

# Public Document Pack

## AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 22 November 2010

<u>Present:</u>	Councillor	S Mountney (Chair)	
	Councillors	L Rowlands RL Abbey P Reisdorf	C Povall J Crabtree D Dodd
<u>Deputies:</u>	Councillors	R Wilkins (In place of A Brighthouse)	
<u>In attendance:</u>	Councillor	J Green	

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

Members of the Committee were requested to declare whether they had an interest, either personal or prejudicial, in any item on the agenda and, if so, to declare it and state the nature of such interest.

No such declarations were made.

### 42 MINUTES

**Resolved – That the minutes of the 28 September meeting be approved.**

### 43 LESSONS LEARNED FROM THE HESPE/PIDA IN RELATION TO THE PACSPE CONTRACT

Further to minute 31 (28 September, 2010) the Director of Technical Services gave an update to the Committee and submitted the Action Plan in relation to the Parks and Countryside Services Procurement Exercise (PACSPE).

A Member commented on the lateness of this report and the fact that he had only just received a copy that evening

The Action Plan listed the lessons learnt from the HESPE/PIDA along with the key actions, owners, timescale and progress.

Responding to Members' comments, the Interim Head of Technical Services explained the use of the RAG (Red/Amber/Green) status system. Actions were 'green' if they were work in progress and still on target, they became 'amber' if there was slippage on timescale.

With the permission of the Chair, the Leader of the Council addressed the Committee and commented that the Committee could take comfort from the lessons learnt and key actions which were now in place to address these lessons with the

responsibilities and accountabilities built in. Better project management was now being carried out on a corporate basis.

The Director commented that the Action Plan gave officers the security of knowing that they were following best practice and focused the whole organisation on delivering.

**Resolved – That the Action Plan be noted.**

#### 44 **BUDGET PROJECTIONS 2011-2015**

The Director of Finance provided an update to the projected budgets for the years from 2011 to 2015 taking into account the Government's Spending Review 2011-15 announced on 20 October. He set out the assumptions which underpinned the projections and provided information in relation to grant negotiations, balances and efficiencies agreed to date. The budget shortfall for 2011/2012 was £33.1m and in the order of £115m over four years.

He reported that the provisional Local Government Finance Settlement should be issued by 2 December, with the final settlement due later in January or early February after a period of consultation.

The Director responded to comments from Members and confirmed that the Council would challenge again, as it had done in 2001, figures on populations if it was felt that the figures confirmed in the 2011 Census were too low. A reduction in the figure from the 2001 Census greater than any other Metropolitan or unitary authority could lead to a significant reduction in grant. He confirmed that Chief Officers not able to deliver against their income budgets would need to report this to Cabinet.

**Resolved –**

**(1) That the budget projections be kept under review.**

**(2) That further efficiencies be delivered.**

#### 45 **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 summarised the audit work completed between 1 September 2010 and 31 October 2010 and stated that over 100 audits were undertaken during this period identifying more than 150 high and medium priority recommendations to address risks and improve systems in operation across the Council. Management had agreed to implement all of the recommendations made within a satisfactory timescale and follow up audits were scheduled to monitor progress. Details were also given of those audits which had identified high priority recommendations.

The Chief Internal Auditor responded to comments from Members and stated that he would be happy to report back to the January meeting on the one star rating for BT Data Analysis and compliance with the audit recommendations.

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

#### 46 INTERNAL AUDIT ANNUAL PLAN REVIEW

Further to minute 35 (28 September, 2010) the Chief Internal Auditor submitted a report on a proposed review of the 2010/11 Internal Audit Plan. He identified areas which he considered should not be included in the Plan and the topics he considered could be deferred to enable suitable resources to be made available to review the control over significant risks to the Council that had become apparent.

Critical issues such as:

- Strategic Change Programme,
- Care Quality Commission's recommendations in respect of the Department of Adult Social Services,
- Governance
- ICT strategic Review
- Centralisation of Financial Services
- Personal Budgets
- Counter Fraud

would consequently be included in the remaining portion of this year's Plan. However, several staff in Internal Audit were interested in accepting the offer of severance and if they were allowed to accept, further revision of the Annual Plan would be necessary.

The days estimated as necessary to conduct the audits on those areas identified above would be made available by:

- (i) Removing some audits of low risk areas from the Plan.
- (ii) Reducing time spent on audits identified as low risk by conducting less testing and focusing only on essential controls.
- (iii) Reviewing several risk ratings which had resulted in revision of the need to include some areas in the Plan.
- (iv) Reducing the allocation of time on audit of final capital accounts and some grants as funding was no longer available in these areas so consequently audits were no longer required.
- (v) Revising procedures so that more use was made of Control Risk Self Assessments, particularly in follow-up audits.

The Chair welcomed the raising of the bar slightly in respect of these amendments to the Plan and Members expressed their endorsement of this.

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

#### 47 **INTERNAL AUDIT ORGANISATION**

Further to minute 36 (28 September, 2010) the Chief Internal Auditor submitted a report which clarified the organisation of Internal Audit. He identified the reporting lines and supervision, establishment, staff qualifications, costs, planning and work.

With the permission of the Chair, the Leader of the Council addressed the Committee and questioned the need to rely on external inspections when there were 21 full time and 2 part time members of staff in the Internal Audit section. The Chief Internal Auditor responded by referring to the complexity of the organisation. The District Auditor commented that he would not expect Internal Audit to have specialist knowledge of such things as the CQC Inspection of the Department of Adult Social Services.

A Member referred to the Committee's independence and the experience of Members on the Committee whose work it was to evaluate risk to the Council and audit that risk.

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

#### 48 **IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORT STANDARDS (IFRS)**

The Director of Finance submitted a report which gave details of the implications of the full introduction of International Financial Report Standards (IFRS).

With the Committee being responsible for Governance and for the approval of the Statement of Accounts, it was important that Members understood how IFRS would impact on the Council, especially as the preparation of financial statements had to be in accordance with statutory requirements and timescales. The changes required to implement IFRS were largely around how items were accounted for and presented in the Statement of Accounts. The main reason for the change to IFRS was to bring consistency and comparability in both the private and public sectors throughout the world. The private sector had been using IFRS since 2005.

A Member suggested the need for specific training around IFRS to help understand what was going to take place and the Director acknowledged the need to widen understanding of a number of technical accounting changes to the published Statements of Account which IFRS would introduce. The Director stated that he would be happy to provide training for the Committee either as part of the Committee or in a separate session.

The Chair also suggested that the January meeting should receive a full report and presentation exploring IFRS.

**Resolved –**

**(1) That the Committee notes the implications for the Council of the introduction of International Financial Reporting Standards.**

**(2) That the progress made on the implementation of IFRS be noted.**

#### 49 **AUDIT COMMISSION PROGRESS REPORT**

The District Auditor presented the Audit Commission Progress Report, which provided an update of ongoing work at the Council and informed Members of the risks that had arisen from the audit, under the International Standard on Auditing (United Kingdom and Ireland) 300. He set out the key messages within the document, including those in relation to fees, the opinion on the Statement of Accounts, the Value for Money conclusion and work undertaken in relation to the Public Interest Disclosure Act 1998 (PIDA) and the National Fraud Initiative 2008/09

Responding to Members' comments the District Auditor remarked that he would expect some decisions early in the new year on the proposed abolition of the Audit Commission and the impact on how Local Authorities would be audited in the future. The Audit Commission would be Wirral's appointed auditor for 2010/11 and 2011/12. He also gave details of some of the work of the Audit Commission's National Fraud Initiative (NFI) and the Director of Finance stated that this would be work which the Council could not pick up itself.

The Chair suggested that the Cabinet be informed of the valuable work undertaken by the NFI and that the Cabinet consider making representations to the Government.

**Resolved –**

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

**(2) That Cabinet be requested to consider making representations to the Government on the valuable work undertaken by the NFI.**

#### 50 **CORPORATE RISK AND INSURANCE MANAGEMENT**

The Director of Finance provided information on recent progress made against the existing objectives for Corporate Risk and Insurance Management and the anticipated developments in the coming months.

Responding to a Member's comment the Director remarked that he would look into the matter of future training being at an appropriate higher level, in line with the existing knowledge base of Members on the Committee.

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

#### 51 **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) - QUARTERLY UPDATE**

Further to minute 39 (28 September, 2010), the Director of Law, HR and Asset Management presented a summary of the use of covert surveillance by the Council between 1 September and 8 November 2010. He provided details of nine authorisations that had been granted during the monitoring period, five of which were for the Wirral Anti-Social Behaviour Team to gather evidence of serious anti-social behaviour; two were for Wirral Trading Standards officers for use in investigations into under-age sales; and two were for the investigation of serious offences of flytipping.

The Director of Law, HR and Asset Management, responding to Members' comments, reiterated the proposed changes to the use of covert surveillance by Local Authorities following the review by Lord MacDonald, QC, as reported at the meeting on 28 September, 2010. A referral from this Committee on this matter would be considered by Cabinet at its meeting on 25 November, 2010.

**Resolved - That the Committee notes the report on the Council's use of RIPA between 1 September and 8 November 2010.**

## 52 **ICT STRATEGIC REVIEW**

The Director of Finance reported upon a report which had been commissioned from SOCITM Consulting (the Society of IT Management) into the technologies and organisation of Information Technology (IT) Services. The recommendations of the report were agreed by the Cabinet on 14 October 2010.

**Resolved –**

**(1) That the recommendations of the report be implemented.**

**(2) That, as agreed by Cabinet on 18 March 2010, a further report be prepared on business continuity and disaster recovery.**

**(3) That consultation be undertaken on the provision of enhanced out of hours support, any proposals to be reported back to the Cabinet.**

**(4) That, as agreed by Cabinet on 15 April 2010, ITIL and SFIA be developed possibly with initial assistance from external trainers.**

**(5) That the suitability of the Oracle CRM and Documentum systems be reviewed as part of the current exercise.**

**(6) That SOCITM be requested to agree to the public release of the report.**

## 53 **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 1)**

The Chair requested a number of reports to future meetings, including:

1. An update on the financial position.
2. A report on governance of the Council including management processes within the Council.
3. An annual report to Cabinet on the work undertaken by the Committee, this report should come to the January meeting of this Committee for comments prior to its submission to Cabinet in March.
4. A self-assessment health check to the January or March meeting.

The Chair also suggested that before the minutes of the Committee were published, he should receive a copy and this was agreed by the Director of Law, HR and Asset Management.

54 **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

**Resolved - That, under section 100 (A) (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 paragraph 1 of Part I of Schedule 12A (as amended) to that Act. The public interest test had been applied and favoured exclusion.**

55 **ICT STRATEGIC REVIEW - EXEMPT APPENDIX**

In connection with minute 52, the Director of Finance submitted the SOCITM Consulting report which was exempt because disclosure might provide personal information about individuals.

Responding to comments from Members the Director informed the Committee that there was still further work to do on the document management system and a further report would be presented to Cabinet, this report would also be brought to this Committee.

Further to resolution (6) of minute 52 above, Members emphasised the request to take the consultant's report out of exemption.

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