

**DRAFT  
AUDIT AND RISK MANAGEMENT  
COMMITTEE**

**ANNUAL REPORT 2011/12**

**Councillor J Crabtree, Chair  
Councillor D Dodd, Vice-Chair**

# **AUDIT AND RISK MANAGEMENT COMMITTEE: ANNUAL REPORT 2011/12**

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## 1. INTRODUCTION

This Annual Report produced by Wirral Council's Audit and Risk Management Committee has been prepared in accordance with the CIPFA best practice publication 'A Toolkit for Local Authority Audit Committees'. The report demonstrates how the Audit and Risk Management Committee has fulfilled its terms of reference during a very difficult year and how it is fully committed to helping to improve the Council's governance and control environments during what should prove to be a very challenging year ahead, following the recent publication of external reports highly critical of the Council's governance arrangements.

## 2. SOME KEY INFORMATION

### 2.1. Audit and Risk Management Committee Membership

The Audit and Risk Management Committee has 8 Members:

Councillor Jim Crabtree - Chair  
Councillor Darren Dodd - Vice-Chair  
Councillor Alan Brighthouse - Spokesperson  
Councillor Simon Mountney - Spokesperson  
Councillor Ron Abbey  
Councillor Jeff Green  
Councillor James Keeley  
Councillor Irene Williams

There is strong officer support to the Audit and Risk Management Committee, through the regular attendance of the Director and Deputy Director of Finance, The Director of Law, HR and Asset Management and the Chief and Deputy Chief Internal Auditor. Other officers attend as and when appropriate.

### 2.2. Key Features of the Audit Committee and its Operation

The Committee meets CIPFA's definition of best practice as illustrated below:

Best Practice	Expectation	Met	Comment
Independence	Independent from the executive and scrutiny	√	The Committee reports to the Council
Number of Members	3 to 5 members	√	The Committee has 8 Members
Number of meetings	Aligned to business needs	√	The frequency of meetings, 5 times a year complies with best practice however discussions are currently ongoing regarding whether this enables all Council business to be considered in a timely manner and consideration is being

			given to possibly increasing the frequency.
Co-option	To be considered relative to skills	√	Training is currently provided to increase Members' skills, an evaluation of the adequacy and effectiveness of this is currently being conducted and appropriate actions will be taken to address any shortcomings in due course.
Terms of Reference	Accord with suggested best practice	√	The Committee has adopted the CIPFA recommended model TOR and a review is currently being undertaken to ensure that they remain fit for purpose.
Skills and training	Members have sufficient skills for the job	√	General and specific training is provided to increase Members' skills, an evaluation of the adequacy and effectiveness of this is currently being conducted and appropriate actions will be taken to address any shortcomings in due course

### 2.3. Meetings and Attendance

The Audit Committee normally meets 5 times per year in January, March, June, September and November.

Attendance by Members and approved deputies was over 90%.

## 3. CORE ACTIVITY 2011/12

### 3.1. Terms of Reference

The Audit and Risk Management Committee's Terms of Reference are comprehensive, cover all main areas and are attached at Appendix 1 to this annual report. The Committee's work and outcomes in each of its areas of responsibility are summarised in the following subsections.

#### *Internal Audit*

The Audit and Risk Management Committee:

- Approved the Chief Internal Auditor's audit plan
- Considered regular reports produced by the Chief Internal Auditor, highlighting internal audit work completed, internal audit performance against key indicators and any significant issues arising during the period
- Considered the Chief Internal Auditor's Annual Report and assurance opinion on the Council's control environment

- Considered reviews of the effectiveness of the systems of internal audit
- Ensured internal and external audit plans were complementary and provided optimum use of the total audit resource
- Considered and approved revisions to Chief Internal Auditors Audit Plan
- Considered the Chief Internal Auditors Annual Report on the implementation of recommendations identified in Audit Commission reports.

We continue to provide support to the Internal Audit service to ensure management is responsive to recommendations made and agreed.

### *External Audit*

The Audit and Risk Management Committee:

- Considered the external auditor's Audit Plan
- Considered progress against the plan presented by the external auditor
- Received and considered all external audit and inspection reports issued in the year and considered management's response to them, ensuring robust and thorough responses
- Reviewed the Council's progress on all external audit and inspection recommendations on a regular basis and asked managers to explain progress where appropriate, thereby holding them to account
- Received and considered all of the external auditors reports on the Merseyside Pension Fund
- Considered the external auditors Annual Report on Governance
- Considered a report on the future of local public audit.

We continue to provide support to external audit to ensure management is responsive to recommendations made and agreed.

### *Risk Management*

The Audit and Risk Management Committee:

- Received details of the risk management system, how it works and arrangements in place for mitigating risks
- Considered reports on the departmental and corporate risk registers and promoted risk management across the Council
- Considered reports on Corporate Risk and Insurance Management
- Considered a report on the Corporate Risk Management Strategy and the Management of Risk and Opportunity.

We continue to provide support to promote effective Risk Management policy and procedures across the Council and ensure best practice is achieved.

### *Internal Control and Governance*

The Audit and Risk Management Committee:

- Agreed the Council's Annual Governance Statement and action plans to improve identified weaknesses
- Considered and supported changes to the Council's Anti-Fraud and Corruption Strategy
- Reviewed the effectiveness of the Council's Anti-Fraud and Corruption arrangements
- Supported work undertaken as part of the Audit Commission's National Fraud Initiative
- Considered and supported the production of an Anti Bribery Policy and its promotion across the Council
- Considered a report on Fraud Prevention in the Council
- Considered and supported amendments to the Council's Money Laundering Policy.

The Annual Governance Statement is a key document which summarises the Council's governance arrangements and the effectiveness of the arrangements during the year.

### *Accounts*

The Audit and Risk Management Committee:

- Agreed the Council's accounting policies
- Agreed the Annual Statement of Accounts
- Received and considered the external auditor's report on the accounts, and ensured that the Council responded to the auditor's comments
- Agreed the annual Merseyside Pension Funds accounts
- Agreed the Merseyside Pension Fund's Annual Governance Statement and action plans to improve identified weaknesses
- Received and reviewed the Insurance Fund Annual Report
- Considered the implications of the introduction of International Financial Reporting Standards (IFRS) within local government
- Considered financial reports on budget projections for 2012/15.

The Audit and Risk Management Committee received regular reports on the Council's Treasury Management arrangements in the context of the economic downturn.

### *Specific Issues*

The Audit and Risk Management Committee also considered reports on the following specific issues which arose in the period:

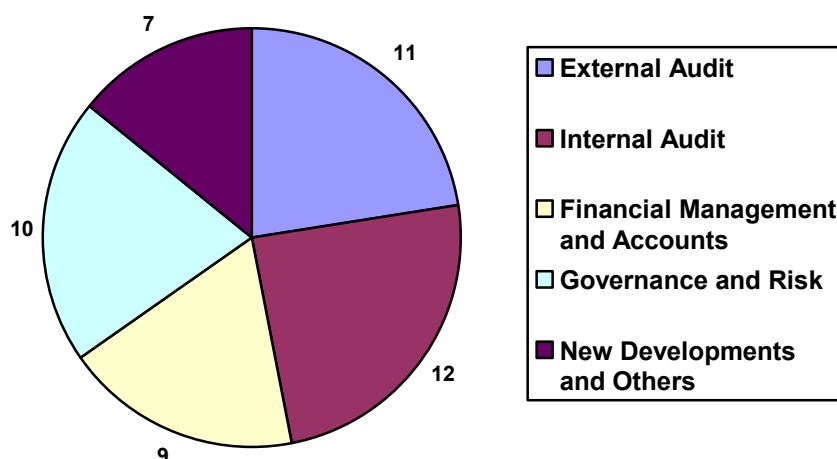
- Regulation of Investigatory Powers Act 2000
- Insurance arrangements and performance
- HESPE PIDA Follow Up
- Single Fraud Investigation Service
- Care Homes Contingency Planning.

To give a flavour of our business during the year, the following shows the

types and numbers of reports considered between April 2011 and February 2012:

### 3.2. Numbers & Types of Reports Considered by the Audit Committee

*The Audit and Risk Management Committee covered a wide range of business*



## 4. OTHER ACTIVITIES

During the year, the Committee demonstrated its commitment to good governance by:

- i) Authorising amendments to the draft Annual Governance Statement.
- ii) Arranging special meetings and devoting significant resource to addressing the issues arising from the PIDA disclosures which were made.
- iii) Referring several matters to Cabinet for attention.
- iv) Asking Chief Officers to attend as appropriate and present reports on issues identified which affected governance.

## 5. OUTCOMES

The Audit Committee aims to focus on adding value through its activity. By concentrating on outcomes the Committee can identify the benefits of its work. In particular this year the Audit Committee:

- Oversaw work on the Statement of Accounts
- Encouraged and presided over a strengthening of the control environment, specifically by overseeing various targeted reviews and the production of the Annual Governance Statement
- Encouraged and presided over the development of the Council's Counter Fraud arrangements by overseeing the CIPFA Managing Fraud initiative

as acknowledged by the Audit Commission's recognition of good practice in a national publication.

In addition, individual Members and the Audit Committee collectively continued to develop and learn about our roles, and deliver these roles effectively.

## **6. PLANS FOR 2012/13**

During 2011/12 the Audit and Risk Management Committee has consolidated the progress that has been made in previous years, and going forward will look to develop further and become a champion of good governance for the Council helping to address many of the reported issues in what promises to be a very challenging and difficult environment. Our priorities for 2012/13 are to continue to meet our duties as specified in the Constitution by developing and building on our current status. For 2012/13 we will:

:

- Continue to develop the Wirral Council Audit and Risk Management Committee to review governance issues following recent failings in this important area
- Continue to drive up standards and meet the demanding requirements of the external inspection and assessment regime
- Continue to review all governance arrangements to ensure the Council adopts the very latest best practice
- Continue to support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations,
- Ensure we maintain and further improve our standards in relation to the production of accounts
- Review the process for the appointment of auditors to replace the Audit Commission
- Continue to closely monitor the implementation of the International Financial Reporting Standards
- Continue to help the Council to manage the risk of fraud and corruption
- Continue to develop the Wirral Council Audit and Risk Management Committee to review risk and partnerships' issues and safeguard public sector interests
- Equip existing and any new Members to fulfil our responsibilities by providing more detailed and effective training on all key areas of responsibility including financial arrangements and risk management, governance and audit planning.

**Councillor Jim Crabtree (Chair)**  
**Wirral Council Audit and Risk Management Committee**  
**February 2012**



## **7. APPENDIX 1**

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

#### **TERMS OF REFERENCE**

1. To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
2. The Committee has the following duties, powers and authorities:
  - 2.1. approval of the Council's statement of accounts;
  - 2.2. the responsibilities of the Council under section 151 of the Local Government Act 1972 to make proper provision for its financial affairs;
  - 2.3. to consider and make recommendations to Council or Cabinet as appropriate on;
    - 2.3.1. the annual Audit Report and the Management Letter of the external auditor;
    - 2.3.2. any other statutory report of the external auditor;
    - 2.3.3. any internal audit report that may be referred to the committee by the Chief Executive, the Director of Finance or the Head of Legal and Member Services (as Monitoring Officer);
    - 2.3.4. summaries of specific internal audit reports as requested;
    - 2.3.5. the effectiveness and adequacy of the response by the Council, the Cabinet, any committee or sub-committee of the Council or of any officer to any internal or external audit report or management letter;
    - 2.3.6. the systems of control and the arrangements for the prevention of fraud and corruption within the Council;
    - 2.3.7. any other matter relevant to the audit of the Council's accounts and financial records or its systems for the control and safeguarding of all the Council's assets;
    - 2.3.8. a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale; and
    - 2.3.9. the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the

level of assurance it can give over the Council's corporate governance arrangements;

- 2.4. to approve (but not direct) the strategy, plan and performance of the Council's internal audit service;
  - 2.5. to oversee the production of the Authority's Statement on Internal Control and recommend its adoption;
  - 2.6. to maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and to make recommendations to Council or Cabinet, as appropriate;
  - 2.7. to monitor the Council's policies on "Raising Concerns at Work", to the anti-fraud and corruption strategy and the complaints procedure;
  - 2.8. to liaise with the Audit Commission over the appointment of the Council's external auditors.
3. The Chair of the Audit and Risk Management Committee shall act as the Council's Risk Management Champion.
  4. Executive Members will not normally be members of the Audit and Risk Management Committee