materiality level.

Resolved – That the report be noted.

12 ANNUAL AUDIT FEE 2009/2010

The Director of Finance outlined the proposed Audit Commission fees for 2009/2010. The fees were based on a risk based approach to audit planning as set out in the Code of Audit Practice and reflected only the audit element of the work, excluding any inspection and assessment fees. The fee proposed for 2009/2010 was 13% above the scale fee for Wirral Council of £343,236 and he outlined the factors that placed the Council towards high risk in terms of 'audit risk', which meant that the Audit Commission had more work to do because of individual circumstances.

The expected Total Audit Fee for 2009/2010, including certification of claims and returns, was £558,035, an increase of £14,425 from 2008/2009.

In response to a question from a member as to how Wirral's fee compared to other Merseyside authorities, the District Auditor agreed to provide officers with the information for it to be presented to the next meeting of the Committee.

Resolved –

(1) That the audit fees for 2009/2010 be agreed.

(2) That a further report be presented to the next meeting of the Committee to include comparison fee levels charged to other Merseyside local authorities.

13 MERSEYSIDE PENSION FUND - AUDIT COMMISSION FEE 2009/2010

The Director of Finance reported that the Audit Commission undertook a separate audit of the Merseyside Pension Fund (MPF), and made a separate charge in relation to fees. The total fee proposed by the Audit Commission for the current financial year was £73,700 plus VAT, which was 4% above the scale fee and represented an overall increase of £12,000 or 19% above the level for 2008/2009. He reported that the Pensions Committee (minute 7 (18 June 2009) refers) had approved the increase having considered the justification for it.

Resolved – That the proposed increase in Audit Commission fees in relation to the Merseyside Pension Fund for 2009-2010 be noted.

14 AUDIT COMMISSION - STATEMENT OF RESPONSIBILITIES OF AUDITORS

The Director of Finance presented an updated version of the Audit Commission Statement of Responsibilities of Auditors and of Audited Bodies. He commented that the new statement was effective from 1 April 2008 and would apply from the 2008/2009 audits. It reflected changes in the auditing regime and clarified the responsibilities of auditors and audited bodies in certain areas, including pension funds, charitable funds, data quality and the electronic publication of the financial statements.

Resolved – That the report be noted.

15 **MEMBERS TRAINING**

The Director of Finance reported that the CIPFA guidance Audit Committees – Practical Guidance for Local Authorities recommended that the members of an Audit Committee should receive specific training in their role and responsibilities as members of that Committee. He commented that since 2006 the training requirements had been comprehensively achieved at minimum cost by appointing one of the members of the working party who wrote the guidance to undertake the training. The course has been supplied over two sessions at a cost of £2,500 and he set out the modules covered.

Resolved –

(1) That the existing trainer, Anna Klonowski, be retained for Members training in 2009/2010.

(2) That the Director of Finance be requested to liaise with the trainer and ascertain possible dates for the provision of training for consideration by members.

16 **AUDIT AND RISK MANAGEMENT COMMITTEE - SELF ASSESSMENT CHECKLIST**

Further to minute 66 (31 March 2009), the Chair reported that as part of the annual Review of the System of Internal Audit, she had completed an evaluation of the role and effectiveness of the Audit and Risk Management Committee. She presented the document for consideration by the Committee and referred to a number of actions that were identified during the completion of the evaluation.

Resolved –

(1) That the Self Assessment Checklist, completed by the Chair, be endorsed.

(2) That the Director of Finance be requested to present a further report to the next meeting of the Committee in relation to the actions required as a result of the evaluation.

(3) That a formal annual report on the work and performance of the Audit and Risk Management be undertaken for submission to the Cabinet at the end of the municipal year.

17 **2008/2009 PERFORMANCE AND FINANCIAL REVIEW**

The Deputy Chief Executive/Director of Corporate Services presented the full year performance and financial report for 2008/2009. It was one of a series of reports upon the performance of the Council's corporate plan towards delivering the vision of building a more equal and prosperous Wirral. The report was intended to provide members with an overview of performance, financial, risk and sickness monitoring during 2008/2009 and to provide an outline of progress towards achieving each of the council's five strategic objectives. It had been placed in the Council's Web Library and had formed the basis of a presentation to the Cabinet (minute 10 (28 May 2009) refers).

Resolved –

(1) That the report be noted.

(2) That a further report be presented to the next meeting of the Committee in relation to the implementation of planned additional controls to manage risks identified in the Corporate Risk Register.

18 DATA QUALITY ACTION PLAN AND PROGRESS REPORT

The Deputy Chief Executive/Director of Corporate Services reported that, in 2008 the Audit Commission carried out an assessment of the Authority's data quality arrangements for 2007/2008. Those findings were reported to the Committee on 26 January 2009 (minute 56 refers) and to the Cabinet on 9 April 2009 (minute 456 refers).

The Data Quality Action Plan had been developed to address the Audit Commission's recommendations and also included recommendations made by the Council's own Internal Audit function during 2007/2008 and any outstanding recommendations made by the Audit Commission in 2006/2007, where appropriate.

He set out a number of key issues/risks which had been identified in the Data Quality Action Plan, which would need to be controlled throughout its implementation and he provided information in relation to progress against the actions within the plan as at 15 June 2009.

Resolved –

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

(2) That a further more detailed report in relation to actions be presented to the next meeting of the Committee.

19 EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

Resolved – That in accordance with section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following item of business, on the grounds that it involves the likely disclosure of exempt information as defined by the relevant paragraphs of Part 1 of Schedule 12A to that Act.

20 ADULT SOCIAL SERVICES - FOLLOW UP OF PIDA DISCLOSURE - UPDATE REPORT

Further to minute 37 (4 November 2008), the Director of Law, HR and Asset Management provided a brief formal update as to the current position in relation to the Audit Commission Summary Report 'Adult Social Services – Follow up of PIDA Disclosure'. He reported that the investigation of additional documentation provided to him had led to a disciplinary investigation and he had advised consistently since November 2008 that consideration of the wider issues arising from the Audit

Commission's report should be deferred pending conclusion of all internal Council disciplinary procedures.

Resolved – That the report be noted and that, once all internal Council disciplinary procedures in this matter are concluded, a special meeting of the Committee be convened to consider the Internal Audit report.

21

**The Chair approved consideration of the following item of Urgent Business
SURVEILLANCE VEHICLE**

A Member referred to the recent deployment of a surveillance vehicle in Wirral, which had caused concern amongst some local residents in the Bromborough area as it appeared to be taking photographs in the vicinity of a primary school. Members were not able to provide an explanation to members of the public as to its use and under what authority it was operating.

Resolved – That a full report be presented to the next meeting of the Committee in relation to the guidelines and control measures in place for the use of the vehicle, and to include information as to where images will be stored and for what purpose they are gathered.

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