

# AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 26 November 2012

<u>Present:</u>	Councillor	J Crabtree (Chair)	
	Councillors	D Dodd A Brighthouse RL Abbey	S Foulkes P Hayes D McCubbin
<u>Deputies:</u>	Councillors	S Mountney (In place of JE Green) M Sullivan (In place of J Walsh)	
<u>In attendance:</u>	Councillor	P Davies	

## 31 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked to consider whether they had any disclosable pecuniary interests and/or any other relevant interest 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.

## 32 MINUTES

**Resolved – That the minutes of the meeting held on 19 September 2012, be approved.**

## 33 HIGHWAYS AND ENGINEERING SERVICES CONTRACT AWARD AND MANAGEMENT - ACTION PLAN

Further to minute 21 (19 September 2012), the Chief Executive presented an Action Plan that had been prepared in response to the recommendations made in the Audit Commission's Public Interest Report (PIR): Highways and Engineering Services Contract Award and Management dated 8 June 2012. The PIR contained 21 recommendations that sought to address the issues and concerns raised within it and the Action Plan prepared by officers had been approved by the Cabinet on 18 October 2012 (minute 113 refers), having been endorsed by the Wirral/LGA Improvement Board.

In response to comments from Members in relation to the difficulties that had been faced by whistleblowers, the Deputy Chief Executive confirmed that there was a continuing dialogue between the whistleblowers and the Chief Executive. He assured Members that whistleblowing was taken very seriously by the Council and protection was afforded to those who raised issues in good faith. Members referred also to the role to be played by the Procurement Section in the introduction of an effective performance management system from the start of a contract and expressed a view that Internal Audit should also be involved in the process.

A Member referred to a specific recommendation contained within the Action Plan that there should be a fundamental review of Internal Audit at elected member level and questioned what that involvement would be. In response, the Interim Director of Finance reported that a review of the effectiveness of Internal Audit had required a significant amount of technical preliminary work being undertaken, shared with Liverpool City Council. Following evaluation, a further report would be presented to the next meeting of the Committee, with recommendations for Members'

consideration, to determine how best to improve Internal Audit in Wirral. He welcomed the submission of further comments from Members to inform the ongoing review.

**Resolved –**

- (1) That the report and Action Plan be noted.**
- (2) That the Review of Internal Audit be presented to the next meeting of the Committee.**
- (3) That a further update be presented to the next meeting of the Committee, in order for Members to monitor the implementation of the Action Plan within the agreed timescales.**

#### 34 **INTERNAL AUDIT UPDATE**

The Chief Internal Auditor provided an evaluation of the performance of the Internal Audit Section and reported upon issues that had arisen from the audit work undertaken during the monitoring period 1 September to 31 October 2012. Internal Audit had recently introduced a more effective reporting mechanism that summarised audit work completed and identified issues raised on a more timely monthly basis. He commented that as a result of this and following detailed discussions with the Chair it was agreed that it was not appropriate to include a significant amount of duplicate detail in his report and that instead it would in future focus on any items of note arising from audit work conducted, any issues arising that required actions to be taken by Members, performance information related to the Internal Audit Service and, developments being undertaken to improve the effectiveness of the Internal Audit Service.

During the monitoring period, the following items of note were brought to the attention of Members and the outcome of follow up audit work would be the subject of further reports to Committee –

- (a) Metro Catering Income (see minute 39 post)
- (b) Court of Protection
- (c) Adult Social Services Establishments
- (d) Highways Maintenance: Colas Payments
- (e) DASS Personal Budgets (see minute 38 post)
- (f) Information Assurance and Governance

He presented also a detailed Improvement Plan that had been prepared to drive a number of developments and initiatives aimed at increasing the overall efficiency and effectiveness of systems of internal audit across the Council. He indicated that one of the key actions identified in the Improvement Plan involved the evaluation and consideration of shared arrangements for the delivery of internal audit services. Significant progress had subsequently been made in this area and agreement reached with Liverpool City Council that included a shared Head of the Internal Audit Service.

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

#### 35 **ANNUAL AUDIT LETTER 2011/2012**

The Assurance Manager, Grant Thornton UK, presented the Annual Audit Letter 2011/2012, which had been prepared previously, by the Audit Commission District Auditor. It summarised the audit work undertaken for the 2011/2012 audit of Wirral Council, including the Merseyside Pension Fund. The Annual Governance Report

(AGR) presented to the last meeting of the Committee (minutes 22 and 25 (19 September 2012) refer) outlined the findings of the audit of the 2011/2012 financial statements and its arrangements for securing value for money. Subsequently, the District Auditor had –

- issued an unqualified opinion on the Council's 2011/2012 financial statements on 25 September 2012;
- issued an adverse conclusion in respect of the arrangements the Council put in place during 2011/2012 for securing economy, efficiency and effectiveness in its use of resources; and
- certified completion of the audit.

A range of recommendations had been made to secure improvements in 2012/2013, in particular to ensure that the Council addressed the weaknesses identified in –

- the Highways and Engineering Services report in the public interest;
- respect of financial resilience, securing economy, efficiency and effectiveness and proper arrangements;
- its overall governance arrangements;
- respect of the issues raised in the report on gifts and hospitality and conflicts of interest.

The Council had responded positively to the recommendations and had included its response within the Improvement Plan.

**Resolved – That the Annual Audit Letter 2011/2012 be noted.**

#### 36 **AUDIT FEE LETTER 2012/2013**

The Assurance Director, Grant Thornton UK, commented that Grant Thornton UK LLP had been appointed by the Audit Commission as auditors to the Council for at least the next five years and he advised Members of the quality of external audit that would be provided and the broad range of specialist skills and support that would be provided to the Council. He reported that the Audit Commission had set the proposed work programme and scale of fees for 2012/2013 and he presented details of the reduced Planned Audit Fee for the Council in 2012/2013 along with the scope and timing of the work and details of the audit team.

**Resolved – That the Audit Fee Letter 2012/2013 be noted.**

#### 37 **CORPORATE RISK AND INSURANCE MANAGEMENT**

The Interim Director of Finance reported upon progress made in relation to the objectives for corporate risk and insurance management and the anticipated developments in the coming months. He commented that regular update reports sought to support the Risk Management Strategy and maintain the successful management of the Insurance Fund. However, he proposed that future monitoring reports would focus primarily on any relevant risks.

**Resolved – The progress reported and the issues for the next period in respect of Corporate Risk and Insurance Management be noted.**

#### 38 **ADULT SOCIAL SERVICES - PROGRESS OF ACTIONS IN RELATION TO PERSONAL BUDGETS**

Further to minute 15 (19 September 2012), the Director of Adult Social Services presented a progress report that had also been presented to the Health and Well Being Overview and Scrutiny Committee (minute 33 (5 November 2012) refers),

regarding the actions to be taken to implement the outstanding recommendations in relation to the Department of Adult Social Services (DASS) Personal Budgets, in line with revised target dates. He commented that whilst it was acknowledged that there had been slippage from the original dates planned for compliance, Members had expressed a view that, when issues were brought to the attention of the Committee as a high priority, an action plan, with named responsible officers should be presented and that there should be an automatic referral to Overview and Scrutiny Committees.

The Director set out the six high and five medium priority recommendations in relation to DASS Personal Budgets and he reported that revised target dates for implementation had been set during September and October 2012, which represented significant slippage from the original dates indicated. Subsequently, DASS had undertaken a thorough review of the audit recommendations and he submitted the departmental response showing revised comments and timescales for compliance. In response to comments from Members, the Director acknowledged that the slippage identified was not acceptable. Significant work had been undertaken already and he aimed to adhere to the timescales set out in the action plan.

**Resolved – That the report be noted and update reports be presented to future meetings of the Committee to inform of compliance with the action plan.**

### 39 **METRO CATERING INCOME PROCEDURES – AUDIT ACTIONS**

Further to minute 15 (19 September 2012), the Deputy Director of Children's Services presented a progress report to inform of the actions taken to address a number of weaknesses identified in an audit of CYPD Metro Catering's procedures for the management of meal income. The Director outlined the issues that had been identified and set out the actions that had been and were being taken to ensure compliance with the audit recommendations within agreed timescales.

In response to comments from Members as to measures that could be adopted to increase income and simplify income management, the Deputy Director indicated that the charges for school meals could be reviewed. However, any proposed charging increase would have to be considered in the knowledge that Metro Catering was a declining activity within the Council, with schools able to make their own arrangements for the provision of school meals. He commented also that many local authorities had switched to an electronic payment system for school meals, which parents' accessed remotely. This would provide a simpler process than the current system and demonstrations of payment systems had been arranged in order to explore options further. However, these would have an initial cost implication.

**Resolved –**

- (1) That the actions following the audit recommendations be noted.**
  - (2) That the report be referred to the Children and Young People O&S Committee for consideration.**
-