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## AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 28 March 2011

Present:

Councillor	S Mountney (Chair)	
Councillors	RL Abbey P Reisdorf C Povall	J Crabtree D Dodd A Brighthouse

### 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.

Councillor R Abbey declared his personal interest in agenda item 9 – Internal Audit Plan 2011/2012 (see minute 88 post) in so far as it related to the implementation of the Personalisation Agenda, as a family member was a service user and had recently been the subject of a financial assessment.

No further declarations were made.

### 81 MINUTES

**Resolved – That the minutes of the meeting held on 17 January 2011, be approved.**

### 82 BUDGET PROJECTIONS 2012 - 2015

The Director of Finance presented the projected budget for 2012-2015, following the agreement of the budget for 2011-2012 at the meeting of the Council held on 1 March 2011. He set out the key assumptions which underpinned the projections and highlighted grant negotiations, other legislative issues and the impact of savings previously agreed by the Cabinet. The Director commented that the budget projections were the most likely outcome from a wide range of options and would also be subject to the impact of a number of issues upon which the Government was consulting. Consequently, he indicated that whereas the shortfall of £21.3m projected for 2012/2013 was relatively firm, the situation from 2013 onwards was less so, because of the uncertainty in relation to grant income.

In response to a comment from a Member with regard to a pay award not being made in 2012/2013, the Director indicated that it was not a matter that the Government could enforce on local authorities. However, in the absence of a pay rise, the £1m set aside would be returned to balances, thereby reducing the projected shortfall.

**Resolved – That the budget projections be regularly reviewed.**

## 83 STRATEGIC CHANGE PROGRAMME - REPORTING TIMESCALES

The Director of Finance presented a report of the Director of Technical Services, which set out the timescales for the presentation of reports to the Cabinet on the progress of the Strategic Change Programme. The Committee had identified the Strategic Change Programme as a critical issue for the Council and it had been included in the current year's Audit Plan. A Member referred to the risks associated with the non-delivery of benefits of the Strategic Change Programme, and commented specifically upon the risks associated with the decision to retain Fernleigh respite centre (Cabinet minute 359 (17 March 2011) refers) in the light of key staff having left under Early Voluntary Retirement/Voluntary Severance.

### **Resolved –**

- (1) That the timescales for the submission of Strategic Change Programme progress reports to the Cabinet be noted.**
- (2) That the Health and Well Being Overview and Scrutiny Committee be requested to seek assurances from the Director of Adult Social Services in relation to the risks associated with the decision of the Cabinet to retain Fernleigh respite centre in the light of key staff having left under Early Voluntary Retirement/Voluntary Severance.**

## 84 ANNUAL GOVERNANCE STATEMENT 2010/2011

The Director of Finance reported that the preparation and publication of an Annual Governance Statement was necessary in order to meet fully the statutory requirements of Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006), which required Councils to review the "effectiveness of their system of internal control" and to publish a Statement on Internal Control (SIC) with the Financial Statements of the Local Authority each year. It also required the findings of the review to be considered by a Committee of the Council. In response to a question from a Member in relation to whether staffing levels within Internal Audit were sufficient to undertake the assurance work, the Director referred to reorganisation that was taking place to ensure that the Department was able to continue to perform as required. The proposed changes would be set out in the Departmental Plan, which he proposed to circulate to Members once it had been agreed with the relevant portfolio holder.

A Member referred to paragraph 3.10 of the draft Statement (Transparency of the Decision Making Process) and referred to effective scrutiny not being possible when "call-in" was waived by the Cabinet in relation to key decisions.

### **Resolved –**

- (1) That the Annual Governance Statement for 2010/2011 be included in the Statement of Accounts 2010/2011.**
- (2) That the Director of Law, HR and Asset Management be requested to respond to the concerns expressed in relation to the waiver of call-in by the Cabinet and that the response be circulated direct to each Member of the Committee.**

## 85 ANNUAL REPORT

Further to minute 63 (17 January 2011), the Chief Internal Auditor presented the Annual Report 2010/2011, which had been prepared by the Chair in consultation with Internal Audit after having given Members of the Committee the opportunity to review the document or to suggest any amendments to it.

**Resolved – That the draft Annual Report be approved and submitted to the Cabinet.**

## 86 SELF ASSESSMENT

Further to minute 62 (17 January 2010), the Chief Internal Auditor reported upon the requirement to complete an evaluation of the role and effectiveness of the Audit and Risk Management Committee as part of the systems of internal audit. He presented a self assessment checklist that had been completed by the Chair to achieve the task, together with an Action Plan developed following the exercise, which contained two recommendations related to external audit performance assessment and Member training to improve existing systems in operation.

**Resolved –**

**(1) That the self assessment checklist be approved.**

**(2) That the thanks of the Committee be accorded to the Chair and officers within Internal Audit for the work undertaken in completing the self assessment.**

## 87 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. The report provided an evaluation of the performance of the Internal Audit Section and included details of the actual work undertaken during the period 1 December 2010 and 28 February 2011. He commented that although there were no items of significance identified during the audit process that required action by the Members an item of note related to the significant work undertaken in relation to the Annual Governance Statement.

In response to questions from Members in relation to the work undertaken as part of the National Fraud Initiative, the Chief Internal Auditor reported that the exercise had been a great success and he anticipated that work would continue in the future, with a more pro-active approach being adopted. He commented also that, although there had been a reduction in staffing levels, restructuring had resulted in a focus on key areas of work, whilst still providing assurance for the Council.

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

## 88 INTERNAL AUDIT PLAN 2011-2012

The Chief Internal Auditor presented the Annual Plan of work for the Internal Audit section in 2011/2012, which was intended to provide the assurance needed by the Chief Executive and the Leader of the Council that the risks to the Council's objectives were being adequately identified and effectively controlled. The plan amounted to a total planned resource of 3814 audit days, of which 2709 days would support the provision of the annual assurance opinion on the effectiveness of the Council's control systems and the Annual Governance statement. In preparing the plan, due recognition had also been taken of the current financial pressures on the Council and the recent ongoing changes in the operating environment, in particular those arising from funding constraints and increased risks in those areas.

A Member referred to work being undertaken within the Department of Adult Social Services in relation to the implementation of the Personalisation Agenda, which was a radical change to more directed support that required financial assessments to be undertaken so as to minimise the risks of loss to vulnerable service users and the Council. He commented that 70% of assessments had not yet been undertaken and suggested that the Interim Director of Adult Social Services should have been in attendance to provide clarification as to who would undertake the outstanding assessments now that the Home Assessment and Reablement Team (HARTS) no longer existed. Service user finances continued to be a key risk area and information was also sought with regard to the impact for the authority if the financial assessments were not carried out.

**Resolved –**

- (1) That the report be noted and, subject to (2) below, the Internal Audit Plan 2011/2012 be endorsed.**
- (2) That the Interim Director of Adult Social Services be requested to give consideration to the issues highlighted in relation to the risks associated with the Personalisation Agenda and to present a brief report to the next meeting of this Committee.**

## 89 CORPORATE RISK AND INSURANCE MANAGEMENT

The Director of Finance reported upon 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.**

## 90 ACCOUNTS AND AUDIT REGULATIONS

The Director of Finance reported that the Department for Communities and Local Government (DCLG) had issued a consultation document as part of a regular series of updates to the Accounts and Audit Regulations. He provided details of the proposed amendments which, inter alia, proposed that it would only be necessary for the responsible finance officer to certify the presentation of the accounts by 30 June; the Statement of Accounts not therefore being presented to the

Committee until 30 September, by when the responsible finance officer must have then re-certified the accounts.

The Director presented his response to the consultation and commented that the proposals reflected recommendations, requests and issues that had been raised by the Audit Commission, the Chartered Institute of Public Finance and Accountancy and other relevant bodies to whom the regulations applied.

**Resolved –**

- (1) That the response to the consultation, which had to be submitted by 8 March 2011, and the proposed amendments to the Accounts and Audit Regulations which become effective on 31 March 2011, be noted.**
- (2) That a training session be arranged for mid-July in order to give Members a greater understanding, both of the changes to their responsibilities and the content of the Statement of Accounts; and all Members of the Council be invited to attend.**

91 **AUDIT COMMISSION PROGRESS REPORT**

The District Auditor presented an update of ongoing work at the Council and informed Members of the risks arising from the audit, under the International Standard on Auditing (United Kingdom and Ireland) 300. Key messages were that the implementation of the International Financial Reporting Standards (IFRS) continued to be a significant challenge for the Council, with the restatement exercise being subject to delay. However, work was progressing to plan in relation to documenting and testing systems and processes, the Merseyside Pension Fund audit and value for money work. He reported upon Public Interest Disclosure Act (PIDA) work and commented upon the significant progress made by the Council as part of the National Fraud Initiative (NFI).

In response to questions from Members as to whether there were sufficient staffing resources to ensure compliance, the Director of Finance indicated that there would be no senior members of staff leaving under Early Voluntary Retirement/Voluntary Severance until the end of June, after the closure of the accounts. In response to further comments with regard to the success of the work undertaken as part of the National Fraud Initiative, the Director indicated that Wirral had been very supportive of the NFI, with the support of the District Auditor, and he had written to the Secretary of State to express concern as to the future of the initiative following the abolition of the Audit Commission.

The District Auditor reported also that the DCLG was about to publish a consultation document regarding the future of local public audit.

**Resolved –**

- (1) That the Audit Commission Progress Report be noted.**
- (2) That, in the light of the success of the work undertaken by officers as part of the National Fraud Initiative, the Cabinet be requested to consider**

**increasing investment so as to allow the work to be undertaken to combat fraud during 2011/2012 to be expanded.**

92 **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**

In accordance with the Home Office Code of Practice on covert surveillance, the Director of Law, HR and Asset Management presented a quarterly summary of the use of covert surveillance by the Council under the Regulation of Investigatory Powers Act 2000 (RIPA), between 9 November 2010 and 15 March 2011. He reported that RIPA enabled the Council to use covert surveillance for the purpose of preventing or detecting crime or preventing disorder and that, during the monitoring period, one authorisation had been granted to obtain evidence of serious offences of flytipping at a site in the Borough where the offence had become a public nuisance.

The Director reported also that in the light of public and media concern about the use of surveillance for inappropriate purposes by some authorities, a review had been undertaken by the Home Office, which focused upon which security powers, including the use of RIPA by local authorities, could be scaled back in order to restore a balance of civil liberties. The review was published on 26 January 2011, and made the following recommendations concerning local authorities –

- Magistrate's approval should be required for local authority use of RIPA and should be in addition to the authorisation needed from a senior officer and the more general oversight by elected councillors.
- Use of RIPA to authorise directed surveillance should be confined to cases where the offence under investigation carries a maximum custodial sentence of six months or more. But because of the importance of directed surveillance in corroborating investigations into underage sales of alcohol and tobacco, the Government should not seek to apply the threshold in these cases

The Director expressed his view that, if the recommendations became law, it would become more difficult to obtain evidence of anti social behaviour and persistent acts of disorder and nuisance would not pass the threshold. Witnesses would be more reluctant to give evidence if the outcome of the case was less certain because the evidence of covert surveillance was no longer available to prove they were telling the truth. They would fear retaliation. The change in the law would protect the right to privacy of suspected perpetrators of anti-social behaviour which would be regarded as a higher priority than the right of their victims to live peacefully and without fear.

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

93 **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. He commented that since 2006 the training requirements had been comprehensively achieved at minimum cost by appointing one of the Members of the working party who wrote Audit Committees – Practical Guidance for Local Authorities to undertake the training. The course had previously been supplied over two sessions at a cost of £2,500 and he indicated that,

dependant upon the membership of the Committee in 2011/2012, both basic and advanced training could be provided.

**Resolved –**

- (1) That the existing trainer, Anna Klonowski, be retained for Members training in 2011/2012.**
- (2) That training sessions be arranged for early in the new municipal year before the first scheduled meeting of the Committee in June 2011.**

94 **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR - DCLG CONSULTATION**

The Director of Finance reported that the DCLG was about to publish a consultation document regarding the future of local public audit. The document would also consult upon the future of Audit Committees and, whether their membership should include independent members and an independent Chair. The Director indicated that it was important to respond to the consultation document, when it was received, and proposed that he do so, following consultation with the Chair.

**Resolved –**

- (1) That the DCLG consultation paper on the future of local public audit be circulated to all Members of the Committee, when it becomes available.**
  - (2) That the Director of Finance be authorised to respond to the consultation document, following consultation with the Chair, and the response be circulated to all Members of the Committee.**
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