

**DRAFT  
AUDIT AND RISK MANAGEMENT  
COMMITTEE**

**ANNUAL REPORT 2012/13**

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

# **AUDIT AND RISK MANAGEMENT COMMITTEE: ANNUAL REPORT 2012/13**

<b>C O N T E N T S</b>	<b>Page</b>
<b>1. INTRODUCTION</b>	<b>3</b>
<b>2. SOME KEY INFORMATION</b>	<b>3</b>
2.1. Audit and Risk Management Committee Membership	3
2.2. Key features of the Audit Committee and its operation	3
2.3. Meetings and attendance	4
<b>3. CORE ACTIVITY 2012/13</b>	<b>4</b>
3.1. Terms of Reference	4
3.2. Number & Type of Reports Considered by Committee	8
<b>4. OTHER ACTIVITIES</b>	<b>8</b>
<b>5. OUTCOMES</b>	<b>9</b>
<b>6. PLANS FOR 2012/13</b>	<b>9</b>
<b>7. APPENDIX:</b>	
<b>ARM COMMITTEE – TERMS OF REFERENCE</b>	<b>11</b>

## 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 9 Members:

Councillor Jim Crabtree - Chair  
Councillor Darren Dodd - Vice-Chair  
Councillor Alan Brighthouse  
Councillor Paul Hayes  
Councillor Ron Abbey  
Councillor Jeff Green  
Councillor Joe Walsh  
Councillor Steve Foulkes  
Councillor Tony Cox

There is strong officer support to the Audit and Risk Management Committee, through the regular attendance of the Director of Finance, Director of Law, HR and Asset Management and the Chief Internal Auditor. During 2012/13 this also included individuals acting in these capacities due to changes in personnel. 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:

<b>Best Practice</b>	<b>Expectation</b>	<b>Met</b>	<b>Comment</b>
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.

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.

There is also a special meeting / briefing arranged specifically for the Statement of Accounts each year between July and September.

Attendance by Members and approved deputies was over 90%.

## 3. CORE ACTIVITY 2012/13

### 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,

- Approved amendments to the reporting arrangements to Members including the introduction of monthly summary reports from Internal Audit,
- 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,
- Approved arrangements for reporting of high priority recommendations to appropriate Overview and Scrutiny Committees,
- Received an update on the Internal Audit Counter Fraud Teams' remit and activities undertaken,
- Received regular detailed updates on progress towards delivering Internal Audit's Improvement Plan, which is designed to increase overall efficiency and effectiveness of systems of Internal Audit across the Council,
- Received and considered implications of the introduction of the first UK Public Sector Internal Audit Standards,
- Considered the future structure and delivery of the Internal Audit Service,
- Introduced more robust arrangements for requiring officer attendance at meetings to answer questions on completed audits and actions arising.

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,
- Considered the External Auditor's Certification Work report,
- Received and considered the External Audit report on Grant Claims and Returns,
- Considered the annual audit fee, the scope and timing of work and details of the Audit Team,

- Received updates from the District Auditor on local and national issues to establish whether sufficient assurance that the Council was aware of, and responding to, the issues,

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 reports on Corporate Risk and Insurance Management which reported upon the delivery of agreed plans, the involvement with legislative changes at a national level, progress of innovative support for academies and work in respect of claims management,
- Considered a report on the Corporate Risk Management Strategy and the Management of Risk and Opportunity,
- Received details of the Corporate Risk and Insurance actions planned for 2013/14, including the areas Members would be involved in.

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. In 2012/13 this also included a substantially revised Statement in light of external findings being agreed in September,
- 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.
- Agreed the Audit and Risk Management Committee self assessment and draft action plan.

- Agreed to undertake skills assessments for Members and introduce an appropriate training programme for Committee Members and deputies.
- Agreed to retain the existing trainer to deliver Members training in 2012/13.
- Approved the updated Audit and Risk Management Committee self assessment checklist.

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 legislative changes to accounting and auditing arrangements from International Financial Reporting Standards and the Accounts and Audit Regulations,
- Received and considered reports on improvements to the arrangements for completing the annual Statement of Accounts,
- Considered financial reports on budget projections for 2012/15.

The Statement Of Accounts presents the overall financial position of the Council at 31 March and is produced in accordance with prescribed guidance. Committee received a briefing / presentation in September 2012 to which all Members of the Council were invited.

The Audit and Risk Management Committee received regular reports on the Council's Treasury Management arrangements. These included compliance with the Treasury Management Strategy and Investment Policy and the monitoring of the Prudential Indicators.

### *Specific Issues*

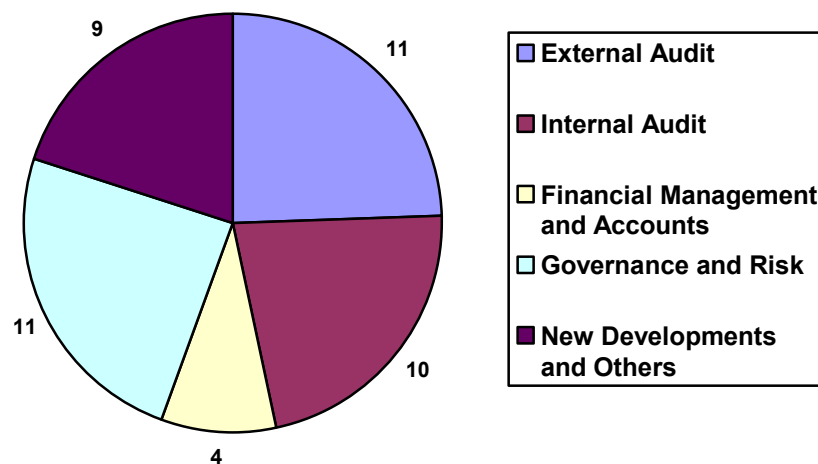
The Audit and Risk Management Committee also considered reports on the following specific issues which arose in the period:

- Regulation of Investigatory Powers Act 2000,
- Insurance arrangements and performance,
- HESPE PIDA Follow Up,

- Single Fraud Investigation Service,
- Care Homes Contingency Planning,
- Gifts Hospitality and Conflicts of Interest,
- Progress of actions in relation to Personal Budgets,
- Metro Catering Income Procedures.

To give a flavour of our business during the year, the following shows the types and numbers of reports considered between April 2012 and February 2013:

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



## 4. OTHER ACTIVITIES

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

- Authorising amendments to the draft Annual Governance Statement.
- Arranging special meetings and devoting significant resource to addressing the issues arising from the PIDA disclosures which were made.
- Arranging a special briefing / presentation to consider the Annual Statement Of Accounts.
- Referring several matters to Cabinet for attention.
- 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 this very challenging year the Audit Committee:

- Presided over significant changes in the management structure of the organisation, not least the Director and Deputy Director of Finance, officers with statutory responsibilities to ensure the proper administration of financial affairs and systems of internal control,
- Encouraged and presided over significant developments and improvements to strengthen the delivery of the Internal Audit service that has included changes in the management arrangements of the service, the development of a collaborative arrangement with Liverpool Internal Audit and overseeing the implementation of a detailed improvement plan for the delivery of the internal audit service,
- Received reports which showed how improvements had been planned, and delivered, to the Statement Of Accounts which were recognised by the external auditor,
- Encouraged a strengthening of the Council' control environment, specifically by overseeing various targeted reviews and the production of and challenge to 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,
- Presided over the implementation of the Local Audit Bill and oversaw the replacement of the Audit Commission with Grant Thornton as the Council's providers of external auditor services.

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 2013/14**

During 2012/13 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 problems and issues in what promises to be a very challenging and difficult environment. Our priorities for 2013/14 are to continue to meet our duties as specified in the Constitution by developing and building on our current status. For 2013/14 we will:

- Continue to develop the Wirral Council Audit and Risk Management Committee to robustly and proactively review governance issues following recent failings in this important area. This will include the development of

a Guidance document/booklet for Members of the Committee explaining the role and providing detailed advice and guidance on all relevant issues.

- 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 significant developments that are taking place within the Internal Audit service and ensure appropriate responses are given to their recommendations,
- Continue to support the work of the 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,
- Oversee the implementation of the Public Sector Internal Auditing Standards,
- Continue to help the Council to manage the risk of fraud and corruption,
- Continue to develop, through training and development opportunities, the Wirral Council Audit and Risk Management Committee to enable the review of risk and partnerships' issues and the safeguard of public sector interests,
- Oversee the development of more robust and embedded arrangements for the management and maintenance of effective risk management across the organisation, including more scrutiny and challenge of corporate and departmental risk registers and officer reports,
- 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,
- Take appropriate steps to attempt to retain the current Committee membership to ensure that collective knowledge and understanding of the role and requirements of the Committee remains consistent, relevant and up to date,
- Continue to develop more effective systems to challenge officers on progress made in implementing actions required following audits and inspections including requiring more officers to attend to answer questions relating to actions taken following audit work undertaken.

**Councillor Jim Crabtree (Chair)**  
**Wirral Council Audit and Risk Management Committee**  
**March 2013**

## **7. APPENDIX**

### **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