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## AUDIT AND RISK MANAGEMENT COMMITTEE

Thursday, 31 January 2013

Present: Councillor J Crabtree (Chair)

Councillors D Dodd A Cox  
A Brighthouse P Hayes  
RL Abbey JE Green  
S Foulkes

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

Members were asked to consider whether they had any disclosable pecuniary interests and/or any other relevant interest 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.

### 41 MINUTES

**Resolved – That the minutes of the meeting held on 26 November 2012, be approved.**

### 42 INTERNAL AUDIT UPDATE

The Chief Internal Auditor presented a report which identified and evaluated the performance of the Internal Audit Section and included details of any issues arising from the audit work undertaken during the period 1 November to 31 December 2012. He provided details of the following items of note concerning audit work undertaken, that were reported in order of risk, in relation to –

- **Adult Social Services: Appointeeships**
- **CYPD: Learning Care**

The findings of audits conducted in these areas had identified significant issues and minimal assurance opinions provided. However, the departments had responded positively to the reports and were implementing recommendations to address concerns.

- **Adult Social Services: Personal Budgets**

Early indications were that progress was being made to address weaknesses within the revised timescales previously reported (minute 38 (26 November 2012) refers). More detail would be provided following completion of the work and he suggested that Members may wish to consider inviting the Director of Adult Social Services to provide a brief on this, following the outcome of the follow up work.

He commented also that to address similar issues within DASS, IA had been providing training for managers regarding building effective controls.

- **Information Governance**

Following issues previously identified (minute 34 (26 November 2012) refers), he commented that an Information Assurance Policy would be presented to the

Cabinet in February 2013. Following this, progress would be made in the implementation of audit recommendations.

- **Adult Social Services: Bad Debts**

IA was currently undertaking work as part of a multi-disciplinary team, focusing at present on the processes for charging, collection and recovery of uncollected income. In response to a question from a Member, the Interim Director of Finance highlighted a number of factors that had led to the extent of the bad debt being identified. Problems in relation to various processes had now been addressed and he was confident that progress would continue to be made in the collection of income.

The Chief Internal Auditor reported also upon audit work in relation to Emergency Payments by CYPD. It had not been included in his report as the work had not been completed at the time of writing. However, follow up work had since indicated that all of the recommendations except one had been implemented and work was progressing to timescale on the one remaining area.

The situation in relation to each of the items of note would continue to be monitored to ensure that recommendations were implemented within agreed timescales and any actions required would form the basis of further reports to Committee.

The Chief Internal Auditor provided information in respect of compliance with relevant IA Performance Indicators and commented that no issues had arisen during the monitoring period. He outlined actions undertaken to date and indicated that good progress was being made to deliver the Internal Audit Improvement Plan, which was designed to drive a number of developments and initiatives aimed at increasing the overall efficiency and effectiveness of systems of internal audit across the Council.

He reported also that the first UK Public Sector Internal Audit Standards would come into force in April 2013. All local authorities would be required to implement the new standards from April and report upon compliance by June 2014. Internal Audit planned to undertake a self assessment exercise against the standards over the coming months and to report the findings and any required actions to this Committee in June 2013.

In response to comments from members with regard to the future structure and delivery of the Internal Audit service, the Chair advised that he had discussed a number of proposals with officers. Further meetings would be arranged and he invited other Members of the Committee to attend if it was possible for them to do so.

**Resolved –**

- (1) That the report be noted.**
- (2) That the Chair be requested to liaise with Committee Members, to arrange further meetings with officers to discuss the future delivery of the Internal Audit service.**

**43 HESPE ACTION PLAN UPDATE**

Further to minute 33 (26 November 2012), the Deputy Director CYPD and Assistant Chief Executive provided a verbal update upon compliance with the Action Plan that had been prepared in response to the 21 recommendations that were contained within the Audit Commission's Public Interest Report: Highways and Engineering Services Contract Award and Management dated 8 June 2012.

The Action Plan had been circulated to all Chief Officers for consideration and no concerns had been received, other than a comment from the Interim Director of Technical Services in relation to a lack of interest to an offer of consultancy work from April 2014, when the HES contract was due to expire. Progress against the Action Plan was being monitored as part of the Improvement Plan process and was reported also to the Council Excellence O&S Committee.

Members referred to various matters contained within the Richard Penn Report, following his investigation into issues raised in the Report in the Public Interest in relation to the role of the Director of Technical Services in the procurement and management of the HES contract, and questioned whether any of its recommendations impacted on the Action Plan. Members also sought assurance that there was an ongoing dialogue with the whistleblowers.

**Resolved –**

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

**(2) That a written report be presented to the next meeting of the Committee upon –**

**(a) Progress against the HESPE Action Plan**

**(b) An evaluation of the Richard Penn report and its impact upon any of the recommendations contained within the Action Plan.**

#### **44 GRANT THORNTON CERTIFICATION WORK REPORT 2011/2012**

The Assurance Manager of Grant Thornton UK LLP, the Council's auditors, presented the Certification Work Report for 2011/2012 and commented that the certification represented a final but important part of the process to confirm the Council's entitlement to funding. Three claims and returns had been certified for the financial year 2011/2012, which related to expenditure of £246m, viz: –

- Housing and Council Tax Benefit Scheme
- National Non-Domestic Rates Return
- Teachers' Pensions Return

The report summarised an overall assessment of the Council's management arrangements in respect of the certification process and indicated total fees charged of £75,213. The report drew attention to significant matters in relation to individual claims and an Action Plan made a number of recommendations to address the key messages and other findings. The implementation of the agreed recommendations would assist the Council in compiling accurate and timely claims for certification.

The certification in relation to the Housing and Council Tax Benefit Scheme was qualified and the report set out the areas where errors affecting subsidy were found. These were minor errors in income calculations not matching information provided; and in the technical classification of overpayments, where there was no underlying liability.

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

#### **45 GRANT THORNTON AUDIT PROGRESS REPORT**

The Assurance Director, Grant Thornton UK LLP, presented the Audit Progress Report as at January 2013. The report referred to the fees for 2012/2013 (minute 36 (26 November 2012) refers), which had been determined by the Audit Commission as a best estimate of the fee required to carry out an audit, where the audited body

had no significant risks and had in place a sound control environment, materially accurate financial statements and good working papers were provided to deadlines. The Audit Commission was presently consulting on its proposed work programme and scale of fees for 2013/2014 and planned to publish them in April 2013. As there were no plans to make any changes to the work programme, it was proposed that the scale audit fees would be set at the same level as the fees applicable for 2012/2013.

He referred also to additional non-audit work that was being undertaken, which involved an independent review of the Council's BIG and ISUS schemes, following issues raised by members of the public. He had concluded that the review did not pose a threat to the audit or to the independence of Grant Thornton. In response to a question from a Member, he commented that matters related to BIG and ISUS had been drawn to his attention some two years ago, whilst he was District Auditor, and were matters that would normally have been more appropriate for Internal Audit. Councillor Foulkes confirmed that he had also raised concerns with regard to the BIG and ISUS schemes, during his tenure as Leader of the Council.

As at January 2013, all audit and certification work for the Council and Merseyside Pension Fund was on track or the start date was not yet due. The Assurance Director reported also upon other work that informed the audit and provided details of Grant Thornton workshops and reports.

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

#### 46 **GIFTS HOSPITALITY AND CONFLICTS OF INTEREST**

Further to minute 30 (19 September 2012), the Deputy Director CYPD and Assistant Chief Executive referred to the review that had been undertaken by the District Auditor of work carried out by Internal Audit in relation to gifts and hospitality and conflicts of interest. The Review had found that although the Council's procedures were generally adequate, testing had identified a high instance of non-compliance, with poor or incomplete recording of both gifts and hospitality and declarations of conflicts of interest. To address the weaknesses in compliance with its procedures and to secure improvements, the Council had put in place an Action Plan to ensure the implementation of all of the recommendations contained within the District Auditor's report

The Assistant Chief Executive commented also that Members had questioned whether any instances of non-compliance had merited disciplinary action. Investigations had found no evidence of any wrongdoing, other than a failure to make appropriate declarations. All Council staff had now been provided with clear guidance in relation to their obligations concerning gifts and hospitality and conflicts of interest and he indicated that revised policies were being consulted upon, with a view to them being presented to the Employment and Appointments Committee for approval, in February 2013.

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

#### 47 **INSURANCE AND RISK MANAGEMENT**

The Interim Director of Finance reported upon the key actions in relation to corporate risk and insurance management that were planned to the end of 2013/2014. He set out the areas in which Members would be involved, what form that involvement would take, and highlighted the issues that future reports would focus upon.

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

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