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## AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 13 March 2012

Present: Councillor J Crabtree (Chair)

Councillors D Dodd P Hayes  
S Mountney J Keeley  
A Brighouse I Williams

Deputies: Councillors J Salter (In place of RL Abbey)

### 60 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.

### 61 MINUTES

**Resolved – That the minutes of the meeting held on 1 February 2012, be approved.**

### 62 AUDIT COMMISSION - PROGRESS REPORT

The District Auditor presented a report on the progress of the Audit Commission in delivering their responsibilities as external auditors. The report commented upon the financial statements and the value for money (VFM) conclusion and highlighted key emerging national issues and developments. He set out the main points of the Government response to consultation on the future of local public audit and indicated that the government intended to publish draft legislation for pre-legislative scrutiny in Spring 2012.

He provided an update on the externalisation of the Audit Practice and commented that the Audit Commission proposed that for the four contract areas of the North West, West Midlands, London (South) Surrey and Kent, and South West, a contract with a notional value of £41.3m a year, would be awarded to Grant Thornton (UK) LLP with effect from October 2012. This would mark an end to the Commission's own Audit Practice (formerly known as the District Audit Service). However, the procurement service had ensured that the specialised skills of over 700 public sector auditors would be retained in an outsourced market and auditors who were transferring to the successful companies would do so in Autumn 2012. In response to questions from Members, the District Auditor indicated that after October 2012, the deployment of staff would be a matter for Grant Thornton. However, he indicated that a process was being put in place and that considerable work would be undertaken in the coming months to produce a transition plan. A meeting was scheduled for 1 May 2012, as part of the formal consultation process, and he envisaged that the Chair and officers could be in attendance.

The progress report concluded by asking a number of questions for the Committee to consider in order for the authority to assess whether it had received sufficient assurance on emerging issues and a response had been requested from officers.

**Resolved – That the Audit Commission Progress Report be noted.**

## 63 **CERTIFICATION OF GRANT CLAIMS AND RETURNS**

### **A. AUDIT COMMISSION REPORT**

The District Auditor presented his annual report in relation to the certification work undertaken on 2010/2011 grant claims and returns, which was intended to provide assurance to grant paying bodies that claims for grants and subsidies were made properly or that information in financial returns was reliable. He provided an outline of the work undertaken and commented that on completion of the certification work a report would be presented to the Deputy Chief Executive/Director of Finance upon any qualification issues or other further issues that needed to be resolved or where arrangements needed to be improved.

He presented a summary of the 2010/2011 certification work undertaken and provided a comparison with 2009/2010. He highlighted the significant issues that had arisen from the work and commented upon progress made in the implementation of recommendations he had previously made arising from certification work. The anticipated fee for 2010/2011, as notified in the Annual Audit Fee letter issued in April 2010 was £128,000. However, the total fee charged for the certification of 10 grant claims and returns in 2010/2011 would be approximately £120,000, with scope to reduce the fees further through improvements to the control environment, working papers and quality assurance.

### **B. REPORT OF THE DIRECTOR OF FINANCE**

The Deputy Chief Executive/Director of Finance commented upon the issues raised in the Audit Commission report in relation to the 2010/2011 financial year and reported upon how they had been addressed. The Audit Commission Action Plan within the report contained recommendations on a claim by claim basis, which had enabled action points to be directed towards the responsible officers. The Director also provided a summary of the claims, which included amendments made and the fees charged.

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

## 64 **INTERNAL AUDIT UPDATE**

The Chief Internal Auditor reported that in order to assist in effective corporate governance and to 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. His report identified and evaluated the performance of the Internal Audit Section and included details of the actual work undertaken during the monitoring period. He brought to the attention of Members a number of items of note concerning audit work undertaken in relation to the Annual Governance Statement, Counter Fraud, Schools Audits and the National Fraud Initiative (NFI).

The Internal Audit Plan for 2011/2012, approved by the Committee on 28 March 2011 (minute 88 refers), identified all audits required to provide the Council with adequate assurance regarding the effectiveness of its systems to manage and mitigate identified risks to the achievement of the Council's objectives. It was essential therefore that those elements of the audit plan designed to support the provision of the 'annual assurance opinion' on the effectiveness of the Council's control environment and also support the delivery of the Annual Governance Statement were delivered effectively. Following the recent acquisition of additional staffing resource, the Chief Internal Auditor was confident that the objective would be achieved by the year end.

He also provided information on the status of recommendations made in internal audit reports that had been followed up during the monitoring period, and also identified audits undertaken in the period which included recommendations of a high priority nature where a significant risk had been identified that could affect the ability of a specific service area to achieve its key objectives. He provided an indication of the audit opinion of the control environment and he commented that all of the action plans in respect of the audits had been returned fully completed, with the exception of those identified below. Those returned all identified appropriate timescales for the implementation of recommendations that had been agreed to mitigate or remove weaknesses. Relevant managers had been contacted regarding the return of overdue action plans in respect of –

- Bidston Village Primary School
- Townfield Primary School
- Members Allowances, Sources of Income (Law/HR/AM)
- Building Security – Wallasey (Law/HR/AM)
- Redeployment (LAW/HR/AM)
- Departmental Risk Management (LAW/HR/AM)
- Departmental Risk Management (DASS)

In response to comments from the Chair in relation to schools audits, the Chief Internal Auditor reported that work was ongoing with Chairs of governing bodies. He had also liaised with officers from CYPD to explore what support measures for schools could be put in place.

**Resolved –**

- (1) That the report be noted.**
- (2) That relevant managers be instructed to ensure that Audit Action Plans are returned in a timely manner in order to ensure compliance with high priority recommendations.**
- (3) That an update report be presented to the next meeting of the Committee.**

## 65 INTERNAL AUDIT PLAN 2012/2013

The Chief Internal Auditor presented the draft plan of work for Wirral Council's Internal Audit Service for 2012/2013. However, the Service was currently the subject of an external review and he commented that following the outcome of this and any subsequent changes in the structure of the service, alterations may be required to be made to the planned areas of work. In addition to this, and as part of the routine annual process a number of meetings were currently taking place with Chief Officers and their management teams to identify the current and emerging risks and confirm

the accuracy of risk registers. This was an essential part of the planning process to ensure that risks to objectives being achieved in their respective service areas were identified and audit work programmes formulated to assess the adequacy of controls in those areas. He indicated that regular reports on this would be presented to the Committee in due course, identifying any necessary changes to the Audit Plan as they arose.

He commented that the Internal Audit Plan was focused on reviewing the critical areas and including those issues identified by Chief Officers and in recent external reports, in order to provide assurances to the Chief Executive and the Leader of the Council who were jointly required to sign the Annual Governance Statement. The Plan amounted to a total planned resource of **2787** audit days, of which **2437** 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 response to a question from a Member as to whether auditors undertook work to ensure that policy decisions were implemented, the Chief Internal Auditor indicated that compliance testing was carried out across the Authority to ensure that control environments and processes were in place.

**Resolved – That the report be noted and the Internal Audit Annual Plan 2012/2013 be endorsed.**

## 66 **ANNUAL GOVERNANCE STATEMENT 2011/2012**

The Deputy Chief Executive/Director of Finance presented the Annual Governance Statement 2011/2012 and reported that its preparation and publication was necessary to meet fully the statutory requirement set out in Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006 and 2011).

The CIPFA/SOLACE Delivering Good Governance in Local Government Framework stated that governance was about how the Authority ensured that it was doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprised the systems, processes and controls, and cultures and values, by which the Authority was directed and controlled and through which it accounted to, engaged with, and, where appropriate led the community. The Director referred to the six core principles of good governance set out in the Framework and he highlighted the existing, well established process within the Council for the review of the control system and the preparation of the Annual Governance Statement.

The Statement referred to the 2011/2012 financial year and, subject to any material changes to the control environment and corporate governance arrangements, would be as presented and signed by the Leader of the Council and the Chief Executive. Any amendments would be reported to this Committee in September 2012 following the completion of the audit of the accounts 2011/2012.

**Resolved – That the Annual Governance Statement 2011/2012 be endorsed and appended to the Statement of Accounts 2011/2012.**

## 67 **SELF ASSESSMENT**

The Chief Internal Auditor reported that to comply with best professional practice the Audit and Risk Management Committee was required to complete an annual evaluation of its role and effectiveness as part of the systems of internal audit. The

CIPFA publication 'A Toolkit for Local Authority Audit Committees' recommended the use of a self assessment checklist to achieve the task. The Director indicated that the Chair, in conjunction with auditors, had completed the checklist which was appended to his report. He also presented a draft Action Plan that had been developed following the exercise, which contained recommendations to improve the existing arrangements and to address any risks. Implementation would be monitored by Internal Audit and an update report would be presented to a future meeting of the Committee.

The District Auditor referred to the recommendation for the Committee to assess the performance of external audit and indicated his willingness to provide such assistance as the Committee deemed necessary.

**Resolved –**

- (1) That the self assessment checklist and the draft action plan be approved.**
- (2) That liaison be undertaken with Chief Officers to ensure the effective delivery of the Action Plan and a progress report be presented to the next meeting of the Committee.**
- (3) That, for the forthcoming municipal year, a skills assessment be undertaken for Members of the Audit and Risk Management Committee and an appropriate training programme be put in place for Committee Members and deputies.**
- (4) That the officers be requested to ensure that all paperwork for inclusion in Committee agendas is available for publication and dispatch at least two Fridays before each meeting.**

**68 ANNUAL REPORT**

The Chief Internal Auditor reported that to comply with best professional practice the Audit and Risk Management Committee was required to complete an annual report to the Cabinet on the work it had undertaken. He presented a draft Annual Report for 2011/2012, which had been prepared by the Chair in consultation with Internal Audit, and in accordance with the CIPFA best practice publication 'A Toolkit for Local Authority Audit Committees'. The report demonstrated how the Committee had fulfilled its terms of reference during a very difficult year and how it was fully committed to helping to improve the Council's governance and control environments during what was expected to be a very challenging year ahead, following the recent publication of external reports highly critical of the Councils governance arrangements.

Reference was made to the continuing active involvement of the Council in the civil law reform process. The Committee was advised that the two yearly external actuarial report commissioned to review the sum required to fund liability claims within the limits of the self-insured liability was not being conducted this year.

**Resolved – That the draft Audit and Risk Management Committee Annual Report 2011/2012 be approved and referred to the Cabinet.**

69 **CORPORATE RISK AND INSURANCE MANAGEMENT**

The Director of Finance reported upon progress made against the objectives for corporate risk and insurance management and highlighted the anticipated developments in the coming months.

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

70 **CORPORATE RISK REGISTER**

The Director of Finance reported upon the process followed in analysing the issues contained within the draft Corporate Risk Register which had been presented to the Cabinet on 13 October 2011 (minute 150 refers). He commented that the Corporate Risk Register was a key element of the Risk Management Strategy. It summarised those areas of uncertainty which had greatest potential to prevent or frustrate delivery of the Corporate Plan and how the Authority was seeking to tackle them. In turn those actions influenced the content of Departmental Service Plans and the allocation of resources and, as such, were closely aligned with the Corporate Planning process. Consequently, success in managing those risks was a key factor in overall performance. The Director presented the fully populated document and reported that, whereas it had been agreed by the Cabinet on 2 February 2012 (minute 277 refers), it would be looked at again as part of the work of the Improvement Board.

**Resolved – That the Corporate Risk Register be endorsed.**

71 **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 the appointment of Anna Klonowski, who was one of the members of the working party that wrote the CIPFA guidance. The training course had previously been supplied over two sessions at a cost of £2500 and, to date had been viewed by Members of the Committee as very useful.

**Resolved – That the existing trainer, Anna Klonowski, be retained for Members Training in 2012/2013, the first training session to be arranged early in the new municipal year, before the first scheduled meeting of the Committee in June 2012.**

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