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AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 19 March 2013

<u>Present:</u>	Councillor	J Crabtree (Chair)	
	Councillors	D Dodd A Brighthouse A Cox	RL Abbey J Walsh
<u>Deputies:</u>	Councillors	P Glasman (In place of S Foulkes) G Watt (In place of JE Green) S Williams (In place of P Hayes)	

48 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.

49 MINUTES

Resolved – That the minutes of the meeting held on 31 January 2013, be approved.

50 MINUTE 46 - GIFTS, HOSPITALITY AND CONFLICTS OF INTEREST

A Member raised concerns and asked whether a tracker could be introduced by this Committee to ensure that recommendations made by this Committee to others were properly monitored to ensure that appropriate action was taken.

It was suggested that a tracker be introduced to form part of the agenda as a standard item to enable Members and Officers to monitor actions which followed on from the meeting.

In response, the Acting Chief Internal Auditor reported that the Department did produce an action plan which was agreed by senior managers and a monthly report was submitted to Members which included agreed timescales. He was happy to introduce additional information and work with the Chair to improve the reporting mechanism in line with best practice.

Resolved –

That the Acting Chief Internal Auditor be requested to investigate and feedback to the Chair regarding 'best practice' models in relation action tracking.

51 CHAIRS ANNOUNCEMENT

The Chair indicated that he would bring item 12 – Adult Social Services: Personal Budgets Audit – Review of Resource Allocation System forward to be dealt with first on the agenda.

52 **ADULT SOCIAL SERVICES: PERSONAL BUDGETS AUDIT - REVIEW OF RESOURCE ALLOCATION SYSTEM**

The Committee considered the report of the Director of Adult Social Services in relation to the Personal Budgets Audit.

Ms Christine Beyga, Head of Delivery introduced the report which indicated that a robust Resource Allocation System (RAS) was critical to ensuring that Personal Budgets and self directed support was delivered within the current funding envelope and that funds were allocated in a fair and transparent way, which enabled people to meet their eligible needs. A report was presented to Cabinet on 4 November 2010 seeking a Cabinet decision on the Resource Allocation System (RAS) to support the roll-out of Personal Budgets which was agreed by Cabinet at its meeting of 14 October 2010.

The report updated Members in relation to progress of the review undertaken in relation to the RAS as identified in the Personal Budgets Audit and recommended that alternative models were explored.

Resolved –

That the Director of Adult Social Services be requested to explore alternative models of RAS and report back on a recommended model for agreement in August 2013 ready for implementation from September 2013.

53 **ANNUAL GOVERNANCE STATEMENT**

Further to Minute 26 of 19 September 2012, the Committee considered the report of the Chief Executive which stated that the preparation and publication of an Annual Governance Statement (AGS) was necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2003 (amended in 2006 and 2011). The report outlined the requirement for the Authority to produce the AGS and the degree to which it met the CIPFA/SOLACE 'Delivering Good Governance in Local Government' Framework.

Mrs Lucy Barrow, Corporate Performance Manager introduced the report and indicated that the draft statement would produced in June 2012 and in line with Members comments suggested that actions arising from the statement could be monitored.

In relation to the impact of the HESPE and Gift and Hospitality reports, Mrs Barrow indicated that this would be taken into consideration and work was ongoing looking at the implications.

Resolved –

That the approach and timescales for the production of the Annual Governance Statement be noted.

54 **HESPE ACTION PLAN UPDATE**

The Chair indicated that the due to the apologies to the meeting given by the Chief Executive an update would be received at the meeting in June 2013.

The Committee considered the report of Chief Internal Auditor which identified and evaluated the performance of the Internal Audit section and included details of any issues arising from the actual work undertaken during the period 1 January to 28 February 2013. He provided details of the following items of note concerning audit work undertaken, that were reported in order of risk in relation to -

- **Asset Management**

The findings of the audit conducted of the Asset Management system in operation had identified significant issues and minimal assurance opinions provided. The department had responded positively to the report and an action plan has been agreed to address all of the issues identified within an agreed timescale. Follow up work was scheduled in these areas and would be reported in the monthly summary report for Members.

- **Absent Management**

The findings of the audit conducted of the Absence Management system in operation had identified a number of significant issues and limited assurance opinion provided. The department has responded positively to the report and an action plan has been agreed to address all of the issues identified within an agreed timescale. Follow up work was scheduled in these areas and the findings would be reported in the monthly summary report for Members.

- **Improvement Plan**

The findings of the audit conducted to review the adequacy of the controls in operation over the Improvement Plan. The audit focused on the current process in place for the improvement Plan but not the delivery of the actual improvement targets due to the Plan being in the infancy of its programme life cycle. The audit generated a 'substantial' assurance opinion and identified 4 recommendations of which 2 were medium propriety. However, detailed audit testing would be undertaken in the next financial year in order to gain assurance regarding outcomes, the achievement of targets and deadlines within the Improvement Plan and the impact of those achievements.

- **Libraries**

The findings of the audit undertaken to review the cash management arrangements at the Council Libraries where income was collected on behalf of a number of external organisations e.g. for charitable items and voluntary activities. The objective was to determine whether the financial, legal and reputational risks had been identified and the controls in place provided managers with reasonable assurance that the activities complied with current policy and the assets held were protected against loss. A minimal assurance opinion was provided and a number of high propriety recommendations agreed with management to address some fundamental control issues relating to this type of activity. It was acknowledged that the levels of cash transactions for this activity were minimal but the impact from the legal and reputational risks were considered significant. An action plan had been agreed with management and follow up activity would be reported to Members upon completion.

- **The Holy Spirit School**

The findings of an audit conducted at the Holy Spirit School where excellent progress has been made to address some significant issues identified at previous audits of the

school. The changes effected at the school were very evident following discussions with the Head Teacher and School Business Manager, and it was pleasing to note that all recommendations had now been fully implemented.

Mr Niblock further indicated that the report identified a number of improvements that have been made to the delivery of the Internal Audit Service as part of our overall improvement plan. Good progress was being made to deliver the program within the agreed timescale and 12 of the 18 actions had been implemented with work progressing well in most of the other areas. In addition to the delivery of the internal audit improvement plan a number of other initiatives were currently underway that would also develop and improve the effectiveness of the service.

In relation to Asset Management, a Member raised concerns regarding the issues raised and suggested that the Head of Asset Management be requested to attend a future meeting to discuss the way forward.

In relation to the development of the Internal Audit Intranet Facility, A Member stressed the importance of implementing this to assist Members to track items post audit.

In response to comments in relation to shared services, Mr Peter Timmins, Interim Director of Finance indicated that a lot of work was currently being undertaken in a number of service delivery areas across the Council and various options were being considered. In respect of the Internal Audit service a collaborative arrangement had been developed with Liverpool City Council that was proving to be very effective and was helping to realise significant improvements and savings in this area of operations, the intention is to continue with this arrangement as it is regarded as being the most effective and efficient way of operating. Members requested an update on this.

Resolved –

- (1) That the report be noted.**
- (2) The Head of Asset Management be requested to attend a future meeting of the Committee to discuss their audit update issues.**
- (3) The Interim Finance Director be requested to provide an update report to a future meeting of this Committee.**

56 INTERNAL AUDIT STRATEGIC PLAN 2013/2016

The Chief Internal Auditor presented the draft plan of work for Wirral Council's Internal Audit Service for 2013/16.

The report indicated that there was a move to change to a three year strategic internal audit plan, the rationale behind this was to ensure that Internal Audit took a wider more strategic view of risk and to ensure that audit effort was utilised as efficiently and effectively as possible to mitigate risk in a changing environment. This was particularly important for Wirral Council at present as a significant number of reported control and governance issues were in evidence and required the attention of senior management as well as the many fundamental changes that are taking place regarding how services were to be delivered. The audit plan was designed to inform that process providing relevant assurance opinions on systems either in place or developing and providing direction assessments regarding actions required to implement the necessary improvements required.

The plan provided an overview of the assurance that would be obtained through each audit, the exact scopes of the audits would be agreed with Senior Management prior to commencement of the audit to ensure that the key current risks were being addressed.

The Draft Audit plan would be finalised following further consultation with officers by the 31st March 2012. This would be tabled at the Audit and Risk Management Committee in June 2013. The audit plan would remain flexible, and would be reviewed on a quarterly basis to ensure it was in line with emerging risks.

Resolved –That the report be noted and the Internal Audit Plan 2013/16 be endorsed.

57 **ANNUAL REPORT**

The Chief Internal Auditor reported that to comply with best practice the Audit and Risk Management Committee was required to complete an annual report to Cabinet on the work undertaken by the Audit and Risk Management Committee.

Resolved – That the draft Audit and Risk Management Committee Annual Report 2012/13 be approved and referred to the Cabinet.

58 **ANNUAL 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' recommends the use of a self assessment checklist to achieve the task. The Chief Internal Auditor in conjunction with the Chair had completed the checklist which was attached at Appendix 1 to the report.

Attached at Appendix 2 to the report was a draft Action Plan developed following the exercise which identified recommendations to improve the existing arrangements and address any risks. Implementation would be monitored by Internal Audit and an update report on this provided to a future meeting of the Committee.

In response to Members, Mr Niblock indicated that progress on the checklist would be undertaken and reported back to Members on progress made. Officers were made aware of their responsibilities in relation to action to be taken and training for Members would be undertaken in April 2013 to discuss issues raised.

Resolved – That the self assessment checklist draft action plan be noted and approved.

59 **GRANT THORNTON AUDIT PLAN**

The Assurance Director, Grant Thornton UK LLP, presented the Audit Plan year end 31 March 2013.

The Assurance Director introduced the report and indicated that the plan gave a detailed overview as progress made by the Council to date.

In response to Members in relation to PFI liability for academy schools, the Director informed that although the schools are given responsibility the Local Authority retained liability if the academy fails and responsibility returns to the Local Authority.

In relation to debt of balances, the Director indicated that work undertaken by the Finance Department would be looked at and recommendations would be made if necessary.

Resolved – That the report be noted.

60 **HOUSING AND COUNCIL TAX BENEFIT GRANT**

The Committee considered the report of the Interim Director of Finance which gave further information on the issues behind the external audit qualification of the Housing and Council Tax Benefits Subsidy Claim. This was part of Grant Thornton Certification Work 2011/12 report considered at the Committee at its meeting on 31 January 2013 (minute 44 refers).

In response to Members questions in relation to the IT systems capacity to manage the changes in the benefits system, Mr Peter Timmins, Interim Director of Finance indicated that there was a specialist team employed to manage this, plans had been put in place and stringent monitoring systems were being put in place to manage the implementation, any problems identified would be reported to the software company to be resolved efficiently.

Resolved – That the report be noted.

61 **INSURANCE AND RISK MANAGEMENT**

The Committee considered the report of the Interim Director of Finance report confirming progress made in relation to the key actions in corporate risk and insurance management planned for 2013/14 and reported to this committee on 31 January 2013 (Minute 47 refers).

Resolved – That report be noted.
