

## **WIRRAL COUNCIL**

### **AUDIT AND RISK MANAGEMENT COMMITTEE**

**17 JANUARY 2011**

### **REPORT OF THE DIRECTOR OF FINANCE**

#### **CIPFA AUDIT COMMITTEE UPDATE**

#### **1. EXECUTIVE SUMMARY**

- 1.1. This report provides information on the recent developments outlined in the CIPFA Better Governance Forum Audit Committee Update Issue 3 dated October 2010.

#### **2. BACKGROUND**

- 2.1. The CIPFA Better Governance Forum publishes an Audit Committee Update which is aimed at helping Audit Committees to be effective.
- 2.2. Within the update is a section on recent developments. This report provides Members with a note of progress on each of these developments.

#### **3. HOUSING FRAUD**

- 3.1. A new briefing was launched at the CIPFA Better Governance Forum Annual Conference on 14 October 2010. The Counter Fraud Advisory Panel produced the paper which provides proven ways of how to prevent and stop Council Tax single person discount fraud and housing allocation fraud.
- 3.2. The Council has been very proactive in preventing Council Tax single person discount fraud. Cancellation of fraudulent single person discount claims has increased Council Tax income by £344,000.

#### **4. ROLE OF THE HEAD OF INTERNAL AUDIT**

- 4.1. Consultation on the CIPFA Statement on the role of the head of internal audit in public service organisations closed on 10 September 2010. Audit Committees are recommended to take the statement into account when they review their internal audit arrangements. In local government in England those charged with governance are required to review the effectiveness of the system of internal audit, including internal audit itself, to support their review of the Annual Governance Statement.

- 4.2. A report on the consultation on the role of the Head of Internal Audit was presented to this Committee on 28 September 2010. The Members review of the effectiveness of the system of internal audit is reported elsewhere on this agenda.

## 5. **AUDIT COMMISSION UPDATE**

- 5.1. External auditors are key contacts for an Audit Committee. As well as the opinion on the accounts, Audit Committees currently receive a wider set of assurances covering the internal control and governance arrangements. On 13 August 2010 when the press release announcing that the Audit Commission was to be disbanded was released by the Department for Communities and Local Government (DCLG), it suggested that '*councils will be able to appoint their own independent external auditors from a more competitive and open market among audit firms*'. It was proposed that the new arrangements will be in place for the 2012/13 financial year.
- 5.2. Things are still at an early stage, and DCLG has yet to provide any further information. CIPFA is involved in the DCLG project team work, and the Better Governance Forum will provide updates as more information becomes publicly available.
- 5.3. Disbanding the Audit Commission will involve the DCLG in a substantial workload and will require legislation. The audit operation of the Audit Commission is likely to become a separate legal entity which will compete for contracts to perform the statutory audit work required by local authorities.

## 6. **PROTECTING THE PUBLIC PURSE**

- 6.1. The Audit Commission publication *Protecting the Public Purse 2010 - fighting fraud against local government and local taxpayers* was published on 27 October 2010. This report identifies current and emerging fraud risks in local government and the good practice taken by councils to tackle such fraud. However, the report concludes that such good practice is not universal and encourages all councils to utilise the good practice checklist, specifically written for Audit Committees and included in the publication, to assess their own arrangements and take action where appropriate. In particular the report focuses on housing tenancy, single person discount on Council Tax, recruitment, procurement, personal budgets in social care and Housing and Council Tax Benefit frauds. In addition the report for the first time includes the results from the Audit Commission annual survey of detected fraud across all of local government, police, fire and emergency services in England.
- 6.2. This Audit Commission publication is the subject of a report elsewhere on this agenda. In the section of the publication entitled 'Learning from Others' Wirral is featured as an Authority whose counter fraud approach could serve as a lesson to other organisations.

## **7. THE IMPORTANCE OF GOOD GOVERNANCE AND LEADERSHIP**

- 7.1. CIPFA has issued a report 'Leading in Hard Times' aimed at all public service leaders. It emphasises the need for good governance and effective financial and risk management in addressing the funding challenges facing the public services over the next few years.
- 7.2. I was a member of the consultation group of Finance Directors which helped to formulate this report.

## **8. PENSIONS GOVERNANCE**

- 8.1. All Local Government Pension Schemes need to assess and publish their compliance with the revised Myners' Principles. The six high level principles for pension fund investment, scheme governance, disclosure and consultation were agreed in 2008. If you are a member of an Audit Committee in local government then you should be aware of how the pension fund your authority contributes to complies with these principles and any governance issues arising. The assessment should be available in the pension fund annual report or on the agenda of the Pension Fund Committee.
- 8.2. A report outlining the Merseyside Pension Fund compliance with the revised Myners Principles was agreed by the Pensions Committee on 23 March 2010.

## **9. FINANCIAL IMPLICATIONS**

- 9.1. There are none arising directly from this report.

## **10. STAFFING IMPLICATIONS**

- 10.1. There are none arising directly from this report.

## **11. EQUAL OPPORTUNITY IMPLICATIONS**

- 11.1. There are none arising directly from this report.

## **12. COMMUNITY SAFETY IMPLICATIONS**

- 12.1. There are none arising directly from this report.

## **13. HUMAN RIGHTS IMPLICATIONS**

- 13.1. There are none arising directly from this report.

## **14. LOCAL AGENDA 21 IMPLICATIONS**

- 14.1. There are none arising directly from this report.

**15. PLANNING IMPLICATIONS**

15.1. There are none arising directly from this report.

**16. MEMBER SUPPORT IMPLICATIONS**

16.1. There are none arising directly from this report.

**17. BACKGROUND PAPERS**

17.1. CIPFA Better Governance Forum Audit Committee Update –October 2010.

17.2. Consultation on the Role of the Head of Internal Audit – CIPFA – May 2010.

17.3. Protecting the Public Purse - Audit Commission - October 2010.

17.4. Leading in Hard Times - CIPFA - June 2010.

**18. RECOMMENDATION**

18.1. That Members note the report

IAN COLEMAN  
DIRECTOR OF FINANCE