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AUDIT AND RISK MANAGEMENT COMMITTEE

Thursday, 30 June 2011

Present:

Councillor	J Crabtree (Chair)		
Councillors	S Mountney	JE Green	
	A Brighthouse	J Keeley	
	RL Abbey	I Williams	
	D Dodd		

1 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.

Councillor Green declared a personal interest in agenda item 6 – Internal Audit Annual Report 2010/2011 (see minute 6 post) by virtue of his wife being employed at a school, which had recently been subject to audit.

2 MINUTES

The Director of Law, HR and Asset Management submitted the minutes of the meeting held on 28 March 2011.

Further to minute 88 (Internal Audit Plan 2011/2012), the Interim Director of Adult Social Services presented a detailed update to provide clarification for Members on a number of issues that had been raised, associated with personalisation. He commented that a major programme of work had been undertaken to accelerate the pace of personalisation, which had resulted in the national target being exceeded, contrary to the expectations of the Department of Health in October 2010 and the previous CQC report. On 12 June 2011, a national survey of local authorities' performance on NI130 ranked Wirral 41st of the 153 authorities.

The Interim Director commented also that the DASS reablement service HART (Home Assessment and Reablement Team) had now been replaced by a new service, STAR (Short Term Assessment and Reablement) and he outlined its critical role in supporting people through an assessment and recovery process, which then provided an opportunity for a support planned and personal budget to be organised following their discharge from the service. Interim arrangements were now being phased down in a carefully planned way and work with the independent providers of the enablement part of the service was ongoing to ensure that training was thorough and quality was high.

Resolved –

(1) That the minutes of the meeting held on 28 March 2011, be approved.

- (2) That the detailed update from the Interim Director of Adult Social Services be noted.
- (3) That the thanks of the Committee be accorded to the Interim Director, staff within DASS and the previous Cabinet Member for the significant improvements achieved in relation to personalisation at a particularly challenging time for local authorities.
- (4) That the Interim Director be requested to provide a further update to Members direct, in relation to the current position with direct payments.

3 APPOINTMENT OF VICE-CHAIR

On a motion by Councillor Abbey and seconded by Councillor Crabtree, it was –

Resolved – That Councillor D Dodd be appointed Vice-Chair for the ensuing municipal year.

4 BUDGET PROJECTIONS 2012/2015

The Director of Finance presented the projected budget for 2012/2015, which had been considered by the Cabinet on 2 June 2011 (minute 7 refers). He set out the assumptions which underpinned the projections and reported upon the outcome of grant negotiations and other legislative issues. Balances were projected to be £6.3m at 31 March 2012 and with savings having been taken into account, he reported that there would be a projected shortfall of £20.8m in 2012/2013, £27.6m in 2013/2014 and £30.3m in 2014/2015.

In response to comments from Members in relation to the Census 2011, the Chief Executive indicated that the reduction for Wirral since the Census 2001 was greater than for any other metropolitan or unitary authority. If confirmed, then the reduction in grant receivable could be significant.

Resolved –

- (1) That the budget projections be regularly reviewed.
- (2) That a more detailed update be presented to the next meeting of the Committee upon the assumptions underpinning the budget projections.
- (3) That information be provided to Members direct upon the grant implications of the Census 2011.

5 INTERNAL AUDIT UPDATE

The Chief Internal Auditor reported that in order to assist in effective corporate governance and 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 period 1 April – 31 May 2011.

He reported that although there were no items of significance for the reporting period identified during the audit process, which required action by Members, he commented upon a number of items of note concerning ongoing audit work in relation to compliance with the CRC Energy Efficiency Scheme; visits to Departmental Management Team meetings to engage with managers regarding the role of Internal Audit during 2011/2012; Online Fraud Training; and 16 to 19 Year Old School Funding.

Resolved – That the report be noted.

6 INTERNAL AUDIT ANNUAL REPORT 2010/2011

The Chief Internal Auditor presented the Internal Audit Annual Report for 2010/2011, which was timed to support the Statement of Internal Control (within the Annual Governance Statement) and which included an opinion on the overall adequacy and effectiveness of the organisation's control environment. On the basis of work undertaken during the year, he concluded that the Council's internal control environment, risk management process and corporate governance, taken as a whole, were adequate and generally effective. Although there were control issues highlighted, which needed to be addressed, the work undertaken during the year had identified good areas of effective control and the Council continued to operate well in a very challenging environment.

Members expressed concern in relation to a number of service specific controls, particularly in relation to key recommendations to the Department of Law, HR and Asset Management, related to the Corporate Governance agenda which required further improvement for the process to continue. Members also expressed their concern that the Department had not developed a robust system to acknowledge and respond to Internal Audit reports and ensure effective implementation of recommendations made.

The Chief Internal Auditor confirmed that officers had been in communication with the Director of Law, HR and Asset Management to identify progress against any outstanding recommendations and an Action Plan would be presented to the next meeting of the Committee in relation to any outstanding key actions or recommendations.

Resolved –

- (1) That the Internal Audit Annual Report 2010/2011 be noted.**
- (2) That an update be presented to the next meeting of the Committee, to include an Action Plan to ensure the effective implementation of any outstanding key recommendations arising from Internal Audit reports.**

7 **CORPORATE RISK AND INSURANCE MANAGEMENT**

The Director of Finance reported upon progress made against the objectives for corporate risk and insurance management and the anticipated developments in the coming months including the plans for 2011/2012. The update report highlighted work around risk and insurance, which sought to support the Risk Management Strategy and maintain the successful management of the Insurance Fund. The Chief Executive echoed views expressed by Members upon the importance of improvements to the Risk Management Strategy and for the Committee to have a key role in its development.

Resolved – That the report be noted.

8 **AUDIT COMMISSION FEES 2011/2012**

The Director of Finance reported upon the Audit Commission fee for 2011/2012, which was based upon a risk based approach to audit planning as set out in the Code of Audit Practice. The Audit Fee of £352,800 included a reduction in fees reflecting the new approach to local Value for Money work and a 3% reduction to reflect lower continuing costs post-implementation of International Financial Reporting Standards. There was also a further reduction from 2010/2011 and the Director commented that it reflected the ongoing work between the Council and the Audit Commission, and their commitment to seek to reduce their fees. He reported that additional work was undertaken in respect of the certification of grant claims and returns which was variable, dependent upon the numbers and types of grant as well as any specific requirements of the grant-paying body. The planned fee for 2011/2012 was £100,000 being a reduction of £28,000 on the 2010/2011 fee.

The District Auditor commented upon the factors which influenced the fees and indicated that a separate audit plan would be issued in December 2011. He provided details of reports that would be issued during the course of the audit and set out what was required from the Council's audit team.

Resolved – That the Audit Fee for 2011/2012 be agreed.

9 **AUDIT COMMISSION FEES 2011/2012 - MERSEYSIDE PENSION FUND**

The Director of Finance reported that the fees to be charged by the Audit Commission for the audit of the accounts and financial statements of the Merseyside Pension Fund for the year ended 31 March 2011 amounted to £60,966, which was consistent with the indicative fees set out in the Audit Opinion Plan presented to the Pensions Committee on 11 January 2011 (minute 64 refers) and reflected an area of audit risk that had been identified during the planning process.

Resolved – That the fees of £60,966 for the audit of the accounts and financial statements of Merseyside Pension Fund for 2011/2012 be noted.

10 **AUDIT COMMISSION PROGRESS REPORT**

The District Auditor presented the Audit Commission Progress Report 2010/2011, which provided an update of ongoing audit work at the Council. He set out the key messages contained within the document, including the significant challenge and risk

associated with the implementation of the International Financial Reporting Standards (IFRS). Value for Money work was progressing to plan and work continued in respect of PIDA disclosures – Adult Social Services and Procurement of Highways and Engineering Services Procurement Exercise (HESPE).

He reported also that the Council was continuing to follow up matches on the 2009/2010 National Fraud Initiative (NFI), with the result that £318k was being recovered following error or fraud. The current NFI recovery figure for 2011/2012 was £29k.

Resolved – That the Audit Commission Progress Report be noted.

11 **AUDIT COMMISSION REPORTS**

The Chief Internal Auditor presented a summary of reviews undertaken by the Audit Commission for the period 1 April 2006 to 31 March 2011 and provided details of the action that Wirral Council, including the Merseyside Pension Fund, had subsequently taken to implement the recommendations contained within the associated reports. He commented that for the monitoring period assurances had been received that all recommendations had been implemented. However, despite a number of requests for evidence to be provided for four reports within the Department of Law, HR and Asset Management, evidence of implementation of the recommendations was not provided and he commented that a number of recommendations had been superseded without having been implemented. However, an assurance had now been provided that the recommendations would be implemented following the introduction of new legislation in the forthcoming year and the Director of Law, HR and Asset Management had been advised to introduce a system to ensure that recommendations made by the Audit Commission were responded to and implemented in a timely manner. In response to comments from Members, the Chief Internal Auditor proposed to present an update to the next meeting of the Committee.

Resolved –

- (1) That the report be noted.**
- (2) That all Chief Officers be reminded to ensure that they respond in an appropriate and timely manner to all recommendations made by the Audit Commission.**
- (3) That an update in relation to compliance with Audit Commission recommendations be presented to the next meeting of the Committee.**

12 **FINANCE DEPARTMENT PLAN**

The Director of Finance presented the draft Finance Department Plan 2011/2012, which outlined the key services, aims and objectives that contributed to the delivery of the Corporate Plan. He reported that performance against the Plan was monitored by the Departmental Management Team on a monthly basis in accordance with the performance management arrangements approved by Cabinet on 14 April 2011. The Leader of the Council, who was the portfolio holder for Finance and Best Value, received a monthly statement showing progress against the key milestones and objectives that underpinned the delivery of the Corporate Plan.

In addition, the Plan incorporated a Departmental Risk Register, which contributed to the Corporate Risk Register. He indicated that at the time of publication there were a number of risks that had a 'likelihood' score of 3 (indicating a high probability that the risk would have an impact on the Council), and was reflective of the change that the Council and the Department was currently undergoing. However, the mitigating controls that were being put in place aimed to reduce those scores and the Risk Register would be refreshed accordingly.

Members sought assurances on how control measures were being put in place, with fewer staff within the Department. Further information was also requested in relation to risks being re-scored, once additional control measures had been applied, and Members also requested the provision of more in depth risk specific training. In response, the Chief Executive indicated that the issues in relation to risk scoring affected all Departments and he proposed that the Council's Risk and Insurance Officer attend the next meeting of the Committee to address those authority-wide issues.

Resolved –

- (1) That the Finance Department Plan 2011/2012 be noted.**
- (2) That a further report be presented to the next meeting of the Committee on the developing approach to risk management.**
- (3) That the Director of Finance be requested to liaise with the Chair and spokespersons in relation to the training requirements of the Committee.**

13 FUTURE OF LOCAL PUBLIC AUDIT

The Director of Finance presented a response that had been sent to the Department for Communities and Local Government (DCLG) to a consultation paper on the Future of Local Public Audit, which had been circulated to each Member of the Committee for comment.

Resolved – That the response to the DCLG consultation be noted.

14 ANTI MONEY LAUNDERING POLICY

The Director of Finance reported that following the publication of CIPFA guidance '*Combating Financial Crime: Further Guidance on Anti-money Laundering for Public Service Organisations (2009)*', the Council's Anti Money Laundering Policy had been updated to ensure compliance with best practice identified by CIPFA and the Society of Local Authority Chief Executives (SOLACE).

Resolved –

- (1) That the revised Anti Money Laundering Policy be noted.**
- (2) That the revised policy be promoted across the Council.**

15 **BRIBERY ACT 2010**

The Director of Finance provided an outline of the Bribery Act 2010 and set out the actions required to ensure compliance. He also set out the sanctions which were applicable to the Council, in the event of a prosecution under the Act, which would be implemented on 1 July 2011. He presented a draft Anti Bribery Policy, which had been prepared in accordance with CIPFA best practice and commented that following discussions with the Head of Legal and Member Services, an action plan had been prepared to ensure that the Council implemented appropriate actions to comply with the requirements of the Act.

Resolved –

- (1) That the Anti Bribery Policy and Action Plan be noted.**
- (2) That the Policy be promoted across the Council.**
- (3) That the Council take appropriate steps to ensure compliance with the legislation as identified in the Action Plan.**

16 **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)
- QUARTERLY UPDATE**

The Head of Legal and Member Services, on behalf of the Director of Law, HR and Asset Management presented a quarterly update in relation to the use of covert surveillance by the Council between 11 April 2011 and 1 June 2011. The Home Office Code of Practice on covert surveillance required every Council to report quarterly on its use of RIPA and to approve annually its policy on RIPA.

He commented that a review had been published by the Home Office, which made a number of recommendations concerning local authorities –

- That Magistrate's approval should be required for local authority use of RIPA and should be in addition to the authorisation needed from a senior officer and the more general oversight by elected councillors.
- That the use of RIPA to authorise directed surveillance should be confined to cases where the offence under investigation carries a maximum custodial sentence of six months or more. But because of the importance of directed surveillance in corroborating investigations into underage sales of alcohol and tobacco, the Government should not seek to apply the threshold in those cases.

The proposals had been incorporated into draft legislation and were expected to be enacted in 2012. He expressed the view that if the Bill became law, it would become more difficult to obtain evidence of anti social behaviour. Persistent acts of disorder and nuisance would not pass the threshold and witnesses would be more reluctant to give evidence if the outcome of the case was less certain because the evidence of covert surveillance was no longer available to prove they were telling the truth. They would fear retaliation and the change in the law would protect the right to privacy of suspected perpetrators of anti-social behaviour, which would be regarded as a higher priority than the right of their victims to live peacefully and without fear.

A Member expressed the view that following the publication of the Home Office review, the Council should have taken steps to comply with the recommendations, rather than waiting for a change in the law to take place.

Resolved –

- (1) That the report on the use of covert surveillance be noted.**
- (2) That the Council's current policy and procedure on RIPA be approved, pending the coming into force of new amending legislation.**

17 **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. The Director reported that since 2006 the training requirements had been comprehensively achieved at minimum cost by appointing one of the Members of the working party who wrote the CIPFA guidance to undertake the training. The course had been supplied over two sessions at a cost of £2,500.

Members expressed the view that more in depth training would be appropriate, beyond the primary training already undertaken by most Members.

Resolved – That the Director of Finance be requested to liaise with the Chair and spokespersons to agree a suitable training package.
