

# Public Document Pack

## AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 30 June 2010

Present:

Councillor S Mountney (Chair)

Councillors

RL Abbey  
P Reisdorf  
L Rowlands  
C Povall

J Crabtree  
D Dodd  
A Brighthouse

### 1 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.

### 2 MINUTES

The Director of Law, HR and Asset Management submitted the minutes of the meeting held on 24 March 2010.

**Resolved –**

**(1) That the minutes be approved.**

**(2) That the Director of Law, HR and Asset Management be requested to provide an update for members on amendments to the Petition Scheme.**

### 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 current municipal year.

On a motion by the Chair and seconded by Councillor Povall, it was –

**Resolved – That Councillor L Rowlands be appointed Vice-Chair for the current municipal year.**

### ORDER OF BUSINESS

The committee agreed to vary the order of business and bring forward the following related items:

- Internal Audit Report
- Statement of Accounts
- Pension Fund Accounts

- Audit Commission Progress Report
- Audit Commission Annual Audit Fees 2010/2011
- Audit Commission – Performance Management Review
- Audit Commission Progress Report – Merseyside Pension Fund
- Audit Commission Fees – Merseyside Pension fund

#### 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 2009/2010.

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.

The Chief Internal Auditor responded to questions from members regarding the Section's work programme; management and monitoring of financial control systems; integration of the HR and Payroll functions, and; measures to proactively promote good practice.

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

#### 5 **STATEMENT OF ACCOUNTS 2009/2010**

In line with the Accounts and Audit Regulations 2003, the Director of Finance presented the 2009/2010 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 28 September 2010 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 2009/10 with 2008/09;
- 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.

The Director responded to questions from Members relating to Accounting Standards and Policies; the main Financial Statements including items within the Income & Expenditure Account and the Balance Sheet; the Pension Fund; Council Tax collection and provision for bad debts as well as the impact of changes in housing benefit legislation. He also reported upon engagement with the public and how financial information was made available through the council website, and information leaflets available through libraries and one stop shops.

**Resolved –**

- (1) That the Statement of Accounts 2009/10 be approved and signed by the Chair of the Audit and Risk Management Committee.**
- (2) That the Director of Finance and his Accountancy team be thanked for their efforts in producing the Statement of Accounts**

**6 MERSEYSIDE PENSION FUND ACCOUNTS - YEAR ENDED 31 MARCH 2010**

The Director of Finance submitted a report and presented the accounts and financial statements which in due course would be contained in the Annual Report of Merseyside Pension Fund 2009/2010.

**Resolved –**

- (1) That the Committee agree the levels of materiality and triviality.**
- (2) That the Committee approve the accounts and financial statements of Merseyside Pension Fund for the year ended 31 March 2010.**
- (3) That the Director of Finance and his Pension Fund officers be thanked for their efforts in producing the Statement of Accounts**

**7 AUDIT COMMISSION PROGRESS REPORT**

Liz Temple-Murray, Audit Manager, presented the Audit Commission Annual Progress Report for 2009/10 updating members of its ongoing work at the Council. The report highlighted some key messages for members' attention:-

- (a) Fees – the government was abolishing Comprehensive Area Assessment (CAA) and all work relating to organisational assessment would cease with immediate effect (paragraph 2). Inspection fees for 2010/11 would change when the implications of the abolition of CAA was confirmed.
- (b) Opinion 2009/10 – The opinion plan was on target and milestones and deadlines had been updated to show progress on the opinion audit.

(c) Value for Money (VFM) Conclusions – the VFM conclusion plan was on target. The impact of the abolition of CAA on reporting was highlighted.

(d) Public Interest Disclosure Act (PIDA) work continued (paragraph 31)

(e) Grant Claims and Returns 2009/10 - the Audit and Risk Management Committee's responsibilities for receiving the Annual Governance report and approving the audited accounts at its meeting on 28 September were noted (paragraph 45).

(f) Councillor update newsletters were now available on the website.

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

## **8 AUDIT COMMISSION ANNUAL AUDIT FEES 2010/2011**

The Director of Finance outlined the proposed Audit Commission fees for 2010/2011. 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 2010/2011 was 8% above the scale fee for Wirral Council of £363,000 and this compared favourably with the previous year and reflected the on-going work between the Council and the Audit Commission, and their commitment to seek to reduce their fees.

It was noted that the Commission would subsidise the 'one-off' element of the cost of transition to International reporting Standards (IFRS) and the Council would therefore receive a refund of £21, 904 for 2010/11.

The expected Total Audit Fee for 2010/2011, including certification of claims and returns, was £520,000, an increase of £5,000 from 2009/2010.

**Resolved – That the audit fees for 2010/11, as amended by a 'one-off' refund of £21, 904, be agreed.**

## **9 AUDIT COMMISSION - PERFORMANCE MANAGEMENT REVIEW**

The Deputy Chief Executive/Director of Corporate Services presented a report summarising the findings of the Audit Commission's final report on the Council's performance management arrangements which included an action plan (Appendix 1). Full copies of the Audit Commission's reports for each stage of the review were available in the electronic library on Wirral Council's website. The areas for focus emerging from the review were as follows:

- Further develop the Council's management information arrangements to help services monitor and manage improvements.
- Review arrangements to ensure that key strategic documents intended to support the delivery of the Corporate Plan are fully aligned to both the Corporate Plan and each other.
- Strengthen arrangements to promote shared learning, both internally and externally.

- Review the way that the Corporate Improvement Group (CIG) and Performance Management Group (PMG) function and contribute to the improvement of corporate performance management arrangements.

Action had been taken to address these areas for focus, prompted by the Council's recognition and understanding of what needed to be done to improve its performance management arrangements. However, the review had been a useful catalyst to drive further improvements and an action plan has been developed in response to the Audit Commission findings (Appendix 1) The plan had been developed by the Council's Performance Management and Corporate Improvement Groups with approval by the Chief Officers Management Team.

The Director of Finance responded to a request for a review of I.T. systems to improve communications and sharing of management information between departments. He reported that external consultants were currently engaged in this task and their findings would be reported back to Cabinet.

**Resolved – That the Committee:**

- (1) Note the findings of the review outlined within this report.**
- (2) Note the Audit Commission's final report and action plan.**

#### **10 AUDIT COMMISSION PROGRESS REPORT - MERSEYSIDE PENSION FUND**

Liz Temple-Murray, Audit Manager, presented a report providing an update of the Audit Commission's ongoing work at the Pension Fund and informing the committee of the risks arising from the audit.

**Resolved – That the report be noted**

#### **11 AUDIT COMMISSION FEES - MERSEYSIDE PENSION FUND**

The Director of Finance submitted a report informing Members of a reduction in the fee levels of the Audit Commission for MPF for the audit of the annual accounts for the financial years 2009-2010 through to 2012-2013.

In May 2010, the Audit Commission advised of a change in approach to the basis of charging fees, which would contain three elements, and would apply, to the Audit of the Accounts for the year ended 31 March 2010, and thereafter:

- A statutory scale fee of £33,300 per annum will apply to multi-employer funds for the 2009-2010 and 2010-2011 audits.
- A new variable element is now introduced, to reflect the size of the pension fund, as a proxy for the amount of auditing involved, estimated at £19,365 for two years.
- A joint annual identification of additional risk by MPF and the Audit Commission would take place relating to any exceptional changes and transitions in a particular year.

In January 2010, the Committee had agreed a budget of £73,700 for the audit and opinion on the accounts for the year ended 31 March 2010. Fees for the audit of the 2009-2010 accounts, which were charged against the 2010-2011 budget, were expected to total £54,068 which would represent a saving of £19,632 against the budget.

**Resolved – That the Committee note the reduction in the Audit Commission fees for auditing the accounts from the financial year 2009-2010 onwards.**

## 12 INTERNAL AUDIT WORK - APRIL TO MAY 2010

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 – May 2010.

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

## 13 CORPORATE RISK AND INSURANCE MANAGEMENT

The Director of Finance provided information on the corporate risk and insurance management objectives for 2010/2011 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 2010/2011, together with target dates for completion.

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

## 14 DEPARTMENTAL AND CHANGE PROGRAMME RISK REGISTERS

Further to minute 88 (24/3/2010) the Director of Finance presented all current departmental risk registers and the risk register in place for all projects within the Change Programme.

**Resolved - That the content of the registers be noted.**

## 15 ANTI-FRAUD AND CORRUPTION POLICY

The Director of Finance presented a report summarising a review of the Anti-Fraud and Corruption Policy. Having such policies documented, up to date and drawn to the attention of all stakeholders was a fundamental requirement of one of the six core principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework.

**Resolved: That**

- (1) the Anti-Fraud and Corruption Policy be endorsed; and**
- (2) the Anti-Fraud and Corruption Policy be made available to all Members, officers, and citizens by being included on the Council Internet site and awareness training be scheduled to promote compliance across the Council.**

**16 AUDIT COMMISSION REPORTS**

The Chief Internal Auditor presented a report detailing the recommendations arising from reviews undertaken by the Audit Commission between April 2009 and March 2010, and those reports dating from 2006/07 where recommendations were previously found to be outstanding. The report and Appendix detailed the action that Wirral Council had taken to implement the listed recommendations.

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

**17 CIPFA AUDIT COMMITTEE UPDATE**

The Director of Finance referred to the CIPFA Better Governance Forum Audit Committee Update Issue 2, dated May 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: –

(i) Delivering Good Governance in Local Government – provided advice on the application of the Statement on the Role of the Chief Financial officer in Local Government under the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. It showed how the annual governance statement could reflect compliance with the Statement for reporting purposes.

The Council complied with all of the principles in the Role of the Chief Financial Officer in Local Government, as detailed in a report to this Committee on 24 March 2010.

(ii) Consultation on the Role of Head of Internal Audit - the CIPFA Statement set out five principles which apply across all public service organisations.

(iii) The Effective Internal Audit Guide – Provided guidance on assurance frameworks and the role of internal audit, and how internal audit teams could improve and demonstrate their effectiveness. It included case studies, improvement tools and links to other resources.

(iv) Severance Agreements for Chief Executives - This report, *By Mutual Agreement*, included recommendations to the Government, Councils and the Local Government Association.

(v) Counter Fraud Checklist for those responsible for Governance – For use by those responsible for governance (audit committees or equivalent) to assess their contribution to the fraud defences of their organisation.

(vi) Fraud Risk Evaluation Diagnostic (FRED) - For practitioners such as risk managers, internal auditors, finance managers, and counter fraud specialists, to gain an understanding of the susceptibility to fraud and corruption of their organisation.

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

## 18 **REGULATION OF INVESTIGATORY POWERS ACT 2000**

The Director of Law, HR and Asset Management submitted a report summarising the use of covert surveillance by the Council since 1 July 2009.

Between 1 July 2009 and 31 May 2010 the Council had granted 13 authorisations for covert surveillance to gather evidence of serious anti-social behaviour (6), surveillance by Wirral Trading Standards officers (6), and investigations into fly tipping (1).

The Home Office Codes of Practice required local authorities to appoint one of its Directors to oversee the use of RIPA and to report on its use. The Director of Law, HR and Asset Management (through the Head of Legal and Member Services) was responsible for keeping the central record of authorisations of covert surveillance and monitoring the proper use of the legislation through quarterly meetings of departmental co-ordinators.

The Committee was requested to recommend to the Cabinet that the Director of Law, HR and Asset Management be appointed to this position.

**Resolved –**

**(1) That the Committee notes the report on the use of RIPA.**

**(2) That Cabinet appoint the Director of Law, HR and Asset Management as the Council's Senior Responsible Officer as defined in the Home Office Codes of Practice on RIPA.**

## 19 **MEMBERS TRAINING**

The Director of Finance reported that committee members received specific training in their role which was usually undertaken by the authors of 'Audit Committees – Practical Guidance for Local Authorities' conducting two training sessions per annum. The initial training session had been completed and it was recommended that members agree a date for a more advanced training session.

**Resolved – That arrangements be made for an advanced Member training session.**

## 20 **REPORTS SUBMITTED AFTER DEADLINES**

Further to minute 97 (24 March 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 June 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 March 2010.

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

21 **WORK PLAN 2010/2011**

The views of the Committee were requested concerning topics to be included in this year's scrutiny work programme.

**Resolved – That the following list of items forms the basis of the committee's work programme for the current municipal year:**

- **Statement of Accounts**
  - **Private Finance Initiative (PFI) - as it affects the Accounts**
  - **Information Technology Review**
  - **ePetition Scheme**
  - **Budget Projections including the impact of savings on service delivery and risk management**
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