

# AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 24 March 2010

Present: Councillor P Southwood (Chair)

Councillors P Reisdorf C Povall  
RL Abbey J Crabtree

Deputies: Councillors G Watt (In place of L Fraser)

## 80 MEMBERS' CODE OF CONDUCT - 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.

## 81 MINUTES

**Resolved – That the minutes of the meeting held on 18 January 2010 be approved.**

## 82 DATA QUALITY ACTION PLAN AND PROGRESS REPORT

Further to minute 72 (18 January 2010), the Deputy Chief Executive/Director of Corporate Services presented Wirral's Data Quality Action Plan, which had been amended to identify completion dates for those actions, which had been completed. The action plan had been developed to address the Audit Commission's recommendations and it 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.

**Resolved – That the amended Data Quality Action Plan and the completion dates for actions contained within it, be noted.**

## 83 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 a summary of work undertaken during January and February 2010 and indicated that there were no items of significance identified during the audit process that required action by Members. During the monitoring period, 46 audit reports were

produced with 44 high and 28 medium priority recommendations identified in the reports issued. He confirmed that management had agreed to implement all of the recommendations made within a satisfactory timescale.

The Chief Internal Auditor commented that, in accordance with views expressed by Members, the Plan had been presented in a revised format with more detail provided in relation to internal audit performance to ensure that 90% of the Plan was completed by 31 March 2010. He referred also to work that was progressing rapidly in relation to Managing Fraud, following the decision to create a dedicated Anti-Fraud Team in the Internal Audit Section. The terms of reference for the team had now been established and a plan had been prepared, which identified specific audits to be conducted during 2010/2011 that complied with the CIPFA best practice framework. He further reported that the development had been noted by an officer of the Audit Commission specialising in anti-fraud work and he wished to visit Wirral to consider using the work completed as an example of "good practice".

In response to a question from a Member concerning the investigation in relation to Brookfield Children's Unit, he proposed to circulate a briefing note to all Members of the Committee.

**Resolved –**

- (1) That the report be noted.**
- (2) That the revised format and content of the update report be agreed.**

84 **INTERNAL AUDIT PLAN 2010/2011**

The Chief Internal Auditor presented the Internal Audit Plan 2010/2011, which set out the plan of work to be undertaken by Wirral Council's Internal Audit Section for the coming year. He reported that regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 required the Council to conduct a review at least once in a year of the effectiveness of its systems of internal control and to prepare a statement of internal control in accordance with proper practices. CIPFA and SOLACE had jointly determined that the preparation and publication of an Annual Governance Statement, published with the financial statements, was necessary to meet the statutory requirement. The same regulations required the findings of the review to be considered by a committee of the Council – the Audit Committee – or else by the Council as a whole.

He reported that assurances on the effectiveness of systems of internal control were substantially drawn from the work of internal audit and the Internal Audit Plan was focused on providing those assurances to the Chief Executive and Leader of the Council who were jointly required to sign the Annual Governance Statement.

In developing the plan the Internal Audit Section had considered the Council's corporate and individual departments' risk registers; had met regularly with the Chief Executive, Chief Officers and departmental management teams to discuss their risks and related controls; and made its own assessment of the risks facing the Council. The format of the Plan had changed from previous years and there was an expectation from the Audit Commission that it would contain a more detailed narrative. It intended to provide clarity as to which audits had to be completed and

the Chief Internal Auditor highlighted the requirement for all audits to be completed in order for an unqualified opinion to be given. He commented that the Plan for 2010/2011 amounted to a total planned resource of 4650 audit days, of which 3230 days would support the provision of the annual assurance opinion on the effectiveness of the Council's control systems.

**Resolved –**

- (1) That, subject to minor presentational amendment, the Internal Audit Plan for 2010/2011 be approved.**
- (2) That the thanks of the Committee be accorded to the officers for the provision of a comprehensive and clear report.**

## **85 ANNUAL GOVERNANCE STATEMENT**

The Director of Finance gave a presentation and reported to the Committee that the CIPFA/SOLACE Delivering Good Governance in Local Government Framework required the preparation and publication of an Annual Governance Statement by the Council in order to meet the statutory requirement set out in the Accounts and Audit Regulations 2006. He provided a definition of governance and set out the reasons to ensure that effective governance arrangements were in place. The Framework identified six core principles that were required to be considered when defining good practice and he indicated that, taking those into account, local authorities were expected to review their existing governance arrangements against the Framework; maintain an up to date local Code of Governance, including arrangements for ensuring its ongoing application and effectiveness; and, prepare an Annual Governance Statement to report publicly on the extent to which they complied with the core principles.

In presenting the draft Annual Governance Statement for 2009/2010, the Director commented that, whilst Internal Audit was responsible for undertaking the assurance work, it was important to recognise that it was not a document owned by the audit function but an Authority statement on the effectiveness of its governance processes. Commitment was therefore required by all services and senior officers involved with the process and he outlined the arrangements that had been developed to provide assurance from Chief Officers and at a corporate level to enable its production. In response to a comment from a Member, the Director provided an explanation in relation to the Single Status Review, which was anticipated to be completed during the forthcoming financial year.

**Resolved – That the Annual Governance Statement for 2009/2010 be submitted to Cabinet for consideration.**

## **86 CORPORATE RISK AND INSURANCE MANAGEMENT**

The Director of Finance provided information to Members in relation to recent progress made against the existing objectives for corporate risk and insurance management and the anticipated developments in the coming months.

**Resolved – That the report be noted.**

## 87 DEVELOPMENT OF THE CORPORATE RISK REGISTER

The Director of Finance set out the process for the identification of the issues contained in the Corporate Risk Register that had the greatest potential to prevent or frustrate the achievement of the Council's Strategic Objectives and Priorities for Improvement as set out in the Corporate Plan. He reported upon the development of the current register and indicated that a review by Chief Officers took place between July and September each year. Each risk on the existing register was considered as to whether it remained a significant threat and the Director outlined the factors that were taken into account in the evaluation. In response to a question from a Member with regard to the role of the Audit Commission in reviewing the content of the Risk Register, the District Auditor indicated that the prime role of external audit was to review the processes for the identification of risks. He commented that although there were bodies that could undertake the role, managers were best placed to consider risks to the Council. A review was undertaken by internal audit and as part of the Audit Commissions normal liaison with Chief Officers, he indicated that matters which appeared out of sync would be commented upon.

The Director commented upon improvements that had been made to the format of the register and indicated that Members had the opportunity to consider and comment on it. At present it was unusual for local authorities to involve Members directly in the identification process. However, he suggested that greater input would be desirable as it could lead to a more comprehensive analysis of the uncertainties facing the Authority. He highlighted different means by which Members could be involved and referred to the additional training that would be required.

### **Resolved –**

#### **(1) That the preferred means for Members to be involved in the development of the Corporate Risk Register is: –**

- **For a structured risk identification session focussed on the corporate objectives to be held with the Audit and Risk management Committee and the Cabinet as part of the refresh of the Corporate Plan. Output from that session to be combined with the output from the annual review by Chief Officers and the results presented to both forums for consideration.**

#### **(2) That additional training be provided for Members of the Committee, to be combined with the risk identification exercise.**

## 88 STRATEGIC ASSET REVIEW - RISK REGISTERS

Further to minute 78 (18 January 2010), the Director of Law, HR and Asset Management reported upon the risk registers that were in place for the Strategic Asset Review (SAR) and provided an explanation of how risk was managed for the activities within the programme. He reported upon the management of each of the individual projects within the programme and commented specifically that the 'Office Rationalisation' project and the 'Re-provision – Neighbourhood Centres' project were key areas within the Strategic Change Programme, where the levels of risk dictated that their management was more formally documented.

He presented the risk register for 'Re-provision – Neighbourhood Centres' and for 'Office Rationalisation' and he indicated that although the registers were snapshots at a moment in time, they were intended to evolve as projects were further developed.

A Member expressed concern that the impact of the decision of the Secretary of State following the libraries inquiry had not been anticipated and that the risk of the development of neighbourhood centres not proceeding had not been included in the risk registers. In response, the Director indicated that the role of officers had been to focus upon the implementation of a decision of the Council. The action of the Secretary of State had not been envisaged and the cancellation of the project had not been anticipated.

The Chair also expressed concern that risk registers contained insufficient detail and proposed that a review should be undertaken by the Committee of departmental risk registers and those in place in relation to projects in the Change Programme.

**Resolved –**

- (1) That the report be noted.**
- (2) That a report be presented to the next meeting of the Committee, to include all current departmental risk registers and the risk registers in place for all projects within the Change Programme.**

## **89 CIPFA AUDIT COMMITTEE UPDATE**

The Director of Finance referred to the CIPFA Better Governance Forum Audit Committee Update Issue 1, dated January 2010, which had been distributed to all Members of the Committee. Within the update was a section on recent developments and the Director provided a note of progress in relation to: –

- Responsibility for the effective scrutiny of Treasury Management strategy and policies;
- The Role of the Head of Internal Audit; and
- Protecting the Public Purse.

**Resolved – That the progress made on recent developments highlighted in the Audit Committee Update be noted.**

## **90 THE ROLE OF CHIEF FINANCIAL OFFICER**

Further to minute 34 (23 September 2010), the Director of Finance reported that in June 2009, CIPFA had issued a statement on the Role of the Chief Financial Officer in Public Services and had now issued a consultation draft on the Role of the Chief Financial Officer in Local Government. The consultation was based on five principles and he outlined the proposed governance requirements for each, which were relevant to the role of the Committee. Implementation would be effective in time for inclusion with the Annual Governance Statement for 2011, which was signed by the Leader of the Council and the Chief Executive prior to audit by the Audit Commission. Any local authority which did not comply with the five principles would be required to provide an explanation in the Annual Governance Statement.

**Resolved – That the report, and compliance with the five principles contained within the draft consultation, be noted.**

91 **AUDIT COMMISSION REPORT - CERTIFICATION OF CLAIMS AND RETURNS**

The District Auditor presented the Audit Commission report 'Certification of Claims and Returns', which summarised the findings from the certification of 2008/2009 claims and included the messages from the assessment of the arrangements for preparing claims and returns and information on claims amended or qualified.

He reported that Wirral Council received over £239m of funding from various grant-paying departments and the Council was required to show that it had met the conditions attached to those grants to ensure the funding was not at risk. It was therefore important that the Council managed certification work properly and could demonstrate to auditors, that the relevant conditions had been met.

The concept of materiality did not apply to the certification of grants/returns as auditors were required to report all uncorrected errors and matters arising to the grant paying body regardless of their financial implications to the claim/return. Matters arising could include further background to issues identified during certification, which allowed the grant paying body to exercise judgement over, for example, eligibility of expenditure or the significance of the issue.

He outlined the revised format and structure of the report and highlighted the significant findings contained within it. It now reflected a new national template issued centrally by the Audit Commission and he commented that more detail was provided in the body of the report for individual claims/returns. This had resulted in an increase in the number of recommendations raised in the report in order for the Council to improve its current arrangements, to maximise the grant claimed and to minimise associated risks. He provided a comparison with the 2007/2008 audit and commented that although the certification fee had been reduced there was scope to further reduce fees through improvements to the control environment, working papers and quality assurance.

**Resolved – That the report be noted.**

92 **CERTIFICATION OF GRANT CLAIMS AND RETURNS**

In response to the Audit Commission report 'Certification of Claims and Returns' (see minute 91 ante), the Director of Finance reported that considerable progress had been made in the past year and actions were in place to address all of the issues raised as well as those in the report on the 2007/2008 grant claim reported to Committee on 18 January 2010 (minutes 68 and 69 refer). In addition to the steps contained within the Action Plan, the Authority was continuing to take a pro-active approach to encourage good grant claim practice, which should reduce the need for future amendment.

However, the large and complex Housing Benefit claim was always likely to be subject to some form of amendment, as were those related to North West Development Agency grant support. The Director commented also upon the qualification letters that were produced, where the auditor wished to raise an issue with the paying body. Five were issued in 2008/2009 and he confirmed that the

issues raised had no impact on grant entitlement as in each case the grant paying body was satisfied with the action taken by the Council and paid out all money claimed.

**Resolved –**

- (1) That the report be noted.**
- (2) That the thanks of the Committee be accorded to the officers and to the District Auditor for the work undertaken and comprehensive report.**

**93 AUDIT COMMISSION: REVIEW OF INTERNAL AUDIT AND THE AUDIT FEE**

Further to minute 65 (18 January 2010), the Director of Finance reported that significant progress had been made on the implementation of the twelve recommendations contained within the Audit Commission Review of Internal Audit. He reported also that the Audit Commission had agreed to work with Internal Audit, the Council's Finance Team, and other directorates to reduce the external audit fee and he highlighted a number of areas to be explored that he anticipated would reduce the fees for 2009/2010 and 2010/2011.

**Resolved – That the report be noted and the thanks of the Committee be accorded to the Audit Commission for their help in reducing the audit fee.**

**94 PETITION SCHEME**

The Director of Law, HR and Asset Management reported upon the new statutory duty on local authorities under section 14 of the Local Democracy Economic Development and Construction Act 2009 to have a scheme for handling petitions, including e-petitions. He presented a draft scheme, based on a Model Scheme issued by the Department for Communities and Local Government (DCLG), which he proposed to present to the Cabinet for consideration with a view to it being recommended to the Council on 19 April 2010 for immediate implementation.

He outlined the requirements on local authorities of the draft statutory guidance that had been issued for consultation and indicated that beyond the requirement to meet minimum standards, local authorities had discretion about how they approached the duty, leaving scope for local determination.

The Chair referred to an e-mail from a local resident that had been sent to all Members of the Committee in relation to the proposed scheme. The e-mail referred to advice from the Information Commissioners Office (ICO) in relation to the publication of personal information in petitions and how it complied with the requirements of the Data Protection Act. Members expressed the view that the draft scheme should be amended to incorporate the advice from the ICO. Members commented also upon the thresholds in the proposed scheme having been increased to take into account Wirral's population being larger than the 150,000 set out in the DCLG Model Scheme. A Member commented also upon planning and licensing decisions being excluded from the scheme, as well as other matters where there was another appeal, such as Council Tax banding. He expressed the view that although they were excluded from the scheme by the draft statutory instrument, the Council should have a single petitions document with subsets for those areas excluded.

In response, the Director reported that his report was based on the draft statutory guidance. In finalising the petition scheme the Council would be under a statutory duty to have regard to the statutory guidance issued in relation to this duty. As the statutory framework was not yet fully in place, he indicated that any amendments which would impact on the proposals set out in his report would be reported to the full Council in due course.

**Resolved –**

- (1) That the following amendments to the proposed Petition Scheme be referred to the Cabinet for consideration prior to the referral of the Scheme to the Council for adoption –**
  - (a) that the scheme be amended to take into account the advice from the Information Commissioners Office in relation to the publication of personal data.**
  - (b) that the thresholds contained within the proposed scheme be amended to mirror the lower thresholds contained within the DCLG Model Scheme;**
  - (c) that the document be amended to include subsets for those petitions specifically excluded from the scheme by the draft statutory instrument.**
- (2) That, subject to the views set out at (1) above, the proposed adoption of the Petition Scheme and its inclusion within the Council's constitution, with effect from 20 April 2010 be endorsed.**
- (3) That Committee supports the proposed delegation to the Director of Law, HR and Asset Management in consultation with the three Group Leaders the authority to make any minor amendments to the Petition Scheme, reasonably required to comply with the emerging legislative framework.**

**95 ADULT SOCIAL SERVICES: CHARGING POLICY - PROGRESS REPORT ON REIMBURSEMENT IN RELATION TO PUBLIC INTEREST DISCLOSURE ACT (PIDA) 1998**

Further to minute 47 (25 November 2009), the Director of Law, HR and Asset Management presented a report of the Director of Adult Social Services to update the Committee upon progress in the implementation of re-imburement to certain residents and former residents of Bermuda Road, Curlew Way and Edgehill Road following the agreement of the Cabinet (minute 256 (14 January 2010) refers) to the recommendations of the Committee.

**Resolved –**

- (1) That the report be noted.**



- (2) That final details of reimbursements to individuals be reported to a future meeting of this committee**

**96 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. Since 2006 the training requirements had been comprehensively achieved by the appointment of Anna Klonowski, one of the Members of the working party who wrote the document. The course had previously been supplied over two sessions at a cost of £2,500 and the Director proposed the retention of the existing trainer in 2010/2011.

**Resolved –**

- (1) That the existing trainer be retained in 2010/2011**
- (2) That the first training course be held on 7 June 2010.**

**97 REPORTS SUBMITTED AFTER DEADLINES - UPDATE**

Further to minute 58 (25 November 2010), the Director of Law, HR and Asset Management presented an updated monitoring report in relation to the receipt of reports by Committee Services after specified deadlines. The deadlines imposed by Committee Services were intended to ensure that the Council published agendas and reports in accordance with the statutory period laid down and he commented that failure to do so could result in a decision in question being open to challenge in the courts.

He provided details of late reports, by Committee, received by Committee Services for meetings up to 1 March 2010 and indicated the number of reports approved as items of 'any other urgent business'. For comparison purposes, he presented information considered by the Committee in November 2009 and commented that overall, there had been a further significant decrease in the number of late reports.

**Resolved –**

- (1) That the report be noted.**
- (2) That a further monitoring report be presented to the next meeting of the Committee.**

**98 VOTE OF THANKS**

Members thanked the officers for their work during the past year and also accorded their best wishes to the Chair, who was not seeking re-election to the Council in the forthcoming municipal elections.

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