



Audit and Risk Management Committee

Date:	Tuesday, 29 November 2011
Time:	6.15 pm
Venue:	Committee Room 1 - Wallasey Town Hall

Contact Officer: Mark Delap
Tel: 0151 691 8500
e-mail: markdelap@wirral.gov.uk
Website: <http://www.wirral.gov.uk>

AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members are asked to consider whether they have personal or prejudicial interests in connection with any item(s) on this agenda and, if so, to declare them and state what they are.

2. MINUTES (Pages 1 - 12)

To receive the minutes of the meeting held on 28 September 2011

3. BUDGET PROJECTIONS 2012-15 (Pages 13 - 20)

4. INTERNAL AUDIT UPDATE (Pages 21 - 32)

5. CORPORATE GOVERNANCE - REVIEW OF INTERNAL AUDIT (Pages 33 - 36)

6. ANNUAL REVIEW OF SYSTEMS OF INTERNAL AUDIT (Pages 37 - 58)

7. STATEMENT OF ACCOUNTS AND FINAL ANNUAL GOVERNANCE REPORT 2010/2011 (Pages 59 - 70)

8. AUDIT COMMISSION - PROGRESS REPORT (Pages 71 - 98)

9. AUDIT COMMISSION - HESPE FOLLOW UP REPORT

Report of the District Auditor to be circulated separately

- 10. ACCOUNTING FOR, AND RECORDING OF, ASSETS (Pages 99 - 106)**
- 11. RISK MANAGEMENT STRATEGY AND THE MANAGEMENT OF RISK AND OPPORTUNITY (Pages 107 - 132)**
- 12. CORPORATE RISK REGISTER (Pages 133 - 144)**
- 13. CORPORATE RISK AND INSURANCE MANAGEMENT (Pages 145 - 148)**
- 14. SINGLE FRAUD INVESTIGATION SERVICE (Pages 149 - 158)**
- 15. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 1)**
- 16. EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

The public may be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information.

RECOMMENDATION – That in accordance with section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business, on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part 1 of Schedule 12A (as amended) to that Act. The public interest test has been applied and favours exclusion.

- 17. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 2)**

AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 28 September 2011

Present:

Councillor J Crabtree (Chair)

Councillors	D Dodd	RL Abbey
	S Mountney	JE Green
	A Brighthouse	J Keeley

Deputies:

Councillors J Walsh (In place of I Williams)

18 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

No declarations of interest were received.

19 MINUTES

RESOLVED:

That the Minutes of the meeting held on 30 June 2011 be confirmed as a correct record.

20 MERSEYSIDE PENSION FUND ACCOUNTS

A report of the Deputy Chief Executive/Director of Finance presented the Cabinet with the audited Statement of Accounts of Merseyside Pension Fund 2010/2011 and responded to the Draft Annual Governance Report (AGR) from the Audit Commission.

The Committee was informed that, following changes to regulations for 2011; the un-audited Statement of Accounts had not been presented to this Committee or the Pensions Committee. There had been a meeting of the Governance and Risk Working Party on 14 July 2011 where there had been a training session on how the accounts for the Merseyside Pension Fund were put together and an explanation had been given of the changes made as a result of the newly introduced International Financial Reporting Standards. The draft accounts had also been made available to Members at this meeting.

The Committee was also informed that the Audit Commission was close to completing its audit of the draft accounts and the draft AGR was also to be considered by the Committee at this meeting. The report responded to the draft AGR.

The Director of Finance/Deputy Chief Executive informed that he had prepared a Letter of Representation on behalf of the Committee which gave assurances to the District Auditor on various aspects relating to the Pension Fund.

The Audit Opinion would be issued following completion of the audit, consideration of the Annual Governance Report and approval of the amended Statement of Accounts at both the Pensions Committee and this Committee. Once approved, the District Auditor had indicated that he would issue an unqualified opinion, and state that the accounts presented fairly the financial position of the Merseyside Pension Fund as at 31 March 2011. Subject to this, the accounts, as they were now, would form the basis of the Annual Report for the year ended 31 March 2011.

The report provided Members with an overview of the Accounts, details of the amendments made to the Accounts and included the Audit Commission's findings and an Action Plan.

RESOLVED:

That the audited Statement of Accounts for 2010/11, the amendments to the draft Accounts and the draft Annual Governance Report and the Letter of Representation be agreed.

21 AUDIT COMMISSION - MERSEYSIDE PENSION FUND ANNUAL GOVERNANCE REPORT

The Committee received the Annual Governance Report (AGR) of the Audit Commission which summarised the findings of the 2010/2011 audit of Merseyside Pension Fund. It was noted that, subject to satisfactory completion of outstanding matters, the District Auditor planned to issue an unqualified opinion on the Merseyside Pension Fund's accounts. She had identified two material errors in the accounts, the omission of a Net Assets Statement as at 1 April 2009, and a misclassification of £273m pooled investments as equity. The Pension Fund had agreed to amend the accounts for both of these items. The District Auditor had also identified a small number of other disclosure errors and one non-trivial accounting error, all of which the Pension Fund had agreed to amend.

The Deputy Chief Executive/Director of Finance provided the Committee with an update in note form. He told Members that the AGR had been presented to the Pensions Committee at its meeting on 19 September 2011. His summary on page 3 of that report remained valid and he proposed to give his opinion by 30 September 2011. Page 5 of the report set out a number of issues that remained outstanding and the Director provided an update on the position in respect of each one. Attached to his note to the Committee was an updated Appendix 2 to the Merseyside Pension Fund's AGR.

The Committee went through the AGR and the note setting out updates in detail and it was

RESOLVED:

That the report be agreed.

22 STATEMENT OF ACCOUNTS 2010/11

A report of the Deputy Chief Executive/Director of Finance reminded the Committee that the Council's Constitution allocated responsibility for the approval of the

Statement of Accounts to the Audit and Risk Management Committee. The Statement for 2010/11 had been published on 4 July 2011 and was then subject to audit. The District Auditor would present his findings within the Annual Governance Report (AGR) together with additional updates to this Committee meeting.

The Statement of Accounts included the Merseyside Pension Fund (MPF) accounts as the Council was the Administering Authority for MPF. As MPF received a separate Annual Governance Report (AGR) this had been considered by the Pensions Committee on 19 September 2011 and this Committee on 28 September 2011 as part of approving the Accounts.

Members noted that the Accounts were subject to audit and if the Audit Commission required any material amendments to the Accounts, then under the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice for Local Government, the District Auditor reported on the financial statements. As stipulated by the Regulations, these would be reported to this Committee, prior to 30 September 2011.

The Committee was responsible for approving the Statement of Accounts (which presented the Council's overall financial position as at 31 March 2011) on behalf of the Council which was a requirement under the Accounts and Audit Regulations 2003, as amended in 2011. The Committee studied the report and Statement of Accounts in detail noting that there were a number of amendments to the financial statements that had been requested by the District Auditor and were detailed in the AGR at Appendix 2. These amendments had been agreed by Officers and Members were requested to agree to them too.

The District Auditor had also identified a potential misstatement which had not been adjusted in the Accounts at Appendix 3. Members received an update and were asked to consider whether or not they would want to adjust the Statement of Accounts should this issue remain. It was noted that any unadjusted misstatement must be referred to in the Letter of Representation. They had not changed the level of General Fund balance or reserves and provisions at 31 March 2011.

The Deputy Chief Executive/Director of Finance reported that the Audit Opinion would be issued following the Committee's consideration of the AGR, approval of any amendments to the Statement of Accounts and agreement of the Letter of Representation (the draft was included at Appendix 6 to the AGR). The District Auditor would issue an opinion before 30 September 2011 and state if the accounts were a true and fair view of the financial position of the Council at 31 March 2011. The Auditor's report would be incorporated within the final version of the Statement of Accounts that would enable the accounts to be agreed and published by 30 September 2011, (the statutory deadline).

The report also included a Value for Money conclusion and the Committee was told that District Auditor had identified that, whilst the Council was achieving cost reductions, it was not able to demonstrate that it was improving efficiency and productivity in some areas with the Highways and Engineering Services contract quoted as an example.

RESOLVED:

- (1) the Deputy Chief Executive/Director of Finance be requested to sign off the Council's 2010/11 Accounts when they are ready, in consultation with the Chair of the Committee;**
- (2) the Deputy Chief Executive/Director of Finance be requested to sign the Letter of Representation, in consultation with the Chair of the Committee and the Chief Executive, who both must be satisfied that the information contained therein is correct; and**
- (3) the Deputy Chief Executive/Director of Finance be requested to bring a report to the next meeting of the Committee on the accounting for, and recording of, assets.**

23 AUDIT COMMISSION - ANNUAL GOVERNANCE REPORT

The Deputy Chief Executive/Director of Finance presented the Committee with the Annual Governance Report (AGR). The report summarised the findings from the 2010/11 audit which was substantially complete. It included the messages arising from the audit of the financial statements and the results of the work the District Auditor had undertaken to assess the Council's arrangements to secure value for money in its use of resources.

The District Auditor circulated his draft report as at 22 September 2011 of his qualified Value for Money Conclusion and reported that the paragraph in the 'basis for qualification' in the draft AGR had not changed very much and not at all in the message. The actual conclusion was still 'with the exception of the matter reported in the basis for qualified conclusion, that he was satisfied that in all significant respects the Council had put in place proper arrangements'. What had changed was the 'report by exception'. In the draft AGR the District Auditor had a high level message referring to governance and internal control weaknesses. On the advice of his technical section, he had been far more explicit and made specific reference to the key issues, including the two independent reports.

The basis for the qualified conclusion was that, in considering the Council's arrangements for challenging how it secured economy, efficiency and effectiveness, the District Auditor had identified that the Council was not able to provide information on activity and performance of the Highways and Engineering Services Procurement Exercise (HESPE) contract to determine whether it was receiving better value for money spent. He had concluded that, having regard to guidance on the specified criteria published by the Audit Commission in October 2010, with the exception of the matter reported in the basis for qualified conclusion, he was satisfied that in all significant respects the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

The Audit Commission's guidance also required the District Auditor to report, by exception, on any other significant additional matters that came to his attention and which he considered to be relevant to proper arrangements to secure economy, efficiency and effectiveness in the use of resources. Such matters had come to his attention relating to significant weaknesses in:

- Promoting and demonstrating the principles and values of good governance

The District Auditor had identified that the Council's Constitution required updating and the current Contract Procedural Rules had not been followed for term contracts. Also, an independent review of bullying and harassment made a number of significant criticisms of individual officers and collective behaviour within and across the whole Council and another independent review had concluded that Wirral Council's corporate governance arrangements were, and probably remained, inadequate. Without good governance, risks increased and priorities might not be achieved.

- Managing risks and maintaining a sound system of internal control

The District Auditor had identified weaknesses in corporate arrangements for risk management, policies, procedures and internal control arising from whistleblowing concerns. There were also significant weaknesses in internal control in respect of assets which had continued for a number of years. Without sound arrangements risks could not be managed to a reasonable level and resources may not be used effectively to deliver value for money.

The District Auditor also circulated an addendum to page 36 of the AGR that served to update Members by providing a summary of his findings. He reported that he was awaiting information that he needed to review before he could confirm that he could give an unqualified opinion on the Council's accounts. He informed that he may not be able to give the certificate of completion of audit.

The District Auditor referred to the Financial Statements at page 36 of the Committee's agenda in respect of outstanding issues and provided an update on the position with each one. He also referred to the Council's Property, Plant and Equipment Assets disclosed on the face of the Comprehensive Income and Expenditure Statements and informed that the latest position was that the figure had gone up from £9.5m to £15.975m. The revaluation element relating to the PFI schemes of £5.163m had been separated out and disclosed on a new line with the result that the figure had gone up.

The Council had explained that the amount of £15,975m was made up of £4.5m correctly relating to asset revaluation and £11.4m of incorrectly accounted for capital grants and the impact was that both this line and service line income were overstated (and therefore cancelled each other out, with no overall effect on the bottom line). Officers had analysed £5.4m of the incorrect balance and were planning to make an adjustment for this. This left the remaining £6m as an unadjusted error which could impact on any of the service level income lines.

The Committee was informed that Officers were providing the District Auditor with working papers to support their amendments and their explanation for the unadjusted error which he would need to review. At this stage, he was considering giving the Council an unqualified opinion with an explanatory paragraph or 'emphasis of matters' (the financial statements were affected by significant uncertainties (about which it was either not possible to, or, would not be reasonable to obtain sufficient appropriate audit evidence) and the matter was disclosed adequately).

The District Auditor reported that he still intended to give a qualified value for money conclusion and the wording of the draft had been updated and circulated to Members. He also informed that he had that day received two notices of objections to the accounts that he would need to consider before he could give the certificate of completion of the audit in the Auditor's Report. The District Auditor also reported that if he gave the opinion but needed to delay his certificate he was required to also re-assess and re-issue the opinion and value for money conclusion at the time of giving the certificate.

Consequently, Members were asked to consider how they would review and approve the final changes to the Statement of Accounts and the final Letter of Representation.

The Deputy Chief Executive/Director of Finance informed that this year, for the very first time, the accounts had been prepared in accordance with the International Financial Reporting Standard and this had been a learning curve and time consuming and the situation had been further exacerbated because a number of accountants had left the Council through voluntary severance or voluntary early retirement. He considered that having gone through the process this year staff would have the experience behind them making them better able to cope with compiling the Council's 2011/12 Accounts. Work was in hand on all matters raised and the District Auditor was confident that the statutory deadline of 30 September 2011 would be met.

Members were very concerned by what they had been told by the District Auditor and regarded it as extraordinary. The Deputy Chief Executive/Director of Finance informed that the problem, in part, was a resource issue. However, Members were aware of the same issues being raised in previous years and were not sure that it could be put down to lack of resources. However, if the issues could be addressed through resources they were prepared to do it. The Deputy Chief Executive/Director of Finance agreed to see what could be done process wise and come back to the Committee with a further report.

The Committee deliberated the serious issues raised by the District Auditor at length and it was:

RESOLVED: That

- (1) authority be delegated to the Deputy Chief Executive/Director of Finance, in consultation with the Chair, to sign off the Action Plan; and**
- (2) the Deputy Chief Executive/Director of Finance be requested to review his Department's processes and bring a report to a future meeting setting out what can be done to bring about improvements so that the Council's Account are compiled in future without the problems experienced this year.**

24 ANNUAL GOVERNANCE STATEMENT

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 2006 and 2011).

This report explained the requirement for the Authority to produce the AGS declaring the degree to which it meet the Governance Framework.

Cabinet had considered the AGS at its meeting on 14 April 2011. The AGS has now been revised to provide further information. The revised statement was presented for approval and was at Appendix A to the report.

The published Annual Governance Report informed that the District Auditor planned to qualify the Value for Money conclusion drawing "attention to weakness identified in the arrangements for securing value for money in respect of the Highways and Engineering Services (HESPE) contract and other governance and internal control issues arising from the whistleblowing issues and from the recording and control of assets".

The Committee considered the issues raised during the consideration of this report and during the consideration and deliberations of the Statement of Accounts 2010/11 and the Annual Governance Report. Of particular concern to Members was that the District Auditor had identified that the Council was not able to provide information on activity and performance of the (HESPE) contract to determine whether it was receiving better value for money spent. The District Auditor had indicated that this would be the basis for a qualified conclusion in respect of the Council's Value for Money Statement. The Committee queried whether other matters of concern would be of sufficient seriousness for the District Auditor to give a qualified report.

Members asked a number of questions. They queried why the HESPE contract had been signed when the benefit to be derived from it were still unclear, some 2½ years later. They considered that system must be put in place and relevant data collected to measure value for money. The Audit Manager was in attendance at the meeting and she told Members that she was hoping to bring a report to the next meeting which would answer their questions. It was appropriate that they know exactly what they got before the contract and from the contract. Making a decision to let a contract on price alone did not demonstrate value for money. It was vital that the tender specification was water tight and there were issues over how a contract was managed.

The Committee sought clarification over the line management of the Internal Audit Section because of the criticisms levied at audit reports produced and actions not being taken. Assurances were also sought. The Deputy Chief Executive/Director of Finance informed that Internal Audit was managed by the Chief Internal Auditor and if there were any concerns about the Finance Department the Chief Internal Auditor would report directly to the Chief Executive or the Leader of the Council on them.

RESOLVED: That

- (1) the Annual Governance Statement be agreed; and**
- (2) the Director of Technical Services be requested to attend a meeting of this Committee as soon as possible to satisfy the Committee that the HESPE contract is providing value for money and that controls are in place to demonstrate value for money on future contracts.**

25 **BUDGET PROJECTIONS 2012/2015**

Following the agreement of the budget for 2011-12 at the Council meeting on 1 March 2011, a report by the Deputy Chief Executive/Director of Finance presented the projected budgets for 2012-15. This information had been presented to the Cabinet at its meeting on 1 September 2011.

RESOLVED:

That the budget projections be regularly reviewed.

26 **INTERNAL AUDIT UPDATE**

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.

A report by the Chief Internal Auditor identified and evaluated the performance of the Internal Audit Section and included details of the actual work undertaken. There were no items of significance identified during the audit process that required action by the Members for this period however a number of items of note concerning ongoing audit work were included in the report.

Members raised concerns about the need to know that the findings of the Internal Audit Section were acted upon. They agreed that a system must be put in place to monitor satisfactory progress and ensure that the Committee received feedback. It was also important for Departments to have key controls in place and ensure that they followed through with actions identified to bring about necessary improvement.

RESOLVED: That

- (1) the contents of the report be noted;**
- (2) the Chair and Spokespersons will meet to discuss progress chasing and how the Committee can identify any differences and improvements in services, following the Internal Audit Section's findings and recommendations being implemented; and**
- (3) in the meantime, 1 Star Internal Audit opinions and the more significant findings and recommendations are to be reported to the Committee.**

27 **AUDIT COMMISSION - PROGRESS REPORT**

The Committee received a Progress Report dated September 2011 from the Audit Commission. This report set out the detail of ongoing work at the Council and informed of the risks arising from the audit, under International Standard on Auditing (United Kingdom and Ireland) 300. A number of key messages were drawn to Members' attention.

Members noted, in particular, that the Audit Commission continuing to work on the Public Interest Disclosure Act (PIDA). This was in respect of the Department of Adult Social Services. It was also currently following up the PIDA in respect of the Highways and Engineering Services Procurement Exercise (HESPE) and would report back to Members at a future meeting on this.

A letter from the Audit Commission's Chief Executive was circulated at the meeting. This letter updated Members on progress on the procurement exercise which involved the transfer of the work of the Audit Commission's in-house Audit Practice to the private sector, the timetable and associated developments.

RESOLVED:

That the content of the Audit Commission's Progress Report be noted along with the update on its procurement exercise to transfer its in-house Audit Practice to the private sector.

28 UPDATE ON AUDIT RECOMMENDATIONS RELATING TO LAW, HR AND ASSET MANAGEMENT

A report by the Director of Law, HR and Asset Management provided the Committee with an update, as requested at its meeting on 30 June 2011, of the actions taken and to be taken in relation to various Internal Audit and External Audit recommendations that had been reported as outstanding within his Department.

RESOLVED:

That the actions taken and to be taken in relation to various Internal Audit and External Audit recommendations that had been reported as outstanding within the Department of Law, HR and Asset Management be noted.

29 INSURANCE FUND ANNUAL REPORT

A report by the Deputy Chief Executive/Director of Finance provided the Committee with a review of the Risk and Insurance activity during 2010/11 and the plans for 2011/12. It also detailed the current status of the liability, fire and motor claims Insurance Fund and the impact of measures taken to improve the management of risk. This report had been considered by the Cabinet at its meeting on 23 June 2011.

RESOLVED:

That the transfer of £946,654 from the Insurance Fund to General Fund balances at 31 March 2011 be noted.

30 CORPORATE RISK AND INSURANCE MANAGEMENT

A report by the Deputy Chief Executive/Director of Finance detailed progress made against the objectives for corporate risk and insurance management and the anticipated developments in the coming months.

Members asked if the Council had a proper agreed Risk Management Strategy in place. The Director reported that an independent consultant had been

commissioned in the previous year, to carry out work in this area. The results of this work would be reported to the next meeting of the Cabinet, seeking its agreement and would then be reported to the next meeting of the Committee.

RESOLVED:

That the Corporate Risk and Insurance Management report be noted.

31 FRAUD PREVENTION

A report by the Deputy Chief Executive/Director of Finance informed that corporate fraud was a crime that was increasing in both the public and private sectors. In Local Government it was becoming more complex as a result of business transformation and the extended use of partnerships, outsourcing and new technologies. The report also covered fraud prevention in the Council and identified the roles of the various teams in pursuit of this aim.

RESOLVED:

That the content of the report be noted.

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

The Regulation of Investigatory Powers Act 2000 (RIPA) governs how public bodies use surveillance methods: The Council may use covert surveillance for the purpose of preventing or detecting crime or preventing disorder. The Council's Constitution authorises Directors to designate Heads of Service and Service Managers to authorise the use of covert surveillance in accordance with the procedures prescribed by RIPA.

A report by the Director of Law, HR and Asset Management summarised the use of covert surveillance by the Council between 1 June and 1 September 2011. It was noted that within this time period seven authorisations for covert surveillance had been granted. Two authorisations had been granted to obtain evidence of serious offences of fly-tipping at sites in the Borough where this offence had become a public nuisance. One had led to a prosecution. Five authorisations had been granted to obtain evidence of alleged anti-social behaviour. One authorisation had provided evidence for possession proceedings and three authorisations were current. Anti-social behaviour had included alleged racial harassment, intimidation, the lighting of fires in derelict property, criminal damage, drunken and abusive behaviour and the playing of loud music.

The Committee was informed that on the 26 January 2011 the Home Office had published its review focusing on which security powers could be scaled back in order to restore the balance of civil liberties, including the use of RIPA by local authorities and had made the following recommendations concerning local authorities:

- 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.

- 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 these cases.

The Director reported that the above proposals have been incorporated in the draft legislation and are expected to be enacted in a year's time. If the Bill becomes law, it would become more difficult to obtain evidence of anti social behaviour. Persistent acts of disorder and nuisance would not pass the threshold. 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. 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.

Evidence obtained by authorised cover surveillance had been used to support civil proceedings for anti-social behaviour, and in prosecutions for fly-tipping, underage sales of tobacco, and of counterfeit goods. It was a valuable resource for a local authority provided proper safeguards were in place to prevent its abuse.

RESOLVED: That

- (1) the contents of the reported be noted; and
- (2) more detail be included in future reports on the possible penalties that any convictions might incur.

33 EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

RESOLVED:

That, under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following item of business on the grounds that it involves the likely disclosure of exempt information as defined by the relevant paragraphs of Part I of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

34 CARE HOMES - CONTINGENCY PLANNING

A report by the Interim Director of Adult Social Services advised the Committee of the development of the strategic contingency planning process within the Department of Adult Social services; this was necessary in the event of an emergency such as an independent care home or other service provider going into administration.

RESOLVED:

That the contingency planning framework outlined in the report be noted.

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AUDIT AND RISK MANAGEMENT COMMITTEE

29 NOVEMBER 2011

SUBJECT	BUDGET PROJECTIONS 2012-15
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR STEVE FOULKES
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

- 1.1 Following the agreement of the budget for 2011-12 at the Council meeting on 1 March 2011, this report presents the projected budgets for 2012-15.

2.0 RECOMMENDATION

- 2.1 That the budget projections be regularly reviewed.

3.0 REASON FOR RECOMMENDATION

- 3.1 Regular reporting of the projected financial prospects is a requirement of good corporate and financial planning.

4.0 BACKGROUND AND KEY ISSUES**4.1 Assumptions Underpinning the Projections**

- a) Inflation - Provision is currently being made for price inflation of 2% per annum with income to continue to increase by 3% per annum. Pay awards will be limited to those employees earning less than £21,000 per annum for 2012-13 and are assumed to increase by 2% per annum from 2013. A report on the provision for inflation for 2012-13 is included elsewhere on this agenda.
- b) Capital Financing - Cabinet on 21 February 2011 agreed a capital programme at an increased revenue cost of £1.9m in 2012-13.
- c) Pension Fund - the increase arising from the actuarial valuation including the impact of the outsourcing of the highways and engineering services contract will increase the contribution by £0.3m in 2012-13 and by £0.3m in 2013-14. The revaluation scheduled for March 2013 will be implemented from 2014.
- d) National Insurance – Employers NI changes will cost an additional £1m.
- e) Waste Disposal - Landfill Tax is increasing by £8 per ton per annum, an increase of 50% between 2010-11 and 2014-15. The levy is assumed to increase by £1.5m per annum from 2013.
- f) Merseytravel - From 2013 the levy is assumed to increase by £1m per annum.

- g) Schools - it is assumed that the Schools Budget will vary in line with the Dedicated Schools grant.
- h) Academies – the Department for Education will reduce the budget by a further £0.9m in 2012-13 to fund academies.
- i) Neighbourhood Management – Cabinet on 2 June 2011 agreed to increase the budget by £0.4m to be funded by the Local Services Support Grant.
- j) Home to School Transport – Cabinet on 2 June 2011 agreed to increase the budget by £0.2m to be funded by the Local Services Support Grant.
- k) Integrated Transport – Cabinet on 23 June 2011 agreed to increase the budget by £0.3m.
- l) Housing – Cabinet on 21 July 2011 agreed to increased housing expenditure of £0.3m to equal the New Homes Bonus.
- m) Adult Social Services Reprovision - £3.5m identified as part of budget preparation.
- n) Efficiency Investment - in order to continue to deliver efficiencies in future years it will be necessary to continue to invest and therefore £2m per annum has been provided.
- o) Other Unavoidable Growth - a number of items of unavoidable growth of less than £0.2m will arise. These usually total about £1m per annum.

4.2 Grant Negotiations

- 4.2.1 The Local Government Finance Settlement for 2011-12 incorporated a provisional settlement for 2012-13, in which the Formula Grant will be reduced by £14m.
- 4.2.2 The Spending Review 2011-15 incorporated four year projections for local government expenditure. However the Finance Settlement only provided figures for 2011-13. Figures for 2013-15 will be subject to the outcome of the Local Government Resource Review (LGRR). Clearly this will have a major impact on the budget projections for 2013-15 included in the appendix. The Terms of Reference for phase I of the LGRR were reported to Cabinet on 14 April 2011. A response to a consultation paper on phase I, localisation of business rates, was agreed by Cabinet on 13 October 2011. Phase II, community budgets, was reported to Cabinet on 1 September 2011. Subsequent phases will be reported to Cabinet as they are released.
- 4.2.3. The Government has announced a new general grant, the Local Services Support Grant of £1.2m. This absorbs a number of previous specific grants totalling £0.5m and was reported to Cabinet on 2 June 2011.
- 4.2.4. The New Homes Bonus of £0.3m has also been released as a general grant which was reported to Cabinet on 2 June 2011.

- 4.2.5. H. M. Treasury (HMT) has announced a Council Tax freeze grant for 2012-13 only equivalent to a 2.5% Council Tax increase, amounting to £3.3m for Wirral.
- 4.2.6. As part of the LGRR the Government proposes to reduce specific grants from 2013. The pro-rata impact for Wirral could be a loss of £7m in 2013-14 and £23m in 2014-15.

4.3 **Other Legislative Issues**

- 4.3.1 Independent Public Service Pensions Commission – Final recommendations issued on 10 March 2011. The detailed Government response is expected in Autumn.
- 4.3.2 Pensions Contributions – HMT is seeking to recover either from employers or pension funds an amount equal to a 3.2 percentage point increase in contribution rates from 2012.
- 4.3.3 Welfare Reform Bill – Implementation of Universal Credit and a Local Council Tax Benefit System due to commence in 2013. The Local Council Tax Benefit System will result in a reduction of grant of £3.2m. A response to a consultation paper was agreed by Cabinet on 22 September 2011.
- 4.3.4 Localism Bill - Will require a local referendum if a proposed Council Tax increase is considered to be excessive from 2012-13.
- 4.3.5 Council Tax Revaluation - This has been deferred until after 2015.
- 4.3.6 **Census** - During the course of this budgeting period the results of the Census 2011 will become available and will be incorporated into the grant distribution formulae. The Office for National Statistics (ONS) has released the Mid 2009 estimated populations. The reduction for Wirral since the Census 2001 is greater than for any other metropolitan or unitary authority. If this is confirmed in the Census 2011 then the reduction in grant receivable could be significant. The ONS has confirmed that the analysis of the Census data should be completed for incorporation into the Finance Settlement for 2013-14.

4.4 **Balances**

- 4.4.1 The budget for 2011-12 includes balances of £14.1m.
- 4.4.2 The final phase of the Early Voluntary Retirement/Voluntary Severance Scheme covering those staff due to depart in early 2011-12 is projected to utilise £4.4m of the balances.
- 4.4.3. The budget for 2011-12 will utilise £2.8m of the balances to fund one-off expenditure.
- 4.4.4. HM Treasury has announced two increases to National Insurance which will cost an additional £1m.
- 4.4.5. Cabinet on 17 March 2011 agreed to reinstate the budget for Fernleigh for 2011-12 at a cost of £0.5m.

- 4.4.6. Cabinet on 2 June 2011 received details of the Local Services Support Grant and the New Homes Bonus.
- 4.4.7. Cabinet on 23 June 2011 agreed that integrated transport would not deliver the previously agreed savings but would instead cost an additional £0.3m.
- 4.4.8. Closure of the Accounts for 2010-11 which was reported to Cabinet on 23 June 2011 resulted in a net overspending of £3.3m.
- 4.4.9. The Insurance Fund Annual Report presented to Cabinet on 23 June 2011 transferred £0.9m to balances.
- 4.4.10. The Treasury Management Annual Report presented to Cabinet on 23 June 2011 transferred £3.0m to balances.
- 4.4.11. Cabinet on 23 June 2011 agreed to transfer the Connexions Pension Reserve of £4.7m to General Fund balances.
- 4.4.12. This had originally been identified to meet reprovision costs of £3.5m in Adult Social Services in 2011-12.
- 4.4.13. Cabinet on 21 July 2011 agreed to allocate an amount equal to the New Homes Bonus for housing expenditure.
- 4.4.14. Cabinet on 22 September 2011 agreed to fund the costs of the independent review following the DASS PIDA totalling £0.3m.
- 4.4.15.. Therefore the projected balances are as follows:-

	£m
Budgeted opening balance	14.1
Overspending 2010-11	-3.3
Insurance Fund	0.9
Treasury Management	3.0
Connexions Pension Reserve	4.7
Adult Social Services Reprovision	-3.5
EVR/VS	-4.4
Policy Options 2011-12 only	-2.8
National Insurance	-1.0
Fernleigh	-0.5
Local Services Support Grant	0.5
Integrated Transport	-0.3
Independent Review	<u>-0.3</u>
Projected Balance	7.1

- 4.4.16. The minimum recommended balances are £6.0m.

4.5. Savings

4.5.1. Cabinet has agreed to the following savings:-

	2012-13	2013-14	2014-15
	£000	£000	£000
Human Resources IT System	474	100	20
Family Group Conferencing	130		
IT Services	400	400	400
Benefits	1,200		
Printing Services	<u>250</u>		
	2,454	<u>500</u>	<u>420</u>

4.5.2. Subsequently the Strategic Change Programme Board has been reformed that the agreed savings from the implementation of the Human Resources IT system will not be achieved.

4.5.3. In addition to the savings agreed by Cabinet the Strategic Change Programme Board has agreed to the following additional savings for 2012-13:-

	£000
Looked After Children	70
Disposal of Assets	310
Office Rationalisation	123
Street Lighting	100
DASS Market Management	847
Facilities Management	<u>500</u>
	1,950

These revisions were reported to the Council Excellence Overview and Scrutiny Committee on 15 September 2011.

4.5.4. The full year effect of the Early Voluntary Retirement/Voluntary Severance scheme savings net of reprovion and structuring costs totals £17m which will be achieved in 2012/13. This will increase to £20m after the additional cost of the pensions has been met in 2017.

5.0 RELEVANT RISKS

5.1 Any projections carry risks. For 2012-13 the Government has indicated the provisional Formula Grant and so the risks are primarily with the expenditure projections which will be influenced by changes to Government policies, inflation, and delivery against budgets in 2011-12.

5.2 For 2013-15 the Government proposes significant changes to the grant distribution system which could cause major changes to these projections.

6.0 OTHER OPTIONS CONSIDERED

6.1 All of these projections represent my assumptions of the most likely outcome from a wide range of available options.

7.0 CONSULTATION

- 7.1 The Government is consulting on a number of issues which will impact on the budget projections. I respond to all consultation exercises to try to ensure the best outcome for Wirral.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are no direct implications arising from this report.

9.0 RESOURCE IMPLICATIONS – FINANCIAL

- 9.1 The assumptions outlined above are reflected in the budget projections in the Appendix.

10.0 LEGAL IMPLICATIONS

- 10.1 There are none arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

- 11.1 There are none arising directly from this report.

12.0 CARBON REDUCTION IMPLICATIONS

- 12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 13.1 There are none arising directly from this report.

FNCE/262/11

REPORT AUTHOR: Ian Coleman
Director of Finance
telephone: 0151 666 3056
email: iancoleman@wirral.gov.uk

APPENDICES

Budget Projections 2012-15

REFERENCE MATERIAL

Budget - HM Treasury - March 2011
Independent Public Service Pensions Commission Report - March 2011
Spending Review - HM Treasury - October 2010
Medium Term Financial Strategy 2012-15 - October 2011
Local Government Finance Settlement 2011-13 - DCLG - January 2011
Council Budget 2011-12 - March 2011

SUBJECT HISTORY

Council Meeting	Date
This report is revised for each meeting of the Cabinet.	

**Wirral Council
Budget Projections 2012-15**

	2012-13	2013-14	2014-15
	£m	£m	£m
Base Budget	294.8	284.3	277.8
Increased Requirements			
Pay Inflation	1.0	3.5	3.5
Price Inflation	4.2	4.2	4.2
Capital Financing	1.9	2.0	2.0
Pension Fund	0.3	0.3	2.5
National Insurance	1.0	-	-
Academies	0.9	-	-
Waste Disposal	-	1.5	1.5
Merseytravel	-	1.0	1.0
Neighbourhood Management	0.4	-	-
Home to School Transport	0.2	-	-
Integrated Transport	0.3	-	-
Housing	0.3	-	-
DASS Reprovision	3.5	-	-
Council Tax Benefit	-	3.2	-
Other Unavoidable Growth	1.0	1.0	1.0
Efficiency Investment	2.0	2.0	2.0
Specific Grant Reduction	-	7.0	16.0
	<u>311.8</u>	<u>310.0</u>	<u>311.5</u>
Reduced Requirements			
Income Inflation	-1.0	-1.0	-1.0
Savings Agreed	- 2.0	-0.4	-0.4
Additional Savings	- 1.9	-	-
	<u>306.9</u>	<u>308.6</u>	<u>310.1</u>
Resources			
Revenue Support Grant	34.2	31.0	28.0
Business Rates	110.6	110.6	99.0
Council Tax Grant	6.6	3.3	3.3
Local Services Support Grant	1.2	1.2	1.2
New Homes Bonus	0.3	0.3	0.3
Council Tax	<u>131.4</u>	<u>131.4</u>	<u>131.4</u>
Forecast Resources	<u>284.3</u>	<u>277.8</u>	<u>263.2</u>
Shortfall	22.6	30.8	46.9

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WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

29 NOVEMBER 2011

SUBJECT:	INTERNAL AUDIT UPDATE
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR ADRIAN JONES
KEY DECISION ?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 In order to assist in effective corporate governance and fulfil statutory requirements, the Internal Audit Section of the Finance Department reviews management and service delivery arrangements within the Council as well as financial control systems. Work areas are 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.
- 1.2. This report identifies and evaluates the performance of the Internal Audit Section and includes details of the actual work undertaken during the period. There is one item of significance identified during the audit process that requires action by the Members for this period and this is identified at 4.3. (b.i). A number of items of note concerning ongoing audit work are also included at Section 4.6.
- 1.3. The Internal Audit Plan for 2011/12 was approved by this Committee at its meeting in March 2011.
- 1.4. The Internal Audit Plan identifies 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 is essential therefore that the audit plan is delivered to ensure that the 'annual assurance opinion' on the effectiveness of the Council's control environment supports the delivery of the Annual Governance Statement. I am confident of achieving this objective by year end.
- 1.5. The format and content of this report is currently under review and a working party consisting of officers and Members of this Committee have recently met to discuss this and develop a revised template for future reports. Details are currently being finalised and once a format has been agreed it is planned to utilise this new template for reporting on the work of Internal Audit at all future meetings of this Committee.

2.0 RECOMMENDATION

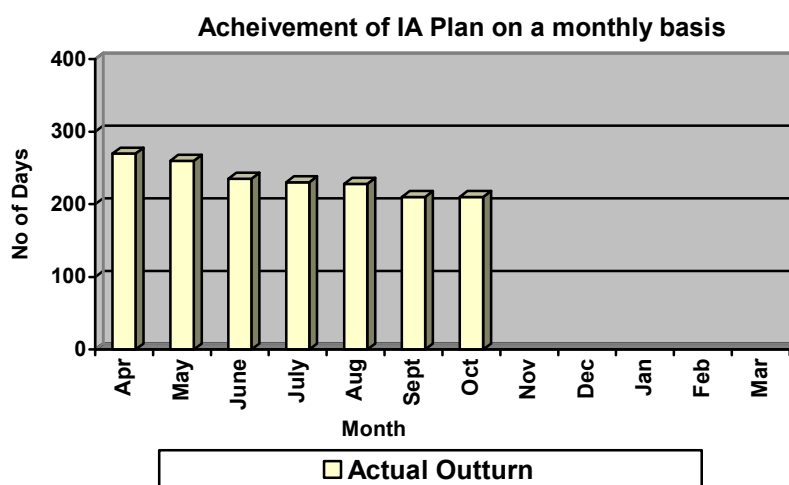
- 2.1. That the report is noted.
- 2.2. That appropriate action is taken by the Members in response to any items raised by Internal Audit requiring input.

3.0 REASON FOR RECOMMENDATION

- 3.1 To provide the Members with assurance that the Council is taking appropriate measures to comply with statutory requirements to provide an adequate and effective internal audit service.
- 3.2 To ensure that risks to the Council are managed effectively.
- 3.3 To ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

4.0 BACKGROUND AND AUDIT OUTPUT

- 4.1. This report summarises the audit work completed during the period 1st September 2011 to 31st October 2011. The specific nature of the work that has been undertaken or is currently ongoing is identified in Appendix I. 30 audits were undertaken during this period identifying over 40 high and medium priority recommendations to address risks and improve systems in operation across the Council. Management has agreed to implement all of the recommendations made within a satisfactory timescale and follow up audits are scheduled to monitor progress. Those reports identifying high priority recommendations are analysed in more detail in section 4.4 of this report.
- 4.2. The Service constantly evaluates the effectiveness of its performance including a number of performance indicators in key areas as identified for the period 2011/2012 financial year.
 - 4.2.1. To ensure that the Internal Audit Plan is delivered by the 31 March 2012.



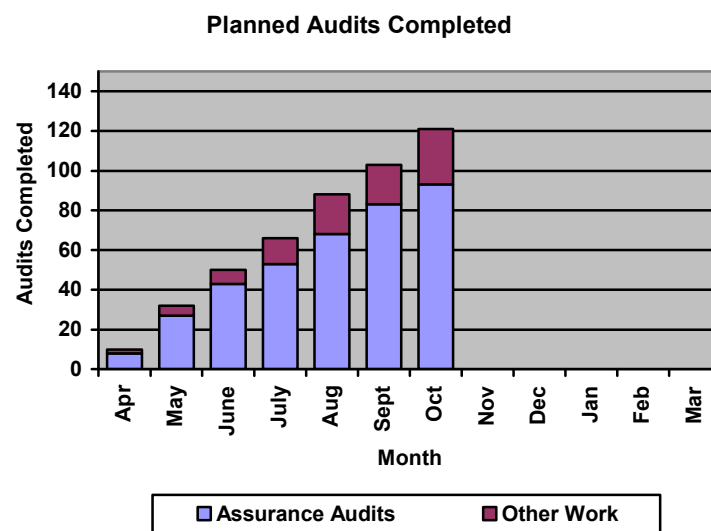
- (a) This is an input based measure i.e. the estimated number of days required each month to deliver the whole of the Internal Audit Plan. 3600 days were

identified at the start of the year as being necessary to deliver the plan, equating to approximately 300 days per month. As can be seen from the graph, approximately 265 days on average were available during April and May of this year, however this has reduced to 245 days on average from June. This is mainly due to a shortfall in staffing resources resulting from some members of staff being deployed assisting an external investigation and the permanent loss of a number of staff members.

In addition, a further three members of staff will be absent for a combined period of 21 months over the next twelve calendar months due to maternity leave and long term sickness. A review of the Internal Audit Service is currently being undertaken following the external review of the Council's governance arrangements that will probably result in a restructure to accommodate additional areas of work and will also consider staffing resource levels. However, in the short term in an attempt to ensure that service delivery targets are achieved for 2011/12 and the annual assurance opinion is provided, the Director of Finance/Deputy Chief Executive has agreed that the recruitment of a number of temporary agency appointments should be researched.

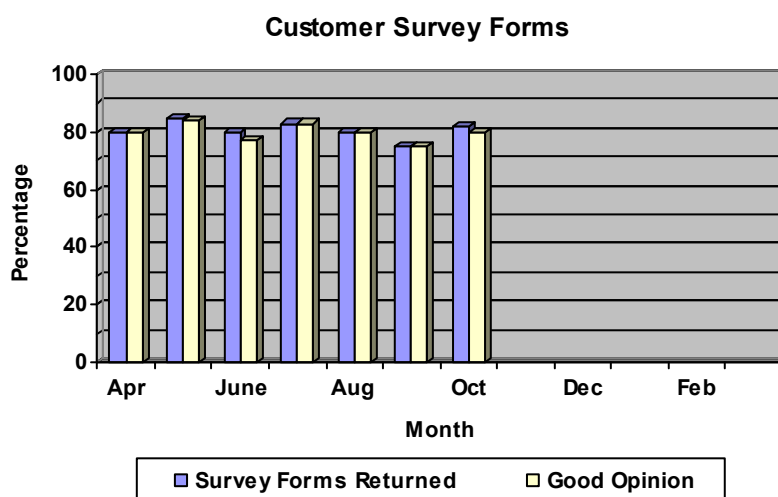
4.2.2 To ensure that all planned audits are completed.

- (a) The Internal Audit Plan as agreed by this Committee at its meeting on 23 March 2011 comprised a substantial number of audits essential to the provision of the 'annual assurance opinion' and was designed to review the key risks to Council systems at the time of writing. Delivery of the identified audits accounts for 2709 days of the plan. The remainder of the plan, 920 days, relates to audits designed to evaluate the effectiveness of the Council and the achievement of its overall objectives and, whilst important, is not regarded as being essential to support the actual assurance opinion. This 'other' work is considered essential to the well being of the organisation and complies with CIPFA best practice guidance.
- (b) The graph below shows the planned work completed and the assurance provided.



- (c) 120 audits plus follow ups and investigations have actually been undertaken during the year to date and reports in respect of these have either been discussed with managers or are in the process of being. This represents 76% of those planned for the period and overall performance is slightly below target, primarily as a result of a number of investigations not originally included in the audit plan and the shortfall in the staffing resource identified in 4.2.1(a) above. Unless this situation is resolved soon the Service may not be able to provide the annual assurance opinion on the effectiveness of the Council's control environment.
- (d) Actions are however currently being taken with the Director of Finance/Deputy Chief Executive to address the staffing resource issues and Members will be regularly updated regarding progress in this area and any impacts upon the Audit Plan delivery.

4.2.3. Percentage of Customer Satisfaction Forms returned indicating a 'good' opinion of the service.



- (a) Customer feedback forms are completed by the clients following the completion of an audit and pose a number of questions relating to the usefulness and value added by the actual audit and its findings, as well as the conduct of the auditor. The chart identifies the percentage of those forms returned that indicate a positive opinion of the service. This clearly indicates that the Internal Audit Service is viewed very positively by its clients and is regarded as adding real value to the systems that it audits. Where feedback from clients identifies issues appropriate measures have been taken by management to address these and prevent any re-occurrence.

4.3 Follow up Audits

- (a) To comply with current best practice and Audit Commission recommendations, follow-up audits are undertaken up to six months after the completion date, to confirm the implementation of agreed recommendations. It is the responsibility of managers and Chief Officers to ensure that any weaknesses in control or any areas identified for improvement are addressed in accordance with the audit action plan and timescale provided. If, in the opinion of the auditor appropriate action is not taken then the issues are

brought to the attention of the relevant Chief Officer, the Section 151 Officer, the Chief Executive and ultimately this Committee for further action.

(b) For the period September to October 2011 the following matter is brought to the attention of this Committee and appropriate action requested:

(b.i.) A follow up audit was undertaken in respect of the DASS Day to Day Procurement system where one of the five high priority recommendations identified in the original report has still not been addressed, this is shown below:

- The contract with 1 Call Business Solutions Ltd should be located.

Once the contract has been located the invoices for April and May 2010 should be checked to ensure that they are correct and any discrepancies identified are resolved.

Prior to paying future invoices, the invoice details should be checked to the contract to ensure it is correct for payment.

A copy of the Committee approval to extend the contract until 2011 should be obtained and kept on file with the contract.

This recommendation was originally detailed in an internal audit report dated 27 August 2010 and subsequently followed up in May 2011 at which time and following detailed discussion with management an extended target implementation date of 1 August 2011 was agreed and senior management notified accordingly.

A number of requests to the department regarding swift resolution of this matter were despatched by Internal Audit on 15 and 24 August 2011 and 14 September 2011 and to date no response has been received.

It should be noted that responsibility for the management of this system now rests with Department of Law, HR and Asset Management following a recent reorganisation.

4.4 Audits Identifying High Priority Recommendations

(a) The following table identifies audits undertaken over the period which include recommendations of **a high priority nature** where a significant risk has been identified that might effect the ability of a specific service area to achieve it's key objectives. The table also indicates the audit opinion provided on the effectiveness of the control environment, where 4* indicates an excellent rating.

Audit	Total Recs Agreed	Recs Not Agreed	Audit Opinion Provided
Council Advertising Income (Roadside)	8	-	**

Translation Services	1	-	**
DASS – Day to Day Procurement	1	-	*
DASS - Performance Indicators testing	1	-	**
CYPD – 16 to 19 Funding	1	-	***
Pension Fund - Administration	1	-	***
Licensing	1	-	***
Road Safety	1	-	***
CYPD - Performance Indicators	1	-	****
Carbon Reduction	1	-	***
Post EVR/VS Account Management	2	-	**
CYPD – Travel and Subsistence	2	-	**

- (b) All of the action plans in respect of the audits identified have been returned fully completed with the exception of the DASS Procurement audit which is referred to at 4.3. (b.i). These all identify appropriate timescales for the implementation of recommendations agreed to mitigate or remove weaknesses.

4.5. Audit Opinion Provided

- (a) Each audit completed is graded using a star system with four stars being the highest level of assurance that can be provided that objectives for the area reviewed are likely to be achieved. Of the audits completed this period:
- 19% received four stars,
 - 56% received three stars
 - 25% received two stars,
 - 01% received one star.
- (b) Detailed discussions have taken place with Chief Officers and senior managers and actions agreed to improve systems where unsatisfactory opinions are provided and follow up work scheduled to monitor progress

4.6 Items of Note

(a) Fraud Awareness Training

The Internal Audit Counter Fraud Team has now rolled out the online fraud awareness training to all employees of the Council with access to the Internet and the Intranet and take up to date has been good. The training is being delivered at two different levels across the workforce, one is aimed at managers who have direct responsibilities in key areas including staff, processes and budgets and the other is aimed at all workers who may encounter potentially fraudulent behaviour on a daily basis either from within or outside of the Council. The actual training is designed to raise awareness across the whole of the workforce of the potential threat posed by fraud and identify appropriate actions for staff to take in response to this. It involves worked exercises that alert the user to the different types of fraud and warning signs to look for, and includes specific reference and direct links to Council policies and procedures to reduce the threats in these areas. Members of this Committee are encouraged to familiarise themselves with this training facility by following the e-learning link on the Wirral Intranet home page.

(b) Counter Fraud Investigation

The Internal Audit Counter Fraud Team is currently undertaking an investigation into a number of concerns raised by a whistleblower in relation to the activities of an arms length organisation that undertakes work on behalf of the Council. The Chief Executive and the Director of Law HR & Asset Management are aware of the investigation and a report will be prepared for the Chief Executive upon completion of this work.

(c) Information Assurance and ICT Governance

The Principal ICT Auditor is currently providing significant input to a working group set up by the Deputy Director of Finance to address issues identified in internal audit reports on Information Assurance and ICT Governance where a number of high priority recommendations were identified across a range of issues involving the ownership, risk assessment and management of information. The group is reviewing these arrangements across the Council to ensure that appropriate policies, structures, roles and responsibilities are in place to protect and make more effective use of business critical information.

(d) Roadside Advertising Income

An exercise has been undertaken during the period to review the procedures in operation over Roadside Advertising following attendance at a national fraud seminar where it was identified that many councils had experienced problems ensuring that this valuable source of revenue was effectively exploited to the full. The review was timely in that responsibility for this system had recently moved from the Technical Services department to Corporate Services following the Council reorganisation. The review identified eight high priority recommendations aimed at ensuring that all possible

income was being collected and monitored effectively. These have been discussed and agreed with senior management and a reasonable timescale identified for their implementation determined.

(e) Carbon Reduction Energy Efficiency Scheme

The review of the Council's system for complying with the requirements of the Carbon Reduction scheme have now been reviewed and finalised. Building on the interim report issued in July 2011, this work tested the Annual Report and Evidence Pack to provide assurance that these were based on accurate and complete data. The opinion of the review was three stars, as there was found to be an effective process in place. Recommendations identified to improve systems in operation related to the need to ensure that accurate data is provided by CBRE in respect of properties owned by Merseyside Pension Fund, and the documenting of the roles and responsibilities of schools.

(f) Governance Issues – Law, HR & Asset Management

Following a report to this Committee in June 2011 regarding the lack of progress towards implementing recommendations identified in Audit Commission and Internal Audit reports by the department of Law, HR and Asset Management meetings took place with senior management from within the department and a number of actions were agreed to address these issues.

Internal Audit has subsequently completed an exercise to determine the progress made by the department to address these issues within the agreed timescales and to test the effectiveness of actions taken to address a number of the more significant issues identified. Findings of this work indicate that the majority of the recommendations made have now been implemented and those that have not are progressing in line with the agreed timescale. Testing indicates that of those recommendations implemented these controls are being complied with and have improved the overall control environment reducing risks in these areas. Further testing of those recommendations not yet fully implemented is scheduled for later this quarter and an update on this will be provided to this Committee.

(g) Foster Care Approval and Payment

A review of the system for the approval of Foster Carers and the procedures for making payments to foster carers has been undertaken. The review examined the processes for approving prospective foster carers, and looked at the system for the payment of allowances to foster carers. The review was awarded a three star opinion, however a number of recommendations to improve existing systems were agreed with management. These related to the update of the Foster Care Approval Procedure document and the Foster Care Payments Procedure relating to cash payments for foster carers; and the review of foster care allowances agreed. The audit also provided a range of recommendations for improving controls in the area of cash payments to foster carers. The audit has been very positively received by CYPD.

(h) Performance Management

A review of Performance Management systems in operation across the Council is currently being undertaken to evaluate the efficiency and effectiveness performance indicators in these arrangements. The review involves examining systems in operation to manage aspects of performance across a range of service delivery areas and undertaking detailed testing of a number of key performance indicators in operation across a range of key services in departments. Reports identifying areas for improvement are scheduled for completion during the next quarter and a summary update will be provided to Members of this Committee in due course.

It is noted that responsibility for this system has now transferred to the Director of Finance/Deputy Chief Executive.

5.0 RELEVANT RISKS

- 5.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.
- 5.2 Potential failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 No other options considered.

7.0 CONSULTATION

- 7.1 Members of this Committee are consulted throughout the process of delivering the Internal Audit Plan and the content of this regular routine report.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are none arising from this report.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 9.1 There are none arising from this report.

10.0 LEGAL IMPLICATIONS

- 10.1 There are none arising from this report.

11.0 EQUALITIES IMPLICATIONS

- 11.1 There are none arising from this report.

12.0 CARBON REDUCTION IMPLICATIONS

- 12.1 There are none arising from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising from this report.

REPORT AUTHOR: David A Garry
Chief Internal Auditor
telephone: 0151 666 3387
email: davegarry@wirral.gov.uk

FNCE/267/11

APPENDICES

Appendix 1: Internal Audit Work Conducted/Ongoing – September to October 2011

REFERENCE MATERIAL

Internal Audit Plan 2011/12

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Routine report presented to all meetings of this Committee.

INTERNAL AUDIT PLAN 2011/12

WORK CONDUCTED/ONGOING – SEPTEMBER 2011 TO OCTOBER 2011

1. SYSTEMS

- | | |
|---------------------------------------|--|
| (a) Finance | <ul style="list-style-type: none">- Debt Recovery- Bank Reconciliation- FIS Feeder System- Pensions – Write Offs- Pensions - Administration- Benefits – Write Offs |
| (b) Law, HR and Asset Management | <ul style="list-style-type: none">- Corporate Governance- Payroll – Self Service- Payroll – Core System- Partnerships- Licensing |
| (c) Children & Young People | <ul style="list-style-type: none">- Risk Management- 16-19 Funding- Performance Indicators- Schools Risk Assessments- Schools Debtors |
| (d) Technical Services | <ul style="list-style-type: none">- Townlink Viaduct Tender- Carbon Reduction- Performance Indicators- Road Safety |
| (e) Adult Social Services | <ul style="list-style-type: none">- Foster Care- Procurement- Performance Indicators- Personal Budgets- Risk Management |
| (f) Regeneration Housing and Planning | <ul style="list-style-type: none">- Advertising Income - Roadside- Miscellaneous Advertising- Translation & Interpretation- European Social Fund- Performance Indicators |
| (g) Corporate Systems | <ul style="list-style-type: none">- Corporate Governance- Annual Governance Statement- National Fraud Initiative |

- Performance Indicators
- Contractor Liaison
- Mayors Charity

2. **SCHOOLS**

- (a) Risk Assessments
- (b) Debtors

3. **ICT**

- (a) Post EVR/VS Account Management
- (b) Information Assurance and ICT Governance
- (c) Oracle Enterprise Asset Management
- (d) Desktop Management
- (e) Government Connect Secure Extranet
- (f) Webmail
- (g) HR Self Service

4. **ANTI-FRAUD**

- (a) National Fraud Initiative
- (b) Translation Services
- (c) Travel and Subsistence
- (d) Fraud Awareness exercise (Meritec)

5. **INVESTIGATIONS**

- (a) DASS
- (b) Whistleblowing Case (WB)

6. **OTHER**

- (a) Final Accounts

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

29 NOVEMBER 2011

SUBJECT:	REVIEW OF INTERNAL AUDIT
WARD/S AFFECTED	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR ADRIAN JONES
KEY DECISION:	NO

1.0 EXECUTIVE SUMMARY

- 1.1 In response to a request by Cabinet on 22 September, this is an initial report, which outlines areas of work which Internal Audit could include in the Annual Plan to strengthen further the corporate governance of the Council.
- 1.2 The report also recommends that external perspectives of the workload, organisation and structure of Internal Audit be considered to identify any improvements which could ensure that any warnings are clearly heard and responded to by management.
- 1.3 The Corporate Governance Committee on 26 October 2011 agreed the following:-
 - a) The additional areas of work that Internal Audit could conduct to strengthen corporate governance and agreed to obtain external perspectives of the workload, organisation and structure of Internal Audit to identify possible improvements.
 - b) The objective of this work is to provide a fit for purpose Internal Audit Service, both in terms of planned work and skills availability to which management responds thereby strengthening the corporate governance of the Council, and consequently enhancing service delivery.

2.0 RECOMMENDATION

- 2.1 That the report be noted.

3.0 REASON FOR RECOMMENDATION

- 3.1 The reason for these recommendations is to respond to the findings of the AKA Report on Corporate Governance by strengthening the arrangements for Internal Audit in respect of capability and capacity.

4.0 BACKGROUND

- 4.1 The service provided by Internal Audit is constantly evolving to support the management and leadership of the Council. The recent report into corporate governance coupled with changes to the management of the Authority and the tightening financial climate mean that it is an appropriate time to reflect on how Internal Audit may be strengthened, and to ensure that management responds appropriately to recommendations.
- 4.2 An initial analysis of specific topics Internal Audit could include in the Annual Plan to strengthen the corporate governance of the Council includes:
- Corporate Performance – systems, interpretation and use of data.
 - Governance – on-going role to ensure compliance with systems and that systems and policies are appropriate.
 - Risk Management – ensuring culture is embedded in the Council, and particularly that risks and emerging risks are clearly identified.
 - Counter Fraud – an increasing area of risk
 - Identification, dissemination and reporting of good practice across the Council.
 - Corporate Planning - links from corporate to service planning
 - Effectiveness and appropriateness of strategies.
- 4.3 In order to respond to such an enhanced workload it is important to gain experienced external perspectives on the potential workload, organisation and structure of Internal Audit. The objective is to ensure that Internal Audit is fit for purpose in terms of both planned work and skills availability, and that the management of the Authority responds appropriately. As part of the process, advice will be sought as to how best to align the professional competency framework with the proposed corporate performance management mechanisms.

5.0 RELEVANT RISKS

- 5.1 Failure to review the workload, organisation and structure of Internal Audit may mean that the weaknesses in corporate governance identified in the Corporate Governance report are not appropriately addressed.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 Other options are not to undertake the review or to undertake it in house.

7.0 CONSULTATION

- 7.1 The Comprehensive Work Programme to Achieve Improvements in Corporate Governance which was presented to the Corporate Governance Committee on 26 October 2011, identifies a need to consult Members, Audit and Risk Management Committee, Chief

Officers and the District Auditor, and to benchmark with other local authorities known for best practice.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are none arising out of this report.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; STAFFING; ASSETS

9.1 **FINANCIAL:** There will be a cost to the appointment of any external reviewer; this will be dependent on who is appointed and the timescale set. There may be financial implications to any recommendations.

9.2 **IT:** None

9.3 **STAFFING:** None currently identified but could arise from any recommendations.

9.4 **ASSETS:** None

10.0 LEGAL IMPLICATIONS

10.1 Any revised service must still comply with current regulations and best practice.

11.0 EQUALITIES IMPLICATIONS

11.1 None.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 None

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 None

REPORT AUTHOR: David Taylor-Smith
Deputy Director of Finance
0151 666 3491
Email: davidtaylor-smith@wirral.gov.uk

SUBJECT HISTORY (last three years)

Council Meeting	Date
Cabinet	22 September 2011
Corporate Governance Committee	26 October 2011

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WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

29 NOVEMBER 2011

SUBJECT:	REVIEW OF SYSTEMS OF INTERNAL AUDIT
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR ADRIAN JONES
KEY DECISION ?	NO

1.0 EXECUTIVE SUMMARY

- 1.1. The Accounts and Audit Regulations 2006 specify that there should be a review of "the System of Internal Audit" conducted annually, and its results reviewed by a committee, as part of the Statement on Internal Control (SIC).
- 1.2. The review of the system is more than a review of the Internal Audit Service.
- 1.3. A review of the system of internal audit has been conducted on the basis of a self-assessment of compliance with the CIPFA Code of Practice for Internal Audit in Local Government, a Customer Satisfaction Survey, in accordance with the current advice available, the results of work undertaken to prepare the Annual Governance Statement and the findings of Audit Commission reviews.
- 1.4. The conclusion is that the 'system of internal audit' is performing effectively and that the Internal Audit Service is making a good contribution to the control environment of the Council.
- 1.5. The need for this report was identified as an action in the Council's Annual Governance Statement. It was delayed following the receipt of the external report of the Council's Corporate Governance. Cabinet on 22 September 2011 requested initial proposals from the Director of Finance to the Corporate Governance Cabinet Committee "on ways to strengthen the Council's Internal Audit team in order to ensure any warnings they issue are clearly heard and responded to". The Committee subsequently agreed on 26 October 2011 to a Review of Internal Audit.

2.0 RECOMMENDATION

- 2.1. That the report be noted.

3.0 REASON FOR RECOMMENDATION

- 3.1 To comply with Section's 4 and 6 of the Accounts and Audit Regulations 2006.

4.0 BACKGROUND

- 4.1 The Department for Communities and Local Government (DCLG) issued amended regulations in 2006, to the 2003 Accounts and Audit Regulations – 'The Accounts and Audit (Amendment) (England) Regulations 2006.
- 4.2. Two of the regulations impact on the process for preparing the Statement of Internal Control (SIC) which is now subsumed within the Annual Governance Statement (AGS). These are:-

- a. Regulation 4 requires that the findings of the review of the system of internal control be considered by a committee of the relevant body (i.e. the Council), or by members of the body meeting as a whole.

- b. Regulation 6 requires bodies to review their "System of Internal Audit" once a year, and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in Regulation 4.

These amendments came into force on 1 April 2006.

- 4.3. Guidance issued by the Department for Communities and Local Government, to assist organisations in implementing the 2006 amendments, provides little explanation of a procedure to review the effectiveness of the "System of Internal Audit.
- 4.4. The absence of prescription in both the Regulations and the Guidance Circular, means that organisations have to find their own solutions to meet the requirements of the Regulations. Consequently, guidance and advice has been obtained from CIPFA and the issue discussed with internal auditors from other authorities.
- 4.5. Advice from CIPFA includes the assertion that the major consideration is to understand what comprises the "System of Internal Audit". It can be considered to include:
 - a. Internal Audit – the annual plan and work of the Internal Audit Service. but also
 - b. management processes of checking, reconciliation, supervision and controls.

- c. corporate control functions – legal, financial, health & safety and human resources.
 - d. the role and effectiveness of the Audit Committee.
- 4.6. CIPFA suggests that the Audit Committee reviews information on the effectiveness of the areas shown above, as performed by self-assessment, “customer” feedback and from any existing external performance or assurance reviews, internal or external peer reviews and external third party reviews and inspections.
- 4.7. The CIPFA advice states that the review of the ‘System of Internal Audit’ is related to more than just the Internal Audit Service. Good internal audit is an integral part of the organisation, and will interact throughout the risk management, governance and supervision structure. A measure of the effectiveness of the ‘system’ would encompass a consideration of both the effectiveness of these relationships and the wider effectiveness of the organisation.

5.0 CONCLUSIONS

- 5.1 As there is still no established good practice, prescribed action or even recommendations, the following option which follows the CIPFA Audit Panel guidance has been adopted. This has involved:
- a. Self-assessment based on reviewing adherence to the CIPFA Code of Practice for Internal Audit in Local Government.
 - i. The Code specifies standards on:
 - the scope of the internal audit service
 - independence
 - ethics for internal auditors
 - audit committees
 - relationships
 - staffing, training and continuing professional development
 - audit strategy and planning
 - undertaking audit work
 - due professional care
 - reporting
 - performance, quality and effectiveness
 - ii. Compliance with the CIPFA Code of Practice for Internal Audit in Local Government was re-assessed in 2011/12 and full compliance confirmed (Appendix 1).
 - b. “Customer” feedback has been addressed by submitting questionnaires to Clients, Chief Officers and Heads of Service to seek their views on the Internal Audit Service, under several topic headings. This will be further developed in the future in line with developing best practice.

- c. The most recent review of Internal Audit by the Audit Commission has been considered. The opinion on the Service was that it was “generally meeting the Code of Practice” and provided a good contribution” to the Council. An action plan identifying areas for improvement produced by the Audit Commission has been fully implemented and was reported to this Committee in January 2010.
 - d. The findings of extensive work undertaken annually by the Internal Audit Service to compile the Annual Governance Statement, evaluating the effectiveness of governance arrangements in operation throughout all areas of the Council including the management processes and corporate control functions identified in 4.5.b and c.
- 5.2. A self assessment checklist recommended for use by CIPFA in its publication ‘A Toolkit for Local Authority Audit Committees’ to annually evaluate the role and effectiveness of the Audit and Risk Management Committee has been fully implemented.

6.0 RELEVANT RISKS

- 6.1 Potential failure of the Council to comply with the Accounts and Regulations and best professional practice and thereby not function in an efficient and effective manner.

7.0 OTHER OPTIONS CONSIDERED

- 7.1 No other options considered.

8.0 CONSULTATION

- 8.1 Officers, Members of this Committee and relevant external inspection bodies have been consulted throughout the process of undertaking this work.

9.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 9.1 There are none arising from this report.

10.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 10.1 There are none arising from this report.

11.0 LEGAL IMPLICATIONS

- 11.1 There are none arising from this report.

12.0 EQUALITIES IMPLICATIONS

- 12.1 There are none arising from this report.

13.0 CARBON REDUCTION IMPLICATIONS

- 13.1 There are none arising from this report.

14.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

14.1 There are none arising from this report.

REPORT AUTHOR: David Taylor-Smith
Deputy Director of Finance
telephone: 0151 666 3491
email: davidtaylor-smith@wirral.gov.uk

APPENDICES

Code of Practice Assessment – Internal Audit

FNCE/268/11

REFERENCE MATERIAL

Accounts and Audit Regulations 2006
CIPFA Publication 'A Toolkit for Local Authority Audit Committees' 2006
CIPFA Code of Practice for Internal Audit in Local Government 2007

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	March 2009
	June 2009
	November 2009
	November 2010
	January 2011

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INTERNAL AUDIT REVIEW - CODE OF PRACTICE

Please insert 1 in appropriate box to indicate Y = YES, P = PARTIAL, N = NO. The sheet will work out overall compliance Where 'partial' or 'no', you should give reasons for any non-compliance, and any compensating measures in place or actions in progress to address this.

Ref	Adherence to the Standard	Y	P	N	N/A	Evidence/Comments	Action Required
1	Scope of Internal Audit						
1.1	Terms of Reference	1				IA Terms of Reference	
1.1.1	Do terms of reference:						
	(a) establish the responsibilities and objectives of Internal Audit?	1					N
	(b) establish the Organisational independence of Internal Audit?	1					N
	(c) establish the accountability, reporting lines and relationships between the Head of Internal Audit and:	1					N
	[i] those charged with governance?	1					N
	[ii] those parties to whom the Head of Internal Audit may report?	1					N
	(d) recognise that Internal Audit's remit extends to the entire control environment of the organisation?	1					N
	(e) identify Internal Audit's contribution to the review of the effectiveness of the control environment?	1					N
	(f) require and enable the Head of Internal Audit to deliver an annual audit opinion?	1					N
	(g) define the role of Internal Audit in any fraud-related or consultancy work [see also 1.3.2]?	1					N
	(h) explain how Internal Audit's resource requirements will be assessed?	1				Resources currently under review	N

Ref	Adherence to the Standard	Y	P	N	N/A	Evidence/Comments	Action Required
	(i) establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?	1					N
1.1.2	Does the Head of Internal Audit advise the organisation on the content and the need for subsequent review of the terms of reference?	1				ARM Committee reports	N
1.1.3	Have the terms of reference been formally approved by the organisations?	1				ARM Committee	N
1.1.4	Are terms of reference regularly reviewed?	1				Annual	N
1.2	Scope of Work						
1.2.1	Are the organisation's assurance, risk management arrangements and monitoring mechanisms taken into account when determining Internal Audit's work and where effort should be concentrated?	1				Managers SIC assurance statements / Risk Register / RM reviews / Systems / CO's	N
1.2.3	Where services are provided in partnership has the Head of Internal Audit identified:					Services not provided in partnership	
	(a) how assurance will be sought?				1		N
	(b) agreed access rights where appropriate?				1		N
1.3	Other Work						
1.3.1	Where Internal Audit undertakes consultancy and/or fraud and corruption work, does it have the:						
	[a] skills, and	1					N
	[b] resources to do this?	1					N
1.3.2	Do the terms of reference define Internal Audit's role in:					TOR / Audit Manual / Constitution	
	[a] fraud and corruption?	1					N
	[b] consultancy work?	1					N

Ref	Adherence to the Standard	Y	P	N	N/A	Evidence/Comments	Action Required
1.4	Fraud and Corruption						
1.4.2	Has the Head of Internal Audit made arrangements, within the organizations' anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	1				Anti Fraud and Corruption Policy Meritec Training Council publications etc	N
2	Independence						
2.1	Principles of Independence						
2.1.1	Is Internal Audit:						
	[a] independent of the activities it audits?	1				Identified in TOR/IA Manual/Constitution	N
	[b] free from any non-audit [operational] duties?	1					N
2.1.2	Where internal audit staff have been consulted during system, policy or procedure development, are they precluded from reviewing and making comments during routine or future audits?	1				Detailed in IA Manual	N
2.2	Organisational Independence						
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	1				Reports to Memb/CEO/S151 Officer	N
2.2.2	Does the Head of Internal Audit have direct access to:						
	[a] officers?	1					N
	[b] members?	1					N
2.2.3	Does the Head of Internal Audit report in his or her own name to members and officers?	1					N
2.2.4	[a] Is there an assessment that the budget for Internal Audit is adequate?	1					N
	[b] Does any budget delegated to service areas ensure that:	1					N
	[i] Internal audit adherence to the Code is not compromised?	1					N
	[ii] the scope of Internal Audit is not affected?						N

Ref	Adherence to the Standard	Y	P	N	N/A	Evidence/Comments	Action Required
	[iii] Internal Audit can continue to provide assurance for the Statement on Internal Control?						N
2.3	Status of the Head of Internal Audit						
2.3.1	Is the Head of Internal Audit managed by a member of the corporate management team?	1					N
2.4	Independence of Internal Audit Contractors						
2.4.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?				1	No employment of external contractors in this field	N
2.5	Declaration of Interest						
2.5.1	Do audit staff make formal declarations of interest?	1				Annual Conflict of Interest declarations	N
2.5.2	Does the planning process take account of the declarations of interest registered by staff?	1				Audit annual planning process	N
3	Ethics for Internal Auditors						
3.1	Purpose						
3.1.1	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?	1				Team Briefs, training 'away' days.	N
3.2	Integrity						
3.2.1	Has the internal audit team established an environment of trust and confidence?	1				Constitution / IA Manual / Structure	N
3.2.2	Do internal auditors demonstrate integrity in all aspects of their work?	1				CIPFA/IIA Standards and incl in Audit Manual	N
3.3	Objectivity						
3.3.2	Are internal auditors perceived as being objective and free from conflicts of interest?	1				Structure/Constitution/Aud Commission	N
3.3.3	Is a time period set by the Head of Internal Audit for staff where they do not undertake an audit in an area where they have had previous operational roles?	1				Audit Manual (12 months)	N
3.3.4	Are staff rotated on regular/annually audited areas?	1					N

Ref	Adherence to the Standard	Y	P	N	N/A	Evidence/Comments	Action Required
3.4	Competence						
3.4.1	Does the Head of Internal Audit ensure that staff have sufficient knowledge of:					Regular training sessions, seminars etc and KIE	
	[a] the organisation's aims, objectives, risks and governance arrangements?	1				Induction /Professional Publications/Internet & Intranet, regular training sessions, seminars, KIE's etc	N
	[b] the purpose, risks and issues of the service area?	1				As above	N
	[c] the scope of each audit assignment?	1				Assignment sheets	N
	[d] relevant legislation and other regulatory arrangements that relate to the audit?	1				Seminars, conferences, training, publications etc	N
3.5	Confidentiality						
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	1				Audit Manual, training, KIE, Team Briefings etc	N
4	Audit Committees						
4.1	Purpose of the Audit Committee						
4.1.1	Does the organisation have an independent audit committee?	1				Audit and RM Comm	N
4.2	Internal Audit's Relationship with the Audit Committee						
4.2.1	Is there an effective working relationship between the audit committee and Internal Audit?	1				Regular meetings, reports, meetings with Chair	N
4.2.2	Does the committee approve the internal audit strategy and monitor progress?	1				Regular reports	N
4.2.3	Does the committee approve the annual internal audit plan and monitor progress?	1				Annual Plan / Qtly reports	N
4.2.4	Does the Head of Internal Audit:						
	[a] attend the committee and contribute to it's agenda?	1					N
	[b] participate in the committee's review of its own remit and effectiveness?	1				Annual report to ARM	N
	[c] ensure that the committee receives and understands documents that describe how Internal Audit will fulfil its objectives?	1				Regular reports on all relevant topics, Audit Plan, Annual Report, TOR etc	N

Ref	Adherence to the Standard	Y	P	N	N/A	Evidence/Comments	Action Required
	[d] report on the outcomes of internal audit work to the committee?	1				Detailed list of all audits, more detail on corporate/key audits and key findings	N
	[e] establish if anything arising from the work of the committee requires consideration of changes to the audit plan, or vice versa?	1				Members request audits, discussions at Comm lead to changes to dynamic IA Plan	N
	[f] present the annual internal audit report to the committee?	1					N
4.2.5	Is there the opportunity for the Head of Internal Audit to meet privately with the audit committee?	1					N
5	Relationships						
5.1	Principles of Good Relationships						
5.1.2	Is there a protocol that defines the working relationship for Internal Audit with:					We don't have documented Protocols although requests have gone out in name of CIA to all partner orgs requesting meetings to develop	Y
	[a] management?	1					
	[b] other internal auditors?	1				Merseyside CIA's Group – regular qtly meetings	N
	[c] external auditors?	1				Protocol incl regular qtly meetings	N
	[d] other regulators and inspectors?		1			Awaiting response from external regulators / inspectors	Y
	[e] elected members?		1			No specific protocol exists, but included for example in Charter, Terms of Reference approved by Committee	Y
5.2	Relationships with Management						
5.2.1	Does the Head of Internal Audit seek to maintain effective relationships between internal auditors and managers?	1				Regular annual meetings with Co's, Qtly reports and attendance at DMT's, Customer Feedback forms.	N
5.2.2	Is the timing of audit work planned in conjunction with management?	1				Peaks and troughs of clients workload, school holidays etc	N
5.3	Relationships with Other Internal Auditors						
5.3.1	Do arrangements exist with other internal auditors that include joint working, access to working papers, respective roles and confidentiality?	1				Merseyside Audit Group	N
5.4	Relationships with External Auditors						

Ref	Adherence to the Standard	Y	P	N	N/A	Evidence/Comments	Action Required
5.4.1	Is it possible for Internal Audit and External Audit to rely on each other's work?	1				Yes shared files, agreed w papers and jobs, also annual inspection and review of IA	N
5.4.2	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	1				Qtly meetings	N
5.4.3	Are the internal and external audit plans co-ordinated ?	1				At above	N
5.5	Relationships with Other Regulators and Inspectors						
5.5.1	Has the Head of Internal Audit sought to establish a dialogue with the regulatory and inspection agencies that interact with the organisation?		1			Ongoing see 5.1.2.	N
5.6	Relationships with Elected Members						
5.6.1	Do terms of reference for Internal Audit define the channels of communication with members and describe how such relationships should operate?	1				TOR / IA Manual	N
6	Staffing, Training and Continuing Professional Development						
6.1	Staffing Internal Audit						
6.1.1	Is Internal Audit appropriately staffed [numbers, grades, qualifications, personal attributes and experience] to achieve its objectives and comply with these standards?		1			Under constant review, report to Sect 151 Officer/ARM monthly.	N
6.1.2	Does the Head of Internal Audit have access to appropriate resources where the necessary skills and expertise are not available within the internal audit team?	1					N
6.1.3	Is the Head of Internal Audit professionally qualified and experienced?	1				CIA - CIPFA, Deputy CIA - IIA	N
6.1.4	Does the Head of Internal Audit have wide experience of internal audit and management?	1					N
6.1.5	[a] Do all internal audit staff have up-to-date job descriptions?	1				Updated 2010 -, Job Evaluation ongoing	N
	[b] Are there person specifications that define the required qualifications, competencies, skills, experience and personal attributes for internal audit staff?	1				Employee Specs and Competencies	N

Ref	Adherence to the Standard	Y	P	N	N/A	Evidence/Comments	Action Required
6.2	Training and Continuing Professional Development						
6.2.1	[a] Has the Head of Internal Audit defined the skills and competencies for each level of auditor?	1					N
	[b] Are individual auditors periodically assessed against these predetermined skills and competencies?	1				KIE	N
	[c] Are training or development needs identified and included in an appropriate ongoing development programme?	1				KIE Action Plan	N
	[d] Is the development programme recorded, regularly reviewed and monitored?	1					N
6.2.2	Do individual auditors maintain a record of their professional Training and development activities?	1					N
7	Audit Strategy and Planning						
7.1	Audit Strategy						
7.1.1	[a] Is there an <i>internal audit</i> strategy for delivering the service?	1				I A Strategy (ongoing annual review)	N
	[b] Is it kept up to date with the organisation and its changing priorities?	1				Ongoing Annual Review	N
7.1.2	Does the strategy include:						
	[a] Internal Audit objectives and outcomes?	1					N
	[b] how the Head of Internal Audit will form and evidence of his or her opinion on the control environment?	1					N
	[c] how Internal Audit's work will identify and address local and national issues and risks?	1					N
	[d] how the service will be provided, ie internally, externally, or a mix of the two?	1					N
	[e] the resources and skills required to deliver the strategy?	1					N

Ref	Adherence to the Standard	Y	P	N	N/A	Evidence/Comments	Action Required
7.1.3	Has the strategy been approved by the audit committee?	1					N
7.2	Audit Planning						
7.2.1	Is there a risk-based plan that is informed by the organisation's risk management, performance management and other assurance processes?	1				Risk based plan (CIPFA model), includes all identified and agreed with AC and ARM Comm	N
7.2.2	Where the risk management process is not fully developed or reliable, does the Head of Internal Audit undertake his or her own risk assessment process?					RM Strategy well developed	N
7.2.3	Are stakeholders consulted on the audit plan?	1				CIA meets CO's and CEO quarterly, DMT quarterly visits regarding Audit Plan composition and delivery. Also members feedback and requests from CEO and Deputy.	N
7.2.4	Does the plan demonstrate a clear understanding of the organisation's functions?	1				All Council activities/functions covered. Audit Plan prepared on risk basis including all risks to organisation.	N
7.2.5	Does the plan:						
	[a] cover a fixed period of no longer than one year?	1					N
	[b] outline the assignments to be carried out?	1					N
	[c] prioritise assignments?	1					N
	[d] estimate the resources required?	1					N
	[e] differentiate between assurance and other work?	1					N
	[f] allow a degree of flexibility?	1					
7.2.6	If there is an imbalance between the resources available and resources needed to deliver the plan, is the audit committee informed of proposed solutions?	1					N
7.2.7	Has the plan been approved by the audit committee?	1				Annual (March)	N
7.2.8	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	1				Qtly reports to ARM include this data	N
8	Undertaking Audit Work						
8.1	Planning						
8.1.1	[a] Is a brief prepared for each audit?	1				Audit Assignment Sheet	N

Ref	Adherence to the Standard	Y	P	N	N/A	Evidence/Comments	Action Required
	[b] Is the brief discussed and agreed with the relevant managers?	1					N
8.1.2	Does the brief set out:						
	[a] objectives?	1					N
	[b] scope?	1					N
	[c] timing?	1					N
	[d] resources?	1					N
	[e] reporting requirements?	1					N
8.2	Approach						
8.2.1	Is a risk-based audit approach used?	1				Risk based A Plan dictates audits (Sys / CRSA)	N
8.2.1	Does the audit approach shown when management should be informed of interim findings where key [serious] issues have arisen?	1				Audit Manual	N
8.2.2	Does the audit approach include a quality review process for each audit?	1				T/L's review process included in Audit Manual and CIA/ Dep review all major and corporate audits and sign to Indicate quality check.	N
8.3	Recording Audit Assignments						
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	1				Audit Manual - all staff have access via on-line link	N
8.3.2	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	1				See evaluation/quality sheets for each audit.	N
8.3.3	Are working papers such than an experienced auditor can easily:					Based on GIAM/CIPFA/IIA best practice.	
	[a] identify the work that has been performed?	1					N
	[b] re-perform it if necessary?	1					N
	[c] see how the work supports the conclusions reached?	1					N
8.3.4	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	1				Included in Corporate Retention Policy and IA Manual.	N
8.3.5	Do all retention and access policies conform to appropriate legislation, ie Data Protection Act, Freedom of Information Act, etc and any organisational requirements?	1					N

Ref	Adherence to the Standard	Y	P	N	N/A	Evidence/Comments	Action Required
8.3.6	Is there an access policy for audit files and records?	1				IA Manual	N
9	Due Professional Care						
9.1	Responsibilities of the Individual Auditor						
9.1.2	Are there documents that set out the requirements on all audit staff in terms of:						
	[a] being fair and not allowing prejudice or bias to override objectivity?	1				IA Manual	N
	[b] declaring interests that could be perceived to be conflicting or could potentially lead to conflict?	1				Officers/employees Code of Conduct	N
	[c] receiving and giving gifts and hospitality from employees, clients, suppliers or third parties?	1				Gifts and Hosp Policy	N
	[d] using all reasonable care in obtaining sufficient, relevant, and reliable evidence on which to base conclusions?	1				IA Manual	N
	[e] being alert to the possibility of intentional wrongdoing, errors or omissions, poor value for money, failure to comply with management policy or conflict of interest?	1				IA Manual	N
	[f] having sufficient knowledge to identify indicators that fraud or corruption may have been committed?	1				IA Manual	N
	[g] disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice?	1				I A Manual	N
	[h] disclosing any non-compliance with these standards?	1				IA Manual	N
	[i] not using information they gain in the course of their duties for personal use?	1				IA Manual	N
9.3	Responsibilities of the Head of Internal Audit						
9.3.1	Has the Head of Internal Audit established a monitoring and review programme to ensure that due professional care is achieved and maintained?	1				T/L's review process - see evaluation record for each audit.	N

Ref	Adherence to the Standard	Y	P	N	N/A	Evidence/Comments	Action Required
9.3.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	1				Audit Manual and Whistleblowing	N
10	Reporting						
10.1	Principles of Reporting						
10.1.1	Is an opinion on the control environment and risk exposure given in each audit report?	1				Standard Section 'Opinion' (4 categories) / Audit Manual	N
10.1.2	Has the Head of Internal Audit determined the way in which internal audit will report?	1				Through discussion with client, pre-formatted	N
10.1.3	Has the Head of Internal Audit set out the standards for internal audit reporting?	1				As above	N
10.1.4	Are there laid-down timescales for reports to be issued?	1				Performance target (7 days)	N
10.2	Reporting on Audit Work						
10.2.1	Do the reporting standards include:					IA Manual	
	[a] format of the reports?	1				As above	N
	[b] quality assurance of reports?	1				As above	N
	[c] the need to state the scope and purpose of the audit?	1				As above	N
	[d] the requirement to give an opinion?	1				As above	N
	[e] process for agreeing reports with the recipient?	1				As above	N
	[f] an action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?	1				As above	N
10.2.2	Does the audit reporting process include discussion and agreement of reports?	1				As above	N
10.2.3	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?	1				H, M, L and guidance provided	N
10.2.5	Are areas of disagreement recorded appropriately?	1				Action Plan and standard working papers form for recording comments (Aud A) procedures in IA Manual	N

Ref	Adherence to the Standard	Y	P	N	N/A	Evidence/Comments	Action Required
10.2.5	Are those weaknesses giving rise to significant risks that are not agreed drawn to the attention to senior management?	1				Report to CO's and Members.	N
10.2.7	Is the circulation of each audit report determined when preparing the audit brief?	1				Agreed with client.	N
10.2.8	[a] Does the reporting process include details of circulation of that particular audit report?	1					N
	[b] Is this included in the brief for each individual audit?	1					N
10.2.9	Does the Head of Internal Audit have mechanisms in place to ensure that:						
	[a] recommendations that have a wider impact are reported to the appropriate forums?	1				Corporate Gov Monitoring Group / Corp Imp Group/ Chief Officers/ ARM	N
	[b] risk registers are updated?	1				Instruction incl in Audit reports	N
10.3	Follow-up Audits and Reporting						
10.3.1	Has the Head of Internal Audit defined the need for and the form of any follow-up action?	1				All follow-up audits within 6mths, standard format report, now a performance indicator	N
10.3.2	Has the Head of Internal Audit established appropriate escalation procedures of internal audit recommendations not implemented by the agreed date?	1				We have procedures in place including reporting to CO's and Members (IA Manual).	N
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	1				Audit Manual documents process	N
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	1				Audit Planning Process	N
10.4	Annual Reporting and Presentation of Audit Opinion						
10.4.1	Does the Head of Internal Audit provide an annual report to support the Statement on Internal Control?	1				Yes to Audit and RM Committee and CEO	N
10.4.2	Does the Head of Internal Audit's annual report:						
	[a] include an opinion on the overall adequacy and effectiveness of the organisation's control environment?	1				Overall and by Plan Heading and Dept	N

Ref	Adherence to the Standard	Y	P	N	N/A	Evidence/Comments	Action Required
	[b] disclose any qualifications to that opinion, together with the reasons for the qualification?	1					N
	[c] present as summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies?	1					N
	[d] draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Statement on Internal Control?	1					N
	[e] compare the actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance measures and targets?	1					N
	[f] comment on compliance with the standards of the Code?	1					N
	[g] communicate the results of the internal audit quality assurance programme?	1				Included in qtly and annual reports.	N
10.4.3	Has the Head of Internal Audit made provision for interim reporting to the organisation during the year?	1				DMT reports, CEO meetings and reports and Comm reports qtly, probably sufficient. Also Corp Gove Group reports on progress and AGS issues, action plans.	N
11	Performance, Quality and Effectiveness						
11.1	Principles of Performance, Quality and Effectiveness						
11.1.1	Is there an audit manual?	1				CIPFA best practice manual developed for Wirral Council IA use.	N
11.1.2	Does the audit manual provide guidance on:						
	[a] carrying out day-to-day audit work?	1					N
	[b] complying with the Code?	1					N
11.1.3	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?	1					N
11.1.4	Does the Head of Internal Audit have arrangements in place to assess the performance and effectiveness of:	1					
	[a] each individual audit?	1				Management review process - TL, Deputy and CIA	N

Ref	Adherence to the Standard	Y	P	N	N/A	Evidence/Comments	Action Required
	[b] the internal audit service as a whole?	1				Customer Feedback - individual audits, Annual - CO's, Members	N
11.2	Quality Assurance of Audit Work						
11.2.1	Does the Head of Internal Audit have a process in place to ensure that work is allocated to auditors who have the appropriate skills, experience and competence?	1				Audit Plan and weekly meetings with Team Leader's.	N
11.2.2	Does the Head of Internal Audit have a process in place to ensure that all staff are supervised appropriately throughout all audits?	1				Management structure and review process - SO's, PO's Dep and CIA	N
11.2.3	Does the supervisory process cover:						
	[a] monitoring progress?	1					N
	[b] assessing quality of audit work?	1					N
	[c] coaching staff?	1					N
11.3	Performance and Effectiveness of the Internal Audit Service						
11.3.1	Does the Head of Internal Audit have a performance management and quality assurance programme in place?	1					N
11.3.2	Does the performance management and quality assurance framework include as a minimum:						N
	[a] a comprehensive set of targets to measure performance	1					N
	[i] which are developed in consultation with appropriate parties?	1				See PIMS / APACE for service PI's.	N
	[ii] which are included in service level agreements, where appropriate?	1				No SLA's	N
	[iii] against which the Head of Internal Audit measures monitors and reports appropriately on progress?	1				Monthly DMT reports, Qtly reports to CEO and Members of the ARM comm.	N
	[b] user feedback obtained for each individual audit and periodically for the whole service?	1				Customer Feedback - monthly, Annual survey - CO's and Members	N

Ref	Adherence to the Standard	Y	P	N	N/A	Evidence/Comments	Action Required
	[c] a periodic review of the service against the strategy and the achievement of its aims and objectives, the results of which are used to inform the future strategy?	1				Annual Assessment	N
	[d] Internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual?	1				Team Leader reviews /CIA /Dep CIA checks undertaken and documented on working papers.	N
	[e] an action plan to implement improvements?	1				Evaluation sheet incorporates actions required.	N
11.3.3	Does the Head of Internal Audit compare the performance and the effectiveness of the service over time, in terms of both the achievement of targets and the quality of the service provided to the user?	1				Customer feedback forms - monthly, Performance monitored monthly via APACE and reported monthly and annually to DMT/ Chief Officers and quarterly to CEO and Members.	
11.3.4	Do the results of the performance management and quality assurance programme evidence that the internal audit service is:					Summarised in Annual Audit Report and AGS	
	[a] meeting its aims and objectives?	1					N
	[b] compliant with the Code?	1					N
	[c] meeting internal quality standards?	1					N
	[d] effective, efficient, continuously improving?	1					N
	[e] adding value and assisting the organisation in achieving its objectives?	1					N
11.3.5	Does the Head of Internal Audit report on the results of the performance management and quality assurance programme in the annual audit report?	1				Annual Report and ARM Committee Report	N
11.3.6	Does the Head of Internal Audit provide evidence from his or her review of the performance and quality of the internal audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of internal audit?	1				Annual IA Report and Comm report	N

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

29 NOVEMBER 2011

SUBJECT	STATEMENT OF ACCOUNTS AND FINAL ANNUAL GOVERNANCE REPORT 2010/11
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR STEVE FOULKES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1. This report provides Committee with the final position relating to the Statement of Accounts for 2010/11 that was approved by this Committee on 28 September 2011. At that time this was subject to the clarification of issues before the Accounts were published by the statutory deadline of 30 September 2011.

2.0 RECOMMENDATIONS

- 2.1 That the final Annual Governance Report issued by the Audit Commission and the Report of the District Auditor (Audit opinion) be noted.
- 2.2 That a report be presented to this Committee setting out the improvements and arrangements for the completion of the 2011/12 Statement of Accounts.

3.0 REASONS FOR RECOMMENDATIONS

- 3.1 The report seeks to update Committee on the conclusion of the audit process for the 2010/11 Statement of Accounts.
- 3.2 Committee on 28 September 2011 were concerned that issues raised by the District Auditor were recurring and comments were made about a lack of capacity within the Financial Services Division. I agreed to provide Committee with a report on the actions to be taken for completing the 2011/12 Accounts.

4.0 BACKGROUND AND KEY ISSUES

- 4.1 The purpose of the Statement of Accounts is to present the overall financial position of the Council at 31 March in accordance with prescribed guidance supported by the Statement of Recommended Practice (SORP). This is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts which present fairly the position of a local authority.

- 4.2 The Accounts and Audit Regulations 2003, as amended in 2011, state that the Statement of Accounts must be approved by an appropriate Committee no later than 30 September. The Accounts are subject to audit and if the Audit Commission requires any material amendments to the Accounts, then under the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice for Local Government the District Auditor reports on the financial statements. As stipulated by the Regulations, these are reported prior to 30 September.

AUDIT AND RISK MANAGEMENT COMMITTEE 28 SEPTEMBER 2011

- 4.3 This Committee considered the Accounts and draft Annual Governance Report (AGR) plus supplementary updates on 28 September 2011. At the time of the meeting the audit had not been completed and the District Auditor updated Members on the latest position. Whilst there were issues to be resolved he was confident that he would issue an unqualified opinion, stating that the accounts gave a true and fair view of the financial position of the Council as at 31 March 2011. This would enable the accounts to be published by the statutory deadline of 30 September 2011. A final AGR position was issued by the District Auditor on 30 September 2011 and is at Appendix A.
- 4.4 Committee agreed actions relating to the finalising of the Letter of Representation enabling the Statement to be published by the deadline. Members also requested further reports in relating to the accounting for, and recording of, assets and on actions to bring improvements so that the accounts could be compiled in future without the problems experienced this year.

LETTER OF REPRESENTATION

- 4.5 The Letter has to be agreed by this Committee and a draft Letter of Representation was included within the Annual Governance Report. Committee agreed that the final letter should be agreed by the Chair of the Committee and the Chief Executive. They both confirmed their acceptance of the final letter and the wording under Uncorrected Misstatements enabled the District Auditor to remove any reference to the 'emphasis of matter' comments from the AGR that were referred to at the Committee.

ANNUAL GOVERNANCE STATEMENT

- 4.6 This Statement was the subject of a separate report to Committee on 28 September 2011. Although not required to be included in the Statement of Accounts, the final version was included as it shows how the Council has ensured the effectiveness of its systems for ensuring that it operates legally and that public money is properly used and accounted for.

NOTICES OF OBJECTION

- 4.7 Two notices were received from a member of the public by the Audit Commission on 28 September 2011. There is the potential for objections, if not satisfactorily resolved to result in either the District Auditor issuing a qualified opinion or extending the audit period, in which case the statutory deadline would be missed, which could lead to further audit work (and cost) and possibly a qualified opinion. The objections were in respect of a request for information relating to two schools and over legal services payments. The Council provided the information which resulted in the objections being withdrawn on 30 September 2011. The Audit Opinion was then issued.

AUDIT OPINION AND PUBLICATION OF THE ACCOUNTS

- 4.8 The Audit process was completed with the release of the Audit Opinion on 30 September 2011. The final version of the Statement of Accounts was published on the Council web-site on 30 September 2011 and included the Audit Opinion (pages 12-16) which is at Appendix B. This gave an 'unqualified opinion' on the accounts with a qualified conclusion for securing economy, efficiency and effectiveness. The link to the document (181 pages) on the Council web-site is <http://www.wirral.gov.uk/my-services/council-and-democracy/budgets-and-spending/annual-accounts>
- 4.9 As in previous years a Summary Statement of Accounts Leaflet has been produced. The Audit Commission has now reviewed the Leaflet which is also available on the Council web-site.

CONCLUSIONS

- 4.10 Whilst there were late revisions to the accounts these did not change the financial position of the Council. The level of General Fund balance, reserves and provisions remained as reported to Cabinet on 23 June 2011.
- 4.11 The amendments made as a result of the audit have been mainly around assets although there are a number resulting from the reduced quality assurance undertaken in 2010/11. Reference was made to the adequacy of resources to support the preparation of the Statements, and for the subsequent Audit. Following the completion of the annual Accounts a review is undertaken to seek improvements for the next year which will include an assessment of the options to secure additional staffing resources in order to ensure compliance with statutory requirements.

5.0 RELEVANT RISKS

- 5.1 There are none arising directly from this report. However the District Auditor did identify concerns in the AGR which if not addressed by the Council could lead to potential risks that the Council will not be able to meet its statutory requirements in respect of the Statement of Accounts. He also raised concerns relating to value for money, emanating from the highways and engineering services contract in that the Council needs to demonstrate improved efficiency and productivity from major contracts.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 The Statement of Accounts has to be produced in accordance with statutory guidance which is then subject to review by the appointed Auditor.

7.0 CONSULTATION

- 7.1 There has been no specific consultation in respect of this report.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are none arising directly from this report.

9.0 RESOURCE IMPLICATIONS

- 9.1 The amendments to the Statement of Accounts 2010/11 did not change the level of General Fund balance or reserves and provisions at 31 March 2011 which remain as reported to Cabinet on 23 June 2011.
- 9.2 The AGR made reference to the adequacy of the level of staffing resources within the Financial Services Division. A further report will be brought to Committee on the actions being taken and options available.
- 9.3 There are no IT or Asset implications arising directly from this report.

10.0 LEGAL IMPLICATIONS

- 10.1 It is a legal requirement to publish the Statement of Accounts by 30 September.

11.0 EQUALITIES IMPLICATIONS

- 11.1 There are none arising directly from this report.

12.0 CARBON REDUCTION IMPLICATIONS

- 12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 13.1 There are none arising directly from this report.

FNCE/271/11

REPORT AUTHOR: Tom Sault
Head of Financial Services
telephone: 0151 666 3407
email: tomsault@wirral.gov.uk

APPENDIX

Appendix A : Annual Governance Report : Final Position 2010/11 issued by Audit Commission on 30 September 2011.

Appendix B : Independent Auditor's report to the Members of Wirral Borough Council.

REFERENCE MATERIAL / SUBJECT HISTORY

Council Meeting	Date
Audit & Risk Management Committee Audit Commission Annual Governance Report – Merseyside Pension Fund Merseyside Pension Fund Accounts 2010/11 Audit Commission Annual Governance Report – Wirral Council Statement of Accounts 2010/11	28 September 2011

Annual Governance Report FINAL POSITION

Wirral Council Audit 2010/11

30 September 2011

- 1** This note updates my Annual Governance Report (AGR) to members of the Audit and Risk Management Committee at the meeting on 28 September 2011 and the supplement tabled at that meeting.

Summary of findings

- 2** I can now confirm that I will give an unqualified opinion on the accounts. I plan to give a qualified value for money conclusion. I can now confirm that I am able to give the certificate of completion of the audit. The table below sets out the final position.

Financial statements	
Unqualified audit opinion on Wirral Council	Yes ✓
Unqualified audit opinion on Merseyside Pension Fund	Yes ✓
Pre-audit statements free from material error	No x
Post-audit statements free from material error	Yes ✓
Weakness in internal control	Yes x
Modification to the Auditor's Report – Annual Governance Statement	No ✓
Value for money conclusion	
Unqualified conclusion	No x
Adequate arrangements	Yes ✓
Certificate	
Certificate that the audit is complete given	Yes ✓
Merseyside Pension Fund Annual Report	
Unqualified Opinion in the Pension Fund Annual Report	Yes ✓
Modification to the Opinion in the Pension Fund Annual Report	Yes x
Whole of Government Accounts certification	No x

Key: ✓ is positive; x denotes concerns/modification

Update on outstanding issues

- 3 On page 4 of the AGR (page 36 of your papers) I set out a number of issues that were still outstanding. I have updated the position below:

Outstanding issue	Position at 28 September 2011
1. Supporting information for the £9.5m deficit on revaluation of Property Plant and Equipment (PPE) assets disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES)	The Council has amended the statements for £5.4m which leaves the balance of £6m as an unadjusted error. I have now audited these figures and can confirm I am giving an unqualified opinion. I consider that as the Council has noted the issue in the Letter of Representation and adequately disclosed at note 48 I do not need to include an explanatory paragraph or 'emphasis of matter' in my Auditor's Report.
2. Final adjustments relating to PPE disclosures and non-agreement between the ledger and asset system	All figures audited satisfactorily.
3. Review of information in the annual report/summary accounts to ensure consistency with the published accounts	We have not yet received any annual report/summary accounts and this is not covered by my Auditor's Report.
4. Final check of the amended statements and the annual report	We have completed our review of your version which was provided on 29 September 2011 and received your final version on 30 September 2011.
5. Completion of the review of Whole of Government Accounts (WGA) – deadline 30/09/2011	We have received the final invoice and completed our testing of the figures. As we were still completing our review of your final version of the statements till the end of the day on 30/09/2011 we will not certify the WGA pack by the deadline. Further work is required next week using the final statement of accounts.
6. Completion of review of the Annual Governance Statement (AGS).	The relevant sections have been amended in the statements provided 29/09/2011.

Letter of representation

- 4 The updated letters of representation have been provided by the Director of Finance.

Merseyside Pension Fund Annual Report

- 5 I am required to report to you if, in my opinion, the annual report does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. The governance statement is not included in the annual report. However, the statement is available from the pension fund. Apart from this I have nothing to report in respect of the governance statement.

Certificate of completion of the audit

- 6 I am now able to give the certificate of completion of the audit as the Council has dealt with the issues raised in the two notices of objections to the accounts to the satisfaction of the objector. The objector is happy to progress further issues directly with the Council.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL
BOROUGH COUNCIL**

Opinion on the Authority accounting statements

I have audited the accounting statements of Wirral Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Wirral Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Wirral Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Wirral Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance is responsible for the preparation of the pension fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the pension fund's accounting statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of qualified conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In considering the Authority's arrangements for challenging how it secures economy, efficiency and effectiveness, I identified that the Authority is not able to provide information on activity and performance of the Highways and Engineering Services Procurement Exercise (HESPE) contract to determine whether it is receiving better value for the money spent.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, with the exception of the matter reported in the basis for qualified conclusion paragraph above, I am satisfied that in all significant respects Wirral Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Report by exception

The Audit Commission's guidance also requires me to report by exception on any other significant additional matters that come to my attention and which I consider to be relevant to proper arrangements to secure economy, efficiency and effectiveness in the use of resources. Such matters have come to my attention relating to significant weaknesses in:

- promoting and demonstrating the principles and values of good governance. I identified that the Constitution needs to be updated and Contract Procedure Rules have not been followed for term contracts. Also, an independent review of bullying and harassment makes a number of significant criticisms of individual officers and collective behaviour within and across the whole Authority and another independent review has concluded that Wirral's corporate governance arrangements were, and probably remain, inadequate. Without good governance, risk increases and priorities might not be achieved.
- managing risks and maintaining a sound system of internal control. I identified weaknesses in corporate arrangements for risk management, policies, procedures and internal control arising from whistleblowing concerns. There are also significant weaknesses in internal control in respect of assets which have continued for a number of years. Without sound arrangements risks cannot be managed to a reasonable level and resources may not be used effectively to deliver value for money.

Certificate

I certify that I have completed the audit of the accounts of Wirral Borough Council and Merseyside Pension Fund in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Michael Thomas
Officer of the Audit Commission,
Audit Commission,
Liverpool Office,
3rd Floor,
Millennium House,
60 Victoria Street,
Liverpool,
L1 6LD
September 2011

Progress report

Wirral Council November 2011

Audit 2011/12

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Key messages

1 This report provides members with an update of our ongoing work at the Council and informs you of the risks arising from the audit, under International Standard on Auditing (United Kingdom and Ireland) 300. The key messages to draw to members' attention are as follows.

The Audit Commission

2 The Audit Commission's Chief Executive, Eugene Sullivan, wrote to clients on 21 September 2011 summarising the Department for Communities and Local Government's plans for externalising the Audit Commission's work that is currently undertaken by the Audit Practice.

Fees

- The Audit Commission has now confirmed the programme of work and scale of fees for local government for 2011/12.

Opinion on the statement of accounts

- The outcome of the Wirral's opinion audit was reported in our Annual Governance Report 2010/11. Our work for 2011/12 is in progress.
- The Merseyside Pension Fund 2010/11 audit was reported in a separate Annual Governance Report. We will commence our work for 2011/12 in the new year.

Value for money conclusion

- Our 2010/11 value for money work was reported in our Annual Governance Report.
- Our 2011/12 work is in progress.

Public Interest Disclosure Act (PIDA) work

- Work on the PIDA in respect of the Directorate for Adult Social Services (DASS) continues
- We have been following up the PIDA in respect of the Highways and Engineering Services Procurement Exercise (HESPE) and our report is included on the agenda for this meeting.

National Fraud Initiative (NFI)

- The 2010/11 matches were release by the Audit Commission in January 2011 and the current figure for recovery stands at £187k.
- To date the matches have generated identification of 7 frauds and 180 errors.

Grant claims and returns

- Our grants work for 2010/11 is in progress.

Annual Audit Letter

- Our 2009/10 Annual Audit Letter, summarising the key issues for the year, was presented to Cabinet and the Audit and Risk Management Committee in January 2011.
- Our 2010/11 Annual Audit Letter will be presented to members in January 2012.

Audit team and key contacts

- We have brought two potential conflicts to members' attention.

Members' resources

- Members' resources have been updated with the latest reports published by the Audit Commission. We have also provided a full list of International Financial Reporting Standards (IFRS) reports and briefings for management and members.

Audit plan

Audit Commission

3 The Department for Communities and Local Government (DCLG) announced in August 2010 plans to abolish the Audit Commission and put in place new arrangements for auditing England's local public bodies. DCLG stated its intention to transfer the Commission's existing in-house Audit Practice to the private sector from 2012/13 and in due course abolish the residual elements of the Commission. The new regime will see the end of the Commission's responsibilities for overseeing and commissioning local audit and its other statutory functions, including those relating to studies into financial management and value for money.

4 The Audit Commission is running a procurement process to award the contracts to the private sector. All key decisions relating to the award are being taken by the Commission Board. The Board has appointed a Procurement Panel, a sub-committee of the Board, comprising Board members with a range of skills and experience of the different sectors, to oversee the procurement in more detail, and to make recommendations to the Board as to the award of contracts following the evaluation. This Procurement Panel includes an independent member, Mike More, the Chief Executive of Westminster City Council.

5 The outsourcing strategy is based on 10 contract lots covering local government, NHS, police and other local public bodies – over 650 in total – in different parts of the country. The bids for each lot will be assessed on the qualitative and financial criteria set out in the ITT. Those are the only factors that will determine a contract award.

6 As the Commission has determined that TUPE applies to the outsourcing process, the majority of the Commission's Audit Practice staff will transfer to the successful bidders in each area at the end of October 2012.

7 The contracts will be awarded initially in either a three or five year basis. The decision whether to award contracts for three or five years is about value for money, but is also linked to the government's timetable for the introduction of, and transition to, new local public audit arrangements, and for the disbandment of the Commission. The government has indicated that it wants to talk to the different sectors about the trade-off between the value for money of awarding three or five year contracts and the benefits of the proposed new public audit arrangements, once there is a better sense of the difference that the outcome of the procurement makes to audit fees from 2012/13.

- 8** The Commission has a statutory duty to consult local government audited bodies on the appointment of the auditor. Consultation with all audited bodies on appointments from 2012/13 onwards will take place after the contracts have been awarded. The Audit Commission has allocated sufficient time within the process to allow for meaningful consultation.
- 9** Where a body is currently audited by the Commission's Audit Practice, the Audit Commission will propose the winning firm in each contract area as the appointed auditor, unless there are good reasons that prevent this. The contract strategy ensures the Commission will have the option of appointing a different firm to an audited body should this be necessary.
- 10** The Audit Commission plans to set out early in the new year how they will go about the consultation process and specify the grounds on which they will consider representations from audited bodies about proposed auditor appointments.
- 11** The new auditor appointments for 2012/13 will take effect from 1 September 2012. The Audit Commission is putting arrangements in place to ensure a smooth handover to the incoming auditor.
- 12** The table below provides the key milestones currently planned for the procurement of principal bodies. This is intended as a guide and while the Commission does not intend to depart from the timetable it reserves the right to do so at any stage.

Table 1: Timetable for outsourcing

The outcome of the outsourcing will be known in the Spring and the Commission will consult with Audited Bodies in April 2012

Key milestone	Date	Progress
Issue Contract Notices in the Official Journal of the European Union	5 September 2011	Completed to plan
Issue pre-qualification questionnaires (PQQ) on request	From 5 September 2011	Completed to plan
Deadline for return of PQQs	7 October 2011	Completed to plan
Issue invitations to tender and anonymised TUPE information to selected suppliers	w/c 24 October 2011	Completed to plan
Deadline for submission of tenders	16 December 2011	<i>Date o/s</i>
Approval of contract awards	w/c 20 February 2012	<i>Date o/s</i>
Consultation with audited bodies on appointments	23 April - 13 July 2012	<i>Date o/s</i>
Approval of auditor appointments	w/c 23 July	<i>Date o/s</i>

Key milestone	Date	Progress
	2012	
Appointments for 2012/13 commence	1 September 2012	<i>Date o/s</i>
Staff transfer to firms awarded contracts	31 October 2012	<i>Date o/s</i>

Source: Audit Commission@ November 2011

13 We have discussed developments with chief officers and have reaffirmed the Commission's, and our own, commitment to delivering a high quality and effective audit service right through to the date the transfer to new arrangements takes place. We will continue to keep you up to date on developments.

2010/11 plan

14 The letters with the proposed fees for 2010/11 for audit and assessment were agreed with officers in April 2010 and were presented to members on 30 June 2010. Alongside the audit fees letter we presented the Work programme and scales of fees 2010/11, the new Code of Audit Practice 2010 and the Statement of Responsibilities of Auditors and Audited bodies.

15 The impact of the latest Audit Commission proposals on fees on Wirral Council for 2010/11 is summarised in the table below:

Table 2: **Work programme and fees 2010/11**

This represents the latest position on proposed fees for 2010/11. The scale fee for the 2010/11 audit is £363,000.

Work programme	Original fee £	Rebate/ reduction £	Latest fee proposal
Financial statements	257,612	21,904	235,708
Whole of government accounts	7,466	-	7,466
Value for money	126,922	12,705	114,217
Total audit	392,000	34,609	357,391
Managing performance	16,630	16,630	0
Economic development	32,523	32,523	0
Total inspection	49,153	49,153	0

Work programme	Original fee £	Rebate/ reduction £	Latest fee proposal
Certification of claims and returns	128,000	-	128,000
National Fraud Initiative *	2,000	-	2,000
Total work programme	571,153	83,762	487,391

Source: Audit Commission, December 2010

Note: The Audit Commission is sending rebates directly to audited bodies to avoid confusion with the annual audit fee - the figures for rebates in this table are estimates.

* NFI is £4,000 every 2 years.

Audit fee

16 The total indicative fee for the audit for 2010/11 is £392,000 (excluding VAT), a 0.5 per cent increase on the fee of £390,000 for 2009/10. This was less than the Audit Commission's anticipated 6 per cent increase for 2010/11 for the first year of International Financial Reporting Standards (IFRS) and is in line with our commitment to reduce the 2010/11 fee as noted at meetings with officers and members.

17 Members should also note that the Commission has confirmed that it would subsidise the 'one-off' element of the cost of transition to International Financial Reporting Standards (IFRS) for local authorities from 2010/11. You will have received a refund from the Audit Commission of £21,904 which brings the fee charged for 2010/11 to £370,096.

18 The letter sent by the Audit Commission to the Council made it clear that we will continue to deliver the audit in line with the statutory Code of Audit Practice under which we are required to give a value for money conclusion alongside the opinion on the financial statements. The impact of stopping Comprehensive Area Assessment (CAA), including the cost of making several hundred staff redundant, has limited the level of rebates the Commission can afford to give bodies in 2010/11. However, the Commission now proposes to rebate 3.5 per cent for single-tier councils in respect of the new approach for value for money. The rebate will be sent out shortly and brings the audit fee down to **£357,391**.

19 These reductions, and the earlier rebate for the additional audit costs from the transition to International Financial Reporting Standards (IFRS), mean that Wirral's audit fee for 2010/11 is around 1 per cent less when compared to the scale fee and 9 per cent less when compared to the original fee. We will discuss with the Director of Finance the impact on fees of the difficulties encountered during the audit.

Grant claims and returns fee

20 The planned fee for grant claims and returns is £128,000.

Assessment and inspection fee

21 The fee letter agreed with officers in April showed the total indicative fee for inspection as £49,153. The Commission now proposes not to charge inspection fees for work already carried out in this financial year on the managing performance part of the organisational effectiveness assessment. This is because there was no value to the work once CAA ended.

National Fraud Initiative (NFI) 2010/11

22 We presented the work programme and scale of fees for NFI 2010/11 to members on 30 June 2010. The rate for metropolitan borough councils remains at the 2008/09 rate of £4k. The NFI is run over a two-year period, so the scale of fees covers the two financial years 2010/11 and 2011/12. We will bill for these fees in two equal annual instalments.

2011/12 plan

Audit fee

23 The [Work programme and scales of fees 2011/12](#) document was published on 25 February 2011 and confirms significant reductions in audit fees, reflecting both the new approach to local value for money (VFM) audit work and a reduction in the ongoing audit costs arising from the introduction of International Financial Reporting Standards. The [scale fee for each audited local government, housing and community safety body](#) are also available.

24 The proposed 2011/12 scale fee for Wirral is £352,800. We have assessed the fee for Wirral Council for 2011/12 and have agreed with the Director of Finance that it will be at the scale fee of £352,800.

25 The Commission is consulting on a reduction of 10 per cent from the published 2011/12 scale fees for principal bodies. This continues its programme, begun before the announcement in August 2010 of the abolition of the Commission, to deliver cost cuts of £70 million (30 per cent) over a three-year period.

NFI 2011/12

26 As noted above, the NFI fee is £4,000 over two years and so the Council will be billed £2,000 in 2011/12.

Opinion

Wirral Council

2010/11

27 The District Auditor was required to issue an audit report by 30 September 2011 giving his opinion on whether the Council's accounts gave a true and fair view of the financial position of the Authority as at 31 March 2011. Our Opinion Plan was presented to members of this Committee in January 2011 and set out in more detail the audit work we proposed to carry out in relation to the audit of the financial statements 2010/11 for Wirral Council, including the audit of the Whole of Government Accounts.

28 There was a separate Opinion plan in respect of Merseyside Pension Fund's financial statements which was also presented to members of this Committee in January 2011. The Pension Fund is summarised in a separate section below and reported in the Annual Governance Report which was presented at the Pensions Committee and the Audit and Risk Management Committee in September 2011.

29 The opinion deadline of 30 September 2011 was met, and an unqualified opinion on the financial statement was issued.

30 The main issues arising from the audit were:

- The accounts approved by the Director of Finance and presented for audit contained a material error of £64.8m on the cash flow statement and a number of other errors, indicating limited quality assurance.
- There were a significant number of errors in the IFRS restatement exercise and a number of versions were presented for audit.
- The deadline for approval of the accounts by the Director of Finance was not met. Working papers were not presented for audit to the deadline and some were not to standard.
- Non-current assets remain a major weakness in internal control and resulted in a significant number of the errors in the statements.

31 Amendments made as a result of the audit did not change the overall general fund balance.

2011/12

32 We will agree our 2011/12 audit plan with officers in December 2011. We will present this plan to members in January 2012 at the Audit and Risk Management Committee.

Chief Accountants' workshops

33 The Audit Commission runs workshops every year for chief accountants to ensure that consistent messages about technical issues are shared with audited bodies. Key finance officers attended the workshop at Warrington on 1 February 2011.

34 The Audit Commission will run further workshops in 2012.

Merseyside Pension Fund

2010/11

35 The 2010/11 audit plan was presented to the Pensions Committee and the Audit and Risk Management Committee in January 2011. It confirmed the proposed fee of £54,065 for 2010/11.

36 The plan included areas of risk to our audit opinion. The plan also set out the timetable for delivery of the 2010/11 audit. Our findings and conclusions in respect of the risks in our plan were set out in the Pension Fund Annual Governance Report.

37 The audit was completed by the deadline of 30 September, and an unqualified opinion on the statements was issued.

38 We found two material errors in the statements presented to audit which were amended by the Pension Fund. We also reported a number of other errors in our Annual Governance Report and later supplement presented to this Committee.

39 We are also required to issue a separate opinion on the Pension Funds Annual Report. This opinion was modified to reflect that the Pension Funds Governance Statement was excluded from the report.

2011/12

40 The proposed fee for 2011/12 has been agreed with the Director of Finance at £60,966.

41 We will agree our 2011/12 audit plan with officers in December 2011. We will present this plan to members in January 2012 at the Audit and Risk Management Committee.

Value for money conclusion

42 The District Auditor is required to give a statutory value for money (VFM) conclusion on whether the Council has satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

2010/11

43 The VFM conclusion for 2010/11 was based on a reduced number reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

44 Our assessment concluded that there are weaknesses in Wirral Councils arrangements to secure value for money in its use of resources.

45 The District Auditor issue a qualified opinion that drew attention to weaknesses identified in the arrangements for securing value for money in respect of the HESPE contract and other governance and internal control issues arising from whistleblowing issues and from the recording and control of assets.

46 The opinion did, however, conclude that with the exception of these matters, the District Auditor was satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

47 Our value for money conclusion was reported in our Annual Governance Report.

2011/12

48 Our work on the 2011/12 VFM conclusion is in progress.

PIDA work

49 Work on two PIDA disclosures in respect of adult social services and the Highways and Engineering Services Procurement Exercise (HESPE) continues.

Adult social services

50 We are continuing to monitor the Council's progress in responding to our 2007/08 report: Adult Social Services - Follow up of PIDA Disclosure which was considered by the Audit and Risk Management Committee in September 2008. A key issue was in respect of the charging policy applied at three supported living units.

51 The previous administration commissioned an independent investigation into the whistleblower's allegations of bullying and harassment and this has now been reported to Cabinet.

52 The previous Leader of the Council also commissioned an independent review to confirm that all issues raised by the whistleblower have been appropriately dealt with. We understand that the fieldwork is now complete and will be reported to members shortly. In advance of this, the independent reviewer has reported the Corporate Governance report to Council.

Procurement of highways and engineering services

53 During 2008/09 we received a PIDA disclosure in respect of the process for awarding the Highways and Engineering Services Procurement Exercise (HESPE) contract. The report was presented to members at the Audit Committee and Risk Management Committee on 28 September 2010. We agreed that we would continue to monitor the Council's response to the recommendations in the action plan.

54 Our follow-up work on the action plan and review of the Council's information on the benefits realisation process is underway and will be reported to members in November 2011.

National Fraud Initiative

55 The National Fraud Initiative (NFI) is the UK-wide anti-fraud programme developed by the Audit Commission. A data matching exercise is carried out every two years comparing information held by and between around 1,300 organisations including councils, the police, hospitals and nearly 100 private companies. This helps to identify potentially fraudulent claims, errors and overpayments. Where matches are identified these are presented to the organisations to investigate. For example, when data matching shows a person listed as deceased and also in receipt of a pension, the Council will investigate and, if appropriate, stop pension payments. The Audit Commission fee to the Council is £4k over two years for this exercise.

56 Internal audit co-ordinates the follow-up of matches, which is undertaken by the responsible department. Matches are reviewed on an ongoing basis and the figures below reflect the position at November 2011.

NFI 2010/11 - 2011/12

57 The Council provided the required information to participate in the exercise and data matches were provided by the Audit Commission at the end of January 2011.

Table 3: **Fraud and error identified from the 24,052 NFI 2010 matches**

Fraud and error	March 2011	November 2011
Total matches processed	1,472 cases	3,722 cases
Frauds identified	0 frauds	7 frauds
Errors identified	34 errors	180 errors
Value of frauds and errors	£32k	£203k
Recovering*	£29k	£187k
Still progressing	21,445	20,330

Source: Audit Commission NFI 17 November March 2011

* The Council is in the process of recovering this amount and has stopped future payments where applicable

58 The national report on NFI 2008/09 was published in May 2010 and is available at [Audit Commission website -NFI 2008/09](#).

Grant claims and returns

2009/10

59 The 2009/10 grant claims and returns report was presented to this meeting of the Audit and Risk Management Committee.

60 The grants claim programme was successfully completed in 2009/10. All claims were submitted on time, a significant improvement compared to previous years and all claims were also certified on time. Coordination arrangements worked well; there was a slight improvement in the control environment and a reduction in the number of claims requiring amendment and qualification. The amendments resulted in an increase of funding due to the Council of £33,793.

2010/11

61 The 2010/11 programme is underway and comprises the following claims.

- Housing and Council Tax Benefits Scheme.
- National non-domestic rates grant.
- Teachers' pensions return.
- Disabled facilities grant.
- Single programme grants.
- General Sure Start grant.

62 We will report to members the outcome of our 2010/11 certification work in January 2012.

Annual Audit Letter

2009/10 - key findings

63 The 2009/10 Annual Audit Letter was presented to the January 2011 meeting of the Audit and Risk Management Committee. It was also considered by Cabinet in January 2011.

64 The key issues were:

- unqualified opinion on Wirral Council's 2009/10 financial statements given by the statutory deadline
- unqualified opinion on Merseyside Pension Fund's 2009/10 financial statements by the statutory deadline
- unqualified opinion on the Whole of Government Accounts consolidation pack on 1 October 2010
- unqualified value for money conclusion confirming that the Council has satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources
- our actual fees (£390,000) were in line with our proposed fees as agreed with the Audit and Risk Management Committee at its meeting in June 2009.
- we charged an additional £20,000 for work carried out to deal with an issue under the Public Interest Disclosure Act (PIDA) in relation to the Highways and Engineering Services Procurement Exercise (HESPE).
- we highlighted the current and future challenges for the Council and the corporate and service pressures that will make the achievement of savings challenging including:
 - Delivery of savings from the change programme.
 - Prioritisation of the outcomes from the consultation process and consideration of the options put forward by the Task Forces into a cohesive budget strategy.
 - Maintaining service quality and capacity following the severance and early voluntary retirement exercise.
 - Responding to the improvement agenda, highlighted by the Care Quality Commission, in adult social services whilst keeping within the budget and implementing personal social care budgets.
 - Responding to potentially reduced future government funding as a result of the reduced population figures for Wirral.

The audit team and key contacts

65 The key members of the audit team for the 2010/11 Council and Pension fund audits were set out in our Audit Plans which were presented to the January meeting of the Audit and Risk Management Committee. There is currently no change to either of the teams.

66 I can confirm that the audit of both the Council and the Pension Fund are being carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence. We have reported two potential conflicts in our Annual Governance Report.

Members' resources

Audit Commission information for members

67 The local government national studies programme aims to improve local public services through its independent authoritative analysis of national evidence and local practice. Information on the programme is on the Audit Commission's website at [national studies programme](#).

Advisory Services

68 Our Advisory Services are able to support clients under paragraph 9 of Schedule 2A of the Audit Commission Act 1998 to provide 'advice and assistance' (A&A) to another public body. We have developed a number of briefings and tools to support councils with their efficiency agenda, get better value from partnerships and improve performance. Please contact the District Auditor or Audit Manager if you would like to know more about these improvement tools.

Upcoming reports

69 The following are the studies that the Audit Commission is currently proposing:

- Local government workforce: What are the most effective means for councils to achieve savings from the pay bill while protecting the quality of services? This study will explore how councils can do this, including how they address working patterns, staffing tiers and numbers, rates of pay, and reward packages. It will identify barriers to achieving savings and their solutions as well as highlight innovative approaches to configuring workforces in response to financial cutbacks.
- Managing with less (Spring 2011): This research project aims to help councils respond to the challenges of public spending reductions. It examines the approaches taken by local councils in responding to the need to make savings and to managing with less, and at how and why decisions are made. There will be a particular focus on the data and information used; the involvement of members and partners; and the balance between short, medium and longer term planning.
- Review and challenge in councils (Spring 2011): Councils need to have effective means for reviewing and challenging their major activities, priorities and risks. This project will research how this can be done effectively and efficiently. Research will identify the principles that best underpin review and challenge in councils. These principles will provide the basis for a series of questions to help those responsible for council governance assess their review and challenge arrangements.

Published reports

Latest releases



Protecting the public purse 2011

- The report released on 10 November 2011 describes what has happened since 2010 and sets out the findings from the recent fraud survey. England's councils have succeeded in detecting £185 million worth of fraud, an improvement of 37 per cent on last year's figure of £135 million. This is equivalent to a year's funding for around 700 libraries or the wages of up to 11,000 care workers. Also, councils recovered nearly 1,800 homes from tenancy fraudsters. To build those homes from new would have cost the public purse over £265 million. It identifies emerging risks such as fraudulent student council tax discount claims and fraud against social care payments to the elderly and vulnerable. The report urges local councils and related bodies to focus on and tackle them, and improve their counter-fraud defences. There is an updated checklist in the report, giving organisations opportunity to consider how effective they are at responding to the risk of fraud.



Tough Times

- Tough times (17 November 2011) is a new report looking at councils' responses to a challenging financial climate. The report contains new Audit Commission analysis of revenue account (RA) data provided by councils to the Department for Communities and Local Government (DCLG). It also summarises the findings of a survey of all local government auditors which gathered their emerging views on the impact of falls in government support and councils' responses as they prepared their plans for 2011/12. The report looks at the impact on councils of:
 - a real terms reduction of £3.5 billion in government funding; and
 - a £1.2 billion fall in local income from council tax and fees and charges.
- The report recommends that councils use the Audit Commission's [Value for Money profiles](#) to see how their council compares to the national picture set out in this report, identify councils facing similar challenges, and learn from others' approaches.



- **Improving value for money in adult social services**, 2 June 2011. This briefing is the first in a series of briefings that will look at value for money in health and social care and considers what councils might do to provide better, more efficient services. It finds that, as demographic change and financial pressures combine to create tough times for adult social care, councils have looked at many aspects of the service in order to provide better, more efficient services. Better procurement, improved back office arrangements, and a preference for community-based rather than residential care where possible, are just some of the changes that local authorities have implemented to help them meet the challenges they face. But the briefing also finds that the pace and scale of change need to increase if councils want to release material savings, as well as improve care for people.



- **Going the distance - Achieving better value for money in road maintenance**, 26 May 2011. This national report looks at what councils can do to get more for their money in road maintenance, in the face of increasing traffic, severe winters, higher costs, and dwindling highways funding. The report highlights how councils can get more for their money, including cost-saving collaborations with neighbours, asset management to show when road maintenance will be most effective, new ways of keeping residents informed, and weighing short-term repairs against long-term resilience. It includes a series of case studies which demonstrate how some councils have developed strategies that balance growing service demands with reducing resources.



- **Better value for money in schools**, 31 March 2011. These four briefings are designed to help schools make the best use of their workforce - whether teachers, teaching assistants, or administration and finance staff - at a time when they have to find savings. They aim to help school heads, governing bodies and councils control costs without compromising educational attainment. In addition, the Commission published a summary paper, An overview of school workforce spending, which is targeted at chairs of governing bodies and lead members on children's services.



- **Auditing the accounts 2009/10: Quality and timeliness of local public bodies' financial reporting**, 16 December 2010. A summary of the quality and timeliness of financial reporting by councils, police authorities, fire and rescue authorities and local government bodies.



- **2011/12 Proposed work programme and scale of fees**; published 10 December 2010. We are consulting on our proposed work programme and scales of fees for 2011/12.



- **Against the odds - Re-engaging young people in education, employment or training**; published 3 November 2010. Since the release of the report on 7 July 2010, we have produced a series of maps detailing changes in the proportion and numbers of young people not in employment education and training (NEET)



- **Financial management of personal budgets**; Challenges and opportunities for councils. Published 28 October 2010. This report examines personal budgets in adult social care and considers the financial management and governance implications for councils. It reviews the approaches to transition from providing services to providing personal budgets, the choices for allocating money, and how councils can plan for the financial implications. It also considers changes in social care commissioning and the governance arrangements needed for personal budgets. It is aimed at finance staff and staff in adult social care departments interested in personal budgets. The report includes a self-assessment checklist to help councils review progress in implementing personal budgets and identify areas for improvement.



- **Protecting the public purse**; Fighting fraud against local government and local taxpayers. Published 27 October 2010. we describe what has happened in the field of fraud detection and

prevention since 2009 and set out the findings from our recent fraud survey. Last year England's councils detected around £99 million worth of benefit fraud, over £15 million worth of council tax fraud, and £21 million worth of other types of fraud including false insurance claims, and abuse of the disabled parking 'blue badge' scheme. In addition nearly 1,600 homes have been recovered by councils with a replacement cost of approximately £240 million. We also describe the action taken by some councils to tackle fraud and provide links to tools to help councils improve their counter-fraud defences. Our updated checklist gives organisations providing public services another opportunity to consider how effective they are at responding to the risk of fraud. Also available is a [single person discount comparator tool](#) that allows local authorities to compare their levels of council tax single person discount with their predicted levels, based on a national average.



- **Finance improvement tool.** Published 16 September 2010. Following our 'Under Pressure' study (February 2010), we have developed a finance improvement tool to help councils respond to the financial challenges of an ageing population and identify scope for improvement.



- **Strategic financial management in councils,** 8 September 2010. Delivering services with a reduced income. In our latest report, we reveal how organisations that manage their finances strategically are more adaptable and resilient when money is tight, and how other councils can learn from them. Councils need to make some urgent and tough decisions. 'Strategic financial management in councils' is aimed at all council staff, especially those who hold the purse strings of local government. In it, we point out potential financial pitfalls, highlight successes, and feature a value for money self-assessment questionnaire that can be used locally. The findings in the report are supported by a good-practice checklist that describes the key issues for improving financial management. Councillors and managers can use the checklist to evaluate their current approach to financial management.



- **Local government pensions in England - an information paper** - 29 July 2010. In our latest information paper, we examine the long-term affordability of the Local Government Pension Scheme, and look at steps that could be taken to put it on a better financial footing.
- **Local government claims and returns, 27 July 2010.** The level of amendments and the number of qualification letters issued by auditors in 2008/09 shows some authorities can improve their preparation of claims and returns. The first Audit Commission annual report on certification work, published on Thursday 29 July, shows that in 2008/09 Audit Commission auditor's certified claims and returns from local authorities for schemes covering £45.6 billion of public money. Auditors agreed amendments to claims and returns totalling £54.5 million. Eight schemes had total amendments over £1 million and auditors qualified 673 (24 per cent) claims and returns. For the housing and council tax benefits scheme, 85 per cent of benefits claims had qualifications or amendments or both. Certification of 2008/09 claims and returns cost local authorities £18.7 million which is 0.04 per cent of the total value certified.



- **Against the odds. Re-engaging young people in education, employment or training** - 7 July 2010. We reveal how councils need a new approach in getting to grips with the needs of their local teens, in order to make scarce resources work harder for those at greatest risk of long-term unemployment.



- **A review of collaborative procurement across the public sector**, 21 May 2010. The National Audit Office and the Audit Commission have jointly produced this review. It draws on Audit Commission research in local government, carried out during the autumn of 2009. The review finds that although collaborative procurement has the potential to improve value for money, the public sector procurement landscape is fragmented, with no overall governance. Consequently, public bodies are incurring unnecessary administration costs by duplicating procurement activity, and they are paying a wide range of prices for the same commodities, even within existing collaborative arrangements. It recommends that, given the size of public sector procurement spend and the potential to significantly

improve value for money, public bodies should work together much more effectively than they currently do. And there should be a clear framework to coordinate public sector procurement activity.

- **By mutual agreement**, 16 March 2010. Severance deals serve councils and the taxpayer. But our research shows that not all pay-offs are justified. Competent chief executives sometimes lose their jobs needlessly, and less effective individuals have been paid-off rather than dismissed.
- **Healthy balance**, 11 March 2010. Does your ward have a high number of teenage pregnancies, or is there growth in childhood obesity? This briefing says the NHS allocated £21 billion in 2009/10 on the basis of inequalities in health between areas. The impact of the spending is unclear.
- **The truth is out there: A discussion paper**, 5 March 2010. Information is essential: it helps you make better decisions. Making more and better information available to the public should help them evaluate the decisions their elected representatives are making, what public money is spent on and with what result. This discussion paper looks at how councils and health trusts, social workers, doctors and police can improve data and analysis made available to the public.
- **Under pressure**: Tackling the financial challenge for councils of an ageing population, 18 February 2010. Councils need to understand the nature and needs of residents who are ageing. The report stresses growth in the number of older citizens affects all services. We need better working across boundaries.
- **Giving children a healthy start: A review of health improvements in children from birth to five years**, 3 February 2010. Have the large sums spent on young children from 1999 to 2009 improved their health? The study examines local service planning and delivery, and how councils and primary care trusts can improve services and access for vulnerable groups, lone and teenage parents and black and minority ethnic communities.



International Financial Reporting Standards (IFRS)

70 We have listed the IFRS reports and briefings available on the Audit Commission website for management and members. This will be the second year of financial reporting under IFRS.

Complete list of resources

- [The final countdown: IFRS in local government](#) → 17 March 2011. The Commission has published the final briefing paper in its Countdown to IFRS series, reporting on findings from a January 2011 auditor survey on implementation of IFRS in local government.
- [Countdown to IFRS: Reporting on operating segments - 29 October 2010](#) Our latest briefing on the countdown to IFRS covers principles and practical issues that authorities should consider when reporting on operating segments.
- [Countdown to IFRS: Progress on the transition to IFRS - 5 October 2010](#) The deadline for local authorities to produce IFRS-compliant accounts is fast approaching. Successful implementation of IFRS will testify to the ability of local government to manage a major change in its financial arrangements. The paper draws on a survey completed in July 2010 by auditors of all local authorities, fire and rescue authorities, and police authorities, on local government's progress on transition to IFRS. In this paper we:
 - make comparisons with a baseline assessment taken in November 2009;
 - set out relevant lessons from the NHS experience of transition, as NHS bodies have implemented IFRS a year earlier than local government; and
 - outline the key actions that authorities should be taking at this stage.
- [Countdown to IFRS: Accounting for employee benefits - 15 July 2010](#) Issues authorities may face when accounting for employee benefits.
- [Countdown to IFRS: Managing the practical implications of restating non-current assets - 17 June 2010](#) Guidance on managing the practical implications of restating non-current assets.
- [Countdown to IFRS: Summary paper - 8 June 2010](#) A guide for senior managers and members.
- [Countdown to IFRS: Accounting for non-current assets - 17 May 2010](#) Introducing international financial reporting standards (IFRS) for Accounting for non-current assets.
- [Countdown to IFRS - Checklist for councillors - 17 March 2010](#) Councillors checklist - discussing IFRS transition plans with officers.
- [Countdown to IFRS - Identifying and accounting for leases - 17 March 2010](#) Issues arising from the introduction of International Accounting Standard (IAS) 17: Leases.

- [Countdown to International Financial Reporting Standards \(IFRS\) - 19 February 2010](#)
Implementation of IFRS in local government.
- [IFRS briefing paper 3 for local government - 4 May 2009](#)
Managing the transition to IFRS.
- [IFRS briefing paper 2 for local government - 1 September 2007](#)
The move to international financial reporting standards - how can your auditor help?
- [IFRS briefing paper 1 for local government - 1 May 2007](#)
The move to international financial reporting standards.

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WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

29 NOVEMBER 2011

SUBJECT	ACCOUNTING FOR, AND RECORDING OF, ASSETS
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR STEVE FOULKES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1. On 28 September 2011 this Committee in considering the Statement of Accounts 2010/11 requested that I bring a report to this meeting on the accounting for, and recording of, assets.

2.0 RECOMMENDATION

- 2.1 That the accounting arrangements for the Council assets be noted.

3.0 REASON FOR RECOMMENDATION

- 3.1 As the report is in response to the Committee request for further information on the subject of fixed assets shown in the Statement of Accounts the recommendation reflects the informative nature of this report.

4.0 BACKGROUND AND KEY ISSUES

- 4.1. Fixed assets, also known as non-current assets, is the term used for assets and property that the Council owns and / or uses in the provision of services. They are in contrast to current assets such as cash held in bank accounts. These are items of value that the Council has acquired or constructed and uses over a period of time.
- 4.2 Fixed assets usually include items such as land and buildings, vehicles, plant, machinery and equipment. Further details on the main group of fixed assets, Property, Plant and Equipment (PPE) is detailed below. Other groups of assets such as Investment Property and Property, Plant and Equipment classified as assets held for sale are not used in the provision of services and are not covered in this report.

Assets Definition

- 4.3 The assets on the Balance Sheet are accounted for in accordance with the Code of Practice on Local Authority Accounting and Reporting Standards (the Code) and International Accounting Standards (IAS) 16 (Property, Plant and Equipment), IAS 23 Borrowing Costs and IAS 36 Impairment of Assets.
- 4.4 The Code defines an asset as “a resource controlled by the Authority as a result of past events and from which future economic or service potential are expected to flow to the Authority”. IAS 16 expands upon this with Fixed Assets being assets whose future economic benefit is likely to flow into the entity i.e. the Council, whose cost can be measured reliably.

Property, Plant and Equipment (PPE)

- 4.5 This group of assets has the following key characteristics:
- There must be a physical substance to the item, eg a building, and so it is a tangible asset. If the item is virtual e.g. a computer license it would be treated as an intangible asset.
 - The item must be held by the Council for the provision of goods or services, for rental to others (as part of service provision) or for administrative purposes. However, if a property is held to earn rentals or for capital appreciation it would be deemed an investment property and if it is held to be sold it will be deemed to be an asset held for sale.
 - The item must be of use for at least part of the succeeding financial year.

When these characteristics are met an item of property, plant or equipment is shown on the Balance Sheet if, and only if,

- It is probable that the future economic benefits or service potential associated with the item will flow to the Council. The Council does not have to own the item, but it must be likely to use it in the provision of services or gain the rights to generate cash from the item.
 - The costs of the item can be measured reliably and so costs must be identifiable. This is the definition used to define capital and used to add assets to the asset records.
- 4.6 In preparing the Statement of Accounts an assessment is made as to whether these conditions have been met. Items of PPE that qualify for recognition as assets are first recognised at cost value. The cost may include purchase price and any expenditure needed to make the asset operational and able to provide services. An item of PPE held under a finance lease is recognised for example PFI school assets.

4.7 The composition of PPE as detailed in the Statement of Accounts 2010/11:-

Property Plant and Equipment Sub Category	Explanation and Examples	Balance Sheet 31 March 2011 £000
Land and Buildings	Land and Buildings used in the provision of services. Examples being Schools, Offices, Day Centres.	523,644
Vehicles, Plant, Furniture and Equipment	Vehicles, plant and equipment used in the provision of services. Examples being IT hardware, gym equipment, environmental vehicles.	7,764
Infrastructure Assets	Infrastructure assets are inalienable, so their benefit can only be obtained by continued use in their original form. Examples are roads, footpaths, bridges, tunnels, coastal defenses. This type of asset cannot be applied to alternative uses and there is no obvious prospect of sale.	98,543
Community Assets	Community assets are held in perpetuity, have no determinable useful life and often have restrictions on their disposal which means that they cannot be used for direct service provision. Examples being parks and open spaces, historic buildings, works of art, civic regalia, museum items.	26,140
Surplus Assets	Surplus assets are surplus to service needs but do not meet the criteria that would result in them being classified as either investment property or assets held for sale. Examples include regeneration and strategic sites in Birkenhead.	2,484
Assets Under Construction	These assets are being built at the Balance Sheet date. Examples include capital schemes eg on road and school improvements that have not yet been completed.	26,283

Schools

- 4.8 The accounting treatment on the Balance Sheet is determined by the school type. Community schools which are managed directly by the Council are recorded on the Balance Sheet. Foundation schools and Academies are not included which reflects the independent status of these schools and fits with the definition of assets set out above. It is for the Council to determine the appropriate treatment with reference to the particular circumstances regarding the governing and operational management of schools with reference to the International Financial Reporting Standards contained in the Code.

- 4.9 The accounting arrangements for Schools funded under the Private Finance Initiative have changed with the implementation of International Financial Reporting Standards. Accordingly the schools were classed as Council assets in the 2008/09 Accounts. However, Committee may recall that in the 2009/10 Accounts there were changes made in respect of those schools funded under the PFI arrangement which became Foundation Schools and resulted in these assets being removed from the Council Balance Sheet.
- 4.10 CIPFA is currently reviewing the accounting treatment for schools assets. This is in response to uncertainty amongst Councils regarding the accounting treatment of foundation, voluntary aided and voluntary controlled schools. Part of the consultation involves an interpretation of the recognition criteria for school land and buildings. This would require the Council to only recognise community school (including community special schools) land and buildings as assets of the Council. It proposes that voluntary aided, voluntary controlled and foundation (including foundation special schools) land and buildings would not be assets of a Local Authority. Any changes will be announced as an update to the current 2011/12 Code.

Community Assets

- 4.11 It was identified during the financial year 2008/09 that the records relating to the assets held by the Art Gallery and Museum Service did not feature in the asset records. Whilst the more obvious items such as paintings were recorded, and insured, the records were not fully complete for 12,000 items including paintings, prints, ceramics and artefacts.
- 4.12 Since 2008 the service has embarked upon a programme to catalogue all such items which is seen as a medium term project. To date the fine art collection has been identified, valued and catalogued in accordance with the Museum Standards. Work is ongoing in cataloguing the collections held and forms part of the accreditation basis for the Museum Service. This is referred to in the Wirral Heritage Strategy 2011-14 and the Wirral Museums Service Forward Plan 2011-16 with a requirement to purchase and license a new specialist software system, and by using short-term contract staff to aim to complete this work by December 2012 with the final stages, including retrospective documentation completed by April 2016.

Valuation of Assets

- 4.13 Once an asset has been recognised the Code requires the Council to measure the asset value with reference to a number of bases. Different types of PPE have a different valuation base i.e. approaches to determining the value of an asset.

Property Plant and Equipment: Valuation Bases

Property Plant and Equipment Sub Category	Valuation Bases
Land and buildings Specialised Operational Properties	Fair Value based on Existing use Value (EVU) Where market value is not available, especially where the property is unused and rarely sold properties are valued on the basis of depreciated replacement cost.
Other Land and Buildings (Non Specialised)	Fair Value based on Existing use Value (EVU)
Vehicles, Plant, Furniture and Equipment	Fair value based on Existing use Value or Depreciated Replacement Cost. The Council can also value on a depreciated historic cost basis as an approximation for the fair value of assets which have short useful lives or low values or both.
Infrastructure Assets	Depreciated Historic Cost
Community Assets	Depreciated Historic Cost
Non Operational Surplus assets	Fair Value based on Existing use Value (EVU)
Assets Under Construction	Historical cost i.e. expenditure incurred up to the point the asset is brought into use.

- 4.14 For Property, Plant and Equipment valued with reference to fair value, valuations have to be updated at specific intervals. Valuations are carried out every five years and so each year the value of a group of assets is assessed. The programme of valuations is carried out by the Council Valuer in the Department of Law, HR and Asset Management.
- 4.15 The valuations undertaken are governed by professional standards set down by the Royal Institution of Chartered Surveyors (RICS). The valuer produces a valuation certificate which details the value of specific properties, and a valuation report which details a number of items including estimated remaining useful life and residual value of the specific properties.

The Asset Register

- 4.16 Information on the Council asset base is essential to supporting the Statement of Accounts. Whilst the Accounts are prepared by the Finance Department the contribution of all other departments is critical in identifying any changes to the asset records. In respect of land and buildings many fall within the scope of the Department of Law, HR and Asset Management including property records and lease agreements which is reliant upon close working with departments. Similarly investment via the capital programme will impact upon the identification and valuation of assets. Vehicle fleet records and contracts, now under the Children & Young People Department, and the insurance records offer support to identifying any changes to, and confirmation of, the vehicle holdings.

- 4.17 The Council holds information on all assets, except infrastructure assets in an asset register. There were 1,178 assets recorded at 31 March 2011 with up to 40 pieces of information held on each asset such as asset group, asset use, method of valuation, value for accounting purpose, estimated remaining useful life and residual value.
- 4.18 For each asset, the register and accounting records holds a range of information to substantiate the values shown in the Balance Sheet. This includes information on accumulated depreciation and impairment, charges to the Comprehensive Income and Expenditure Account and the valuation of property certified by the valuer.
- 4.19 The Register was previously maintained as a series of manual records but with the increasing requirements under the introduction of International Financial Reporting Standards a computerised system was acquired during 2009/10. This helped in the preparation of the Statement of Accounts for 2009/10 and was expanded upon during 2010/11 as further information is obtained and required to be held to comply with the Standards.

Future Changes to Asset Information

- 4.20 One of the requirements of the Code, flowing from International Financial Reporting Standards, is that the Council analyses its land and buildings assets into categories, which is known as componentisation. This involves separately identifying specific elements of properties, an exercise which is undertaken as the buildings are subject to capital improvements and is therefore an evolving and developing area representing an increasing workload particularly for Asset Management but also for Financial Services.
- 4.21 The Code for 2011/12 will require the Council to disclose in the Accounts information on a new category of assets, Heritage Assets. This group of assets held principally for their contribution to knowledge or culture by the Council includes collections of items or artefacts that are exhibited or stored for example in museum or art collections. This will clearly link with the work of the Museum Service in respect of community assets referred to earlier.
- 4.22 The valuation of Infrastructure assets will in future be based on a valuation approach as opposed to the historic cost of works undertaken to construct, for example a road. Whilst systems have existed to meet the requirements for most assets the area of infrastructure asset records was less developed as it was only required by a smaller market. To affect the required changes the Council will increase the amount of information it holds on infrastructure assets and the Director of Technical Services has, in recent years, been looking at the options available for an Integrated Highways Asset Management System.

5.0 RELEVANT RISKS

- 5.1 There are none directly resulting from the report. There is a risk to the Council if assets are not correctly identified and recorded particularly in respect of the relevant insurance cover.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 No other options were considered in respect of this report as it was requested by the Committee.

7.0 CONSULTATION

- 7.1 There has been no specific consultation in respect of this report.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are no direct implications for these groups arising from this report.

9.0 RESOURCE IMPLICATIONS

- 9.1. Whilst the report refers to financial and asset implications there are no direct implications in either these areas or under staffing or IT arising from this report.

10.0 LEGAL IMPLICATIONS

- 10.1 There are no direct implications arising from this report.

11.0 EQUALITIES IMPLICATIONS

- 11.1 There are no direct implications arising from this report.

12.0 CARBON REDUCTION IMPLICATIONS

- 12.1 There are no direct implications arising from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 13.1 There are no direct implications arising from this report

REPORT AUTHOR: Jenny Spick
Chief Accountant – Financial Services
telephone : 0151 666 3582
e-mail : jennyspick@wirral.gov.uk

REFERENCE MATERIAL

Code of Practice on Local Authority Accounting in United kingdom 2011/12.
Code of Practice on Local Authority Accounting in United kingdom 2011/12 Code
Update and 2012/13 Code – Invitation to Comment .
Exposure Draft on Accounting for Non-Current Schools Assets.
All produced by the Chartered Institute of Public Finance and Accounting (CIPFA).

SUBJECT HISTORY

Council Meeting	Date
Audit & Risk Management Committee – Statement of Accounts 2010/11	28 September 2011

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

29 NOVEMBER 2011

SUBJECT	RISK MANAGEMENT STRATEGY AND THE MANAGEMENT OF RISK AND OPPORTUNITY
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR STEVE FOULKES
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

1.1 The Risk Management Strategy was reviewed by the Cabinet on 13 October 2011. Whilst there are minor changes to the Strategy this report recommends that a more tailored and embedded approach to the management of risk, strategically and operationally, is needed if the Council is to meet the challenges and take advantage of the opportunities both internally and in the wider environment. It proposes the creation of a new framework and processes to support the new approach.

1.2. Cabinet on 13 October 2011 agreed:-

- a. The retention of the existing Risk Management Strategy.
- b. Support for the development of a new corporate approach to the management of uncertainty and agrees that the action plan in the Appendix be incorporated within the Risk Management Strategy.
- c. That detailed proposals for the new framework and processes be presented to a future meeting of Cabinet for consideration.

2.0. RECOMMENDATION

2.1. That the report be noted.

3.0 REASONS FOR RECOMMENDATIONS

3.1 The current Risk Management Strategy is to continue whilst work on a more detailed review is undertaken in response to the changing environment.

3.2 Ensuring that an effective risk management system is in place is a key element of Member responsibilities for corporate governance and embedding a more robust approach to risk will assist the Authority to innovate and exploit opportunities and reduce exposure to threats. Input of Members into the initiative is vital to ensure that the degree of cultural change needed is delivered.

4.0 BACKGROUND AND KEY ISSUES

The drivers for improvements in managing risk

- 4.1 The effective management of risk is recognised as an essential feature of good governance. It is particularly important at times of uncertainty in the external environment and when organisations are undergoing substantial internal change.
- 4.2 In common with other local authorities Wirral faces a period of both significant threat and a number of opportunities driven by external influences and particular challenges related to change within the Council itself. Reductions in funding, changes in service delivery mechanisms, increasing service continuity and resilience challenges and rising community expectations are some of the issues identified. This is not a comprehensive list and the issues may not be the most significant influences.
- 4.3 Agile organisations should be able to prepare for and address the risks presented by these uncertainties. But to do so will require the Council to build on existing skills and introduce new management techniques. A formal framework and processes for managing risk have been in place for a number of years. However, to meet current best practice and the breadth and scale of the uncertainties facing the Authority, the existing approach and the way that risk issues are addressed require significant change.
- 4.4. It was reported to Cabinet on 25 November 2010 that an in-depth review had commenced of the approach to the management of uncertainty. The revised framework and processes will be informed by the British Standard for Risk Management (BS 31100:2008) and will seek to address risk in the wider sense of uncertainty. To progress this work a project outline was agreed by Chief Officers and a respected risk management academic and practitioner engaged to assist with the initial stages of the project.

Information gathering and review

- 4.5 The Risk & Insurance Team has gathered information on areas for improvement in relation to the existing framework and how well managers understand and apply it. This was facilitated by the publication of the British Standard which details best practice guidance on what an effective risk management framework should contain, the processes to be adopted and how risk management activities can be developed. However, it is not prescriptive about the detail of processes leaving an individual organisation free to tailor the approach to meet its own culture and capabilities. Comparing the Council arrangements with the content of the standard has indicated a number of areas for improvement. Others have been recommended by Internal Audit through comparison with best practice.
- 4.6 To assist with determining the current level of understanding around risk and to appreciate how risks were being managed in practice Richard Anderson, a respected risk management academic and practitioner, was invited to conduct both a risk management maturity survey of managers and a series of business context interviews with senior Members and Chief Officers.

4.7 Mr Anderson reported his findings to the Executive Team. He recognised a number of strengths in the current arrangements including the relatively large proportion of people who are regularly involved in risk sessions, the fact that both internal and external risks are actively considered and the amount of training that has been provided. However without significant improvements in approach the ability to successfully address the uncertainties indicated earlier in the report would be limited and he recommended:-

- (a) The Leader and the Chief Executive should sponsor and develop an approach to risk management that can be rolled out to all staff with appropriate targeted communication and focussed training programmes.
- (b) Cabinet and the Executive Team should develop a meaningful and helpful approach to defining risk appetite and tolerance which is both data-rich and capable of measurement and should work together to establish these. Risk appetite is defined as the amount of risk which an organisation is prepared to seek, accept or tolerate in pursuance of its objectives.
- (c) Cabinet and the Executive Team should consider how they can develop the infrastructure to embed risk management.
- (d) The Executive Team should identify ways to develop their own departments in becoming more effective at managing risk to support the achievement of Council objectives.
- (e) All Members and staff should be introduced to the relevance and benefit of risk management.
- (f) The Executive Team should actively consider how they can develop an approach to risk management across the extended enterprise with partners and other suppliers.

Executive Team response

4.8 The report was presented to the Executive Team on 23 June 2011 and the Team recognised both the need for a much improved approach and that its success would require major cultural change within the organisation. The discussion established a number of important principles which should drive the future strategy for managing risk and uncertainty:-

- Any approach should be cost-effective and minimise the resources wasted in dealing with the negative impacts of operational risks..
- It should support innovation and informed risk taking.
- Risk management should be embedded into all activities and decision-making processes.
- Candour and maturity in discussions between officers and Members about risks and opportunities should be enhanced.
- The Council should continue to develop a culture which learns from experience rather than one which seeks to allocate blame. (Provided that officers have complied with the framework and processes).

- 4.9 The Team discussed a number of key priorities for future action and the priorities and how they might be achieved are set out below:
- (a) **The establishment of a revised policy towards risk and uncertainty and an improved framework for managing it.**
The Risk & Insurance Team would take lead responsibility for producing a policy and framework for the consideration of Members and the Executive Team. However, given the interdependence of risk management and other management disciplines, including performance, project, finance and human resources and its key role in corporate governance, the Team would need to create an implementation group comprising interested and influential officers from across the organisation.
 - (b) **The establishment by Chief Officers and key Members of the risk appetite and risk tolerance.**
The task of beginning to establish the risk appetite and risk tolerance would require the direct involvement of the Executive Team and of Cabinet. This dialogue would be an early action within the project as it informs many subsequent aspects of the Strategy.
 - (c) **Consideration of an IT system for the capture, sharing and reporting of risk information.**
A critical element of any modern risk management approach is a system for capturing analysing and reporting risk and the Authority is unusual in not having one at present. A number of potential solutions are available to improve the quality of risk information and how it could be used. A task for the project team would be to evaluate the functionality of the recently procured programme control system to ascertain if it would be suitable for this purpose. If not Members and the Executive Team would be recommended to purchase a proprietary risk management information system.
 - (d) **Consideration of key information in relation to risks and opportunities that needs to be reported to the Executive Team and to Cabinet.**
Establishing what risk information is required by the Executive Team and Cabinet and in what format is vital to ensure that decisions taken are based on concise and relevant information. The implementation group would put forward proposals for achieving the correct balance and work with Chief Officers and Members over its implementation.
 - (e) **The creation and delivery of a training programme for staff and Members.**
Training for Members and the workforce is critical to implementing the new approach and to delivering the cultural change required to deliver the Executive Team's principles. The goals for any training programme and its content will be strongly influenced by the four other areas of action.
- 4.10 If the revised policy framework and processes are approved by Members then the next stage would be to implement the actions contained in the Strategy and embed the processes. It is likely that their introduction would need to be made over the next three financial years.

Governance

- 4.11 In recognition of their ultimate responsibility for governance the Leader and the Chief Executive have agreed to sponsor the initiative. Detailed work associated with the project would be undertaken by an implementation group headed by the Risk & Insurance Officer. Regular progress reports would be provided to the Executive Team with a formal report to each meeting of the Audit & Risk Management Committee. The proposals for a revised framework and processes would be presented formally to Cabinet for consideration.

5.0 RELEVANT RISKS

- 5.1 The Risk & Insurance Team is working to capacity with the majority of resource focussed on risk financing (insurance) and so additional work would impact on existing commitments. The involvement of other professionals in the implementation group would provide additional capacity.
- 5.2 The implementation of a new approach will require improvements to processes but also a degree of cultural change which will take several years to embed. The entire purpose of risk management is to support the strategic vision of the Cabinet and the Executive Team and if key stakeholders do not take ownership of the initiative and if their interest is not sustained it will not be possible to effect such change.
- 5.3 Not proceeding with the development of the new strategy and policy would mean that the Council would not meet current best practice. More importantly it could inhibit innovation and result in significant adverse impacts from unidentified and incorrectly quantified risks.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 An alternative would be to simply modify the policy and strategy to reflect existing practice within the Council. However developments in good governance practice and changes in the external environment mean that a step change is required if the approach is not to fall behind best practice and become insufficiently robust to meet the many challenges which the Authority faces.

7.0 CONSULTATION

- 7.1 The report from Richard Anderson was informed by interviews with Members and Chief Officers and a confidential survey of 400 Council managers.
- 7.2 The development of a revised policy strategy and processes will require further consultation with all major stakeholders.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are no direct implications for these groups

9.0 RESOURCE IMPLICATIONS

- 9.1 There may be additional costs associated with the implementation of the policy and strategy for example a system to capture and share risk information and support training. Cabinet would be advised of these when the draft framework processes are reported.
- 9.2 The effective management of risk and opportunities within an improved framework should ensure that resources are not wasted in over-controlling risks whilst reducing the financial burden of losses.
- 9.3 There are no direct staffing implications at this stage. The development of the new strategy and policy will be undertaken by the existing Risk & Insurance Team. Further training and development for officers and Members will be a key element of any new approach.

10.0 LEGAL IMPLICATIONS

- 10.1 There are no direct legal implications. However an improved framework and processes will support Members in discharging their responsibilities in relation to the governance of the Council through more informed and transparent decision-making.

11.0 EQUALITIES IMPLICATIONS

- 11.1 There are no implications at this stage. An equality impact assessment would be undertaken in respect of the new policy and strategy.

12.0 CARBON REDUCTION IMPLICATIONS

- 12.1 There are no direct implications arising from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 13.1 There are no direct planning implications. However the new approach should help to make planning decisions more informed. Specific risk control actions should improve community safety.

FNCE/261/11

REPORT AUTHOR: Mike Lane
Risk & Insurance Officer - Financial Services Division
telephone: 0151 666 3413
email: mikelane@wirral.gov.uk

APPENDICES

Appendix 1 - Outline action plan for revised approach to managing risk.

Appendix 2 - Risk Management Strategy

REFERENCE MATERIAL

British Standard BS ISO 31000:2009 – Risk Management Principles and Guidelines

Wirral Review of Risk Management - Richard Anderson and Associates

Delivering Good Governance in Local Government Framework – CIPFA/SOLACE

SUBJECT HISTORY

Council Meeting	Date
Cabinet	23 July 2008
Cabinet	24 September 2009
Cabinet	25 November 2010
Cabinet	13 October 2011

RISK MANAGEMENT STRATEGY

MANAGEMENT OF RISK AND OPPORTUNITY

ACTION PLAN

Stage	Target Date
Seek mandate and commitment from Members	October 2011
Establish the project implementation team, develop project plan and governance structure	November 2011
Conduct risk appetite exercise with Cabinet and Executive Team	January 2012
Gap analysis of current framework and processes and maturity evaluation against BS31100	January 2012
Develop a revised risk management framework	January 2012 to April 2012
Benchmark the risk functionality of the Programme Control System against specialist risk systems. Seek authority to procure proprietary risk management information system if necessary	March 2012
Devise improved processes for the identification, evaluation, treatment and review of risk	April 2012
Seek Cabinet approval for revised framework and processes.	June 2012
Develop training programmes for Executive Team, Officers and Members	September 2012
Begin the delivery of training for Officers and Members	October 2012
Introduce revised approach into the corporate governance framework	2012/2013
Introduce revised processes to influence the development of the Corporate Plan	Winter 2012
Introduce revised processes to influence the development of departmental plans	Winter 2012
Align revised risk management and performance management processes	2012/2013
Introduce revised risk management processes into the corporate approach to project management	2012/2013
Evaluate performance of new framework and processes and produce initial annual report to Members.	June 2013



RISK MANAGEMENT STRATEGY

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**CABINET
SEPTEMBER 2011**

1.0 EXECUTIVE SUMMARY

1.1. Introduction

- 1.1.1. Wirral Council is committed to delivering its vision of **“making Wirral a bigger and stronger society”**. The Council believes that effective risk management will help ensure that it maximises its opportunities and minimises the impact of the risks it faces and that by managing risk effectively, the authority will be in a stronger position to deliver its vision and strategic and operational objectives. This is Wirral Council's revised Risk Management Strategy. It explains the Council's approach to risk management and the arrangements that we will operate to ensure that we identify and manage our risks effectively.

1.2. Objectives

- 1.2.1. For this Council the objectives of its Risk Management strategy are:

- To support informed risk-taking in order to improve services;
- To place risk management at the heart of decision making within the organisation;
- To implement cost-effective measures to minimise harm, losses and disruption to services;
- To ensure that risks which could prevent the achievement of the Council's Corporate goals and priorities are identified and controlled;
- To demonstrate to stakeholders and regulators compliance with good corporate governance; and to
- To continuously improve the management of risk by all those connected with the delivery of the Council's services.
- To create a risk aware culture within the organisation

1.3. Scope

- 1.3.1 For the purpose of this strategy, a risk is the chance of something happening that will have an impact on the Council's objectives and the continuity of service provision. As that impact may be positive or negative, risks will be considered as opportunities and not simply as threats. The strategy seeks to address all forms of risk, not simply those relating to health and safety, financial or insurable risks.

- 1.3.2 Furthermore, risks do not simply reside in any one level within the organisation and the Council's approach to risk management will therefore consider all strategic, operational and project risks.

1.4 Definitions

- 1.4.1 Risk: The chance of something happening that will have an impact on objectives.

- 1.4.2 Risk Management: The process by which risks are identified, evaluated and controlled and which is directed towards the effective management of potential opportunities and threats to the Council achieving its objectives.

2.0 ROLES AND RESPONSIBILITIES

The effective management of risk is the responsibility of all officers and Members. However, we will be clear about 'who' does 'what' to avoid potentially significant risks going unmanaged. To assist with the implementation of the strategy, Members will appoint an individual to 'champion' the risk management process. Similarly Executive Team will select a lead Chief Officer for promoting risk management. The following tables set out these responsibilities in greater detail.

Cabinet

Role:	To oversee the effective management of risk by officers of the Council.
Responsibilities:	<ul style="list-style-type: none">• To hold the Executive Team (ET) responsible for the effective management of risk within the Council.• To approve the risk management policy, strategy and processes determined by officers.• To work with Chief Officers to identify the key corporate risks.• To monitor the management of key corporate risks.• To require officers to provide clear statements on risks and opportunities in Committee reports.

Audit & Risk Management Committee

Role:	To provide independent scrutiny of the adequacy of the risk management framework.
Responsibilities:	<ul style="list-style-type: none">• To scrutinise the effectiveness of the overall strategy and compliance by officers.• To review the Council's approach to risk management and changes or improvements to processes.• To consider and approve the Annual Governance Statement.

Executive Team (1st tier officers)

Role:	To ensure that the Council manages risk effectively.
Responsibilities:	<ul style="list-style-type: none">• To agree the risk management framework, policy, strategy and processes.• To identify and analyse the key corporate risks.• To agree responsibility for control of these risks as appropriate and review the implementation of risk control action plans.• To oversee the communication and implementation of the Policy and Strategy by Members, managers and employees and its incorporation into the Council's business processes.• To report to external stakeholders on the Council's framework, policy, strategy and processes.

Risk & Insurance Officer

Role:	To drive the effective management of risk within the Council
Responsibilities:	<ul style="list-style-type: none">• To develop and update the risk management strategy, processes and standards in accordance with best practice.• To provide advice and support to Members and officers at all levels regarding the identification, analysis and profiling of risks.• To promote and support the implementation of the strategy.• To facilitate and provide training as appropriate to Members and officers.• To support and co-ordinate the risk element of the work of the Executive Team.• To support the development of a risk aware culture throughout the Council.

Corporate Health, Safety & Resilience Team

Role:	To provide specific advice and support to the organisation on Occupational Health & Safety, Emergency Planning and Business Continuity.
Responsibilities:	<ul style="list-style-type: none">• Support the development and implementation of the corporate strategy.• Assisting departments in the compilation of operational control measures relevant to the functions stated in Role.

Internal Audit

Role:	To provide assurance to members and officers on the risk management mechanisms and effectiveness in practice
Responsibilities:	<ul style="list-style-type: none">• To carry out a continuous independent review of the Risk Management Strategy and processes and report thereon.• To provide Chief Officers and Members with an annual overall assessment of the effectiveness of risk management practice (through the Annual Governance Statement).• To evaluate and report on attitudes to and management of risk.• To provide an annual audit plan that is based on a reasonable evaluation of risk.• Assist departments with risk identification and operational controls.• Assist the Risk & Insurance Officer through the sharing of good practice.

Departmental Management Teams (1st and 2nd tier officers)

Role:	To effectively manage risk in their department.
Responsibilities:	<ul style="list-style-type: none">• To identify and report risks of potential corporate significance to the Executive Team.• To participate in action plans to address the key corporate risks.• To review and report to Executive Team progress in implementing such actions.• To continuously identify, analyse and maintain a register of key departmental, operational and project risks.• To report regularly to members on the management of such risks.• To prioritise departmental actions to improve key risks and review their implementation.• To satisfy themselves as to the adequacy of the risk management arrangements of their department's service partners.• To delegate responsibility for risk control as appropriate within the department.• To empower staff to report risks.

Service Managers (3rd tier officers)

Role:	To effectively manage risk in their service area.
Responsibilities:	<ul style="list-style-type: none">• To implement the Corporate Risk Management Strategy.• To continuously identify, analyse and profile key operational and project risks affecting their service.• To report these risks to the Departmental Management Team.• To create and maintain a register of these risks.• To satisfy themselves as to the adequacy of the risk management arrangements of their service partners.• To share/exchange relevant information with colleagues in other service areas.• To prioritise risk improvement plans and implement agreed actions.• To review the implementation of actions to address key service risks and report progress to the Departmental Management Team.

Individual Employees

Role:	To contribute to the effective management of risk in their service
Responsibilities:	<ul style="list-style-type: none">• To identify risks in their everyday work processes and working environment.• To report risks to the Service Manager.• To have an awareness of the principal risks to their service.• To implement and maintain risk control mechanisms as part of the responsibility for achieving agreed objectives.• To demonstrate an awareness of risk and risk management.• To participate in any risk management training or guidance.

Service Delivery Partners

Role:	To assist the Council to manage risk effectively
Responsibilities:	To ensure that the partner organisation is committed to managing risk and that their accountabilities are clearly documented in a Service Level Agreement or contract.

3.0 RISK CATEGORIES

STRATEGIC <i>Risks that relate to doing the wrong things</i>	OPERATIONAL <i>Risks associated with the nature of each service or activity</i>
<ul style="list-style-type: none"> • Insufficient forward planning or horizon scanning (e.g. demographic changes) • Incorrect strategic priorities • Community planning oversight or errors • Policy decisions based on incomplete or faulty information • Failure to exploit opportunities • Inappropriate capital investment decisions 	<ul style="list-style-type: none"> • Poor partnership working • Failure to continuously improve / innovate • Inadequate service continuity planning • Over-reliance on contractors / suppliers • Breakdown of work system • Poor project planning and management
INFORMATION / TECHNOLOGICAL <i>Risks that relate to the loss of or inaccuracy of data and the use of / reliance on technology</i>	REPUTATION <i>Risks that relate to the organisation's image</i>
<ul style="list-style-type: none"> • Systems and management data not up to date • Ineffective prediction of trends and poor forecasting • Breaches of security of network and data • Obsolescence of technology • Lack of network resilience 	<ul style="list-style-type: none"> • Unfulfilled promises to the electorate • Ineffective PR / Media strategy • Association with unsuitable organisations • Poor standards of service • Failures in corporate social responsibility
FINANCIAL <i>Risks that relate to losing monetary resources or systems of financial planning and control</i>	PEOPLE <i>Risks associated with employees and the management structure</i>
<ul style="list-style-type: none"> • Occurrence of fraud • Unreliable accounting records • Failure to prioritise, allocate appropriate budgets and monitor / report • Failed resource bids • Sustainability of time limited funding 	<ul style="list-style-type: none"> • Over-reliance on key officers • Inefficient/ineffective management processes • Failure to recruit/retain qualified staff • Lack of investment in training • Poor absence management
REGULATORY / LEGAL / STATUTORY <i>Risks related to the legal and regulatory environment</i>	PHYSICAL <i>Related to fire, security, accident prevention and health & safety</i>
<ul style="list-style-type: none"> • Compliance failures (e.g. procurement, LA 21) • Inadequate response to/failure to prepare for/ implement legislative change • Intervention by Regulatory Bodies and Inspectorates • Failure to meet targets agreed with / imposed by Central Government (e.g. Equality & Diversity standard) • Breaches of contract, failures in duty of care, 	<ul style="list-style-type: none"> • Loss of intangible assets • Failures in health & safety management • Loss of physical assets

4.0 THE RISK MANAGEMENT PROCESS

4.1. Risk Identification

4.1.1 Corporate

The Executive Team will undertake an annual exercise to identify the key risks to achievement of the Council's corporate goals in the forthcoming planning period (the Corporate Risks).

At least quarterly Executive Team will receive reports from individual Chief Officers concerning the significant new risks for their departments. The Team will discuss their potential corporate significance and consider them for inclusion in the corporate risk register.

4.1.2 Departmental

Individual departmental management teams will conduct an annual review of the key risks to achieving their departmental objectives in the forthcoming planning period. In doing so they will review the risks identified by each division, project and partnership for which they are responsible to identify -

- risks which are common to more than one area (and which cumulatively could be of great significance)
- risks which emanate from a particular area, but which could have a significant impact departmentally and/or corporately

During the course of the year, each management team will also identify new risks of departmental significance. Using its management / performance meetings, it will consider risks brought its attention by individual Heads of Service, project and partnership managers for their potential departmental impact.

4.1.3 Service / Team

Every service area will review on an annual basis the risks to achievement of its particular objectives in the forthcoming planning period. This will be undertaken by the Head of Service, managers and, where appropriate, representatives of service partners.

During the course of the year, each service area will also identify new risks using its management / performance meetings.

4.1.4 Project

Every project will be considered to be the responsibility of a particular department. Prior to the initiation of any project, the project manager (or project sponsor) must confirm what project methodology and governance arrangements will apply. This will form part of the Outline Business Case.

Individual project management arrangements will define the points or intervals at which formal exercises will be undertaken to identify risks to the delivery of the planned project outcomes and how these will be conducted.

4.1.5 Partnerships

For the purposes of this strategy, a 'partnership' is a joint working arrangement - which is not governed by the Partnership Acts - and where the partners:

- are otherwise independent bodies;
- agree to cooperate to achieve common goals and outcomes for the community;
- share accountability, risks, and resources;
- create an organisational structure with agreed processes and programmes

Wirral Council Partnership Governance Framework and Toolkit

Every partnership will be considered to be the responsibility of a particular department. Prior to entering into any partnership agreement, an assessment must be undertaken both of the risks which participation in the partnership presents to the Council and key risks to delivery of the objectives of the partnership itself. This should form part of the initial business case.

The governance arrangements will define the points or intervals during the lifetime of the partnership when exercises will be undertaken to identify the risks to the successful delivery of the partnership objectives and how these will be conducted.

- 4.1.6 Each risk will be allocated a risk 'owner', that is, an individual who is in a position to manage the risk and ensure it is controlled effectively.

4.2. Risk Analysis

- 4.2.1 Each risk identified will initially be examined for its **inherent** level of risk. That is, assuming the absence of any controls. Its significance will be judged in relation to its likelihood and impact.
- 4.2.2 The risk will then be re-evaluated for its **residual** level of risk using the same factors, but taking into account controls and mitigation already in place which affect the likelihood and impact.
- 4.2.3 A 5-point scale (impact x probability) model (Section 8.4) will be used to evaluate risks. Both gross and net risk scores will be in the range of 1 to 25
- 4.2.4 Each risk will be plotted against a Risk Scoring Model. The model defines overall levels of risk of High, Medium and Low. It will show graphically which risks require the most urgent management attention and will also include a line of tolerance. Any risk above that line will be escalated to the next level of management.

4.3. Risk Control

- 4.3.1 Actions will be developed to 'manage down' those risks above the Council's tolerance threshold. The options available will be one or more of the following:

Tolerate. Where our ability to take effective action is limited or where the cost of mitigating the risk outweighs the potential benefit.

Treat. Take action to control the risk to an acceptable level by means of containment actions (before the risk materialises) or contingent actions (once the risk has happened)

Transfer. Pass some aspects of the risk to another party. This can take the form of a conventional insurance transaction or paying a third party to take on risk in another way (for example through out-sourcing services). We acknowledge that business and reputation risk cannot be transferred and that contracting can raise other risks to be managed.

Terminate (Avoid). Where it is feasible we will, by doing things differently, remove certain risks.

- 4.3.2 Most risks can be managed by 'treating' them. Relatively few risks have to be transferred.
- 4.3.3 Proposals to address risks must identify the resources required to deliver the improvements, the individual responsible for their implementation and the key dates(s) involved. They will be incorporated into service and project plans and recorded in the risk register.

4.4. Monitoring and Review

- 4.4.1 Regular reviews will be undertaken to identify new risks and any existing risks that no longer apply. Progress in managing existing risks will be also monitored to ensure that intended actions are achieved.
- 4.4.2 Once a risk has been identified, analysed, prioritised and further control actions agreed, it will be recorded in the relevant risk register. The total risk score will be used to measure performance in managing that risk and will be reviewed by the risk owner. High scoring risks will be subject to more frequent review.

Corporate risks: Reviews will be undertaken by the Executive Team no less than once a quarter.

Departmental risks: Management Teams will carry out reviews of their key departmental risks no less than once a quarter.

Service Risks: Heads of Service will review the key risks to their services no less than once a quarter.

Project Risks: Project Managers will review the risks to individual projects at intervals specified by the project management arrangements.

Partnership Risks: Partnership managers will review the risks arising from partnership working at intervals specified by the partnership governance arrangements.

4.4.3 The relevant risk register will be updated following each review.

4.4.4 The Corporate Risk & Insurance Team will seek opportunities to benchmark with peer authorities, will continually monitor developing best practice in managing risk and suggest improvements to existing processes. It will undertake a formal review of the strategy every year, drawing upon the findings of any external inspections. The revised strategy will be reported to Members and publicised to all Council employees.

4.5. Reporting

4.5.1 Regular reports will be provided to Members and Senior Managers to provide an understanding of the risks faced the organisation and to provide assurance on the management of individual risks and the effectiveness of the strategy as a whole.

4.5.2 Within the **Corporate Performance and Financial Review** the Chief Executive will confirm:

- The principal short-term risks to the delivery of each of the Council's corporate objectives and the main control actions;
- Progress against individual actions required to manage the long term Corporate risks;
- Any new risk issues of potential corporate significance.

4.5.4 Within each **Departmental Plan** Chief Officers will include:

- the key risks faced by the department in the forthcoming planning period, including their risk scores;
- the additional control actions which it intends to implement to address these;
- a statement summarising the arrangements for managing risk within the department.

4.5.5 Progress in managing the risks associated with individual projects will be reported to the relevant project board and at such frequencies determined by with the agreed project governance arrangements.

4.5.6 All reports to Cabinet which require a decision to be taken by Members will include a Relevant Risks section which confirms the main risks and opportunities and the principal controls.

4.5.8 Within the Annual Governance Statement the Director of Finance will report to the Audit & Risk Management Committee the effectiveness of risk management arrangements and areas for improvement. The Director of Finance will also provide an annual report to Audit & Risk Management Committee on the performance indicators for the strategy and any changes to risk management procedures and processes.

5.0 EVALUATING PROGRESS

5.1.1 The Council has a number of measures that will be used to monitor the effectiveness of managing risks

5.2.1. As regards the success of the overall risk management strategy, the following qualitative measurements will be used:

- Outcome of Internal Audit report the Risk Management Framework (Annual)
- Opinion of Chief Internal Auditor in the Annual Governance Statement (Annual)

5.3.1. The Corporate Risk & Insurance Team (through the Director of Finance) will provide an annual report to Audit & Risk Management Committee reporting these indicators and summarising any changes in risk management practice.

6.0 EMBEDDING

6.1.1 The authority will seek to bring about the cultural changes necessary to improve the effective management of risk through:-

- Revising key documents, such as the Constitution and the Statement of Accounts;
- Ensuring that risk management principles are incorporated into all significant plans and strategies, such as the Corporate Plan, Medium Term Financial Plan, Capital programme/strategy and the Best Value Performance Plan;
- Implementing a corporate strategy for service continuity management;
- Creating and revising guidance on managing risk in areas such as procurement and the management of projects and partnerships;
- Including risk management as a standard agenda item for meetings of Executive Team, Departmental Management Teams and Project Boards;
- Including risk management focussed objectives in Key Issues Exchanges for managers;
- Ensuring that explicit information on the risks and opportunities associated with the decisions to be taken by Members are included in committee reports;
- Providing training to those who have responsibilities for managing risk.

7.0 OUTPUTS AND BENEFITS

7.1 Outputs

7.1.1 Risk management is an integral aspect of good management, which should deliver a number of valuable and tangible benefits to the Council and individual managers and assist in the delivery of services in the most effective and efficient manner. It is recognised, however, that some of the benefits will accrue incrementally and only be fully realised after the Council has achieved full implementation and analysed the impact.

7.1.2. Outputs from the risk management process will provide valuable additional information that should assist the Council in attaining effective corporate governance.

7.1.3. Outputs

- Risk Registers – These will provide consistent information on each risk, its significance and the key controls relating to it. A standard risk register template is shown at Appendix 8.2
- Performance Measures – Analysis of qualitative and quantitative measures will enable the Council and stakeholders to understand the effectiveness of the strategy.
- Risk Reports – regular reports on the Council's risks will enable officers and members to have a fuller awareness of those risks and any changes.

7.2. Benefits

7.2.1. The anticipated benefits of the formalised Risk Management process are: -

- A better understanding of risks and exposures faced by the Council.
- Ownership by managers of risks and the systems of control.
- The ability to better understand how the Council's risk profile is changing.
- Improved integration of risk management into systems, projects and contracting and partnership arrangements.
- Efficient and effective integration of recovery and contingency plans within the Council.
- The implementation of a more comprehensive and cost effective control environment.
- Improved communication on risk issues.
- More effective corporate governance arrangements.
- The development of a risk aware culture

8.0 APPENDICES

8.1 RISK MANAGEMENT STRATEGY

MANAGEMENT OF RISK AND OPPORTUNITY

ACTION PLAN

Stage	Target Date
Seek mandate and commitment from Members	October 2011
Establish the project implementation team, develop project plan and governance structure	November 2011
Conduct risk appetite exercise with Cabinet and Executive Team	January 2012
Gap analysis of current framework and processes and maturity evaluation against BS31100	January 2012
Develop a revised risk management framework	January 2012 to April 2012
Benchmark the risk functionality of the Programme Control System against specialist risk systems. Seek authority to procure proprietary risk management information system if necessary	March 2012
Devise improved processes for the identification, evaluation, treatment and review of risk	April 2012
Seek Cabinet approval for revised framework and processes.	June 2012
Develop training programmes for Executive Team, Officers and Members	September 2012
Begin the delivery of training for Officers and Members	October 2012
Introduce revised approach into the corporate governance framework	2012/2013
Introduce revised processes to influence the development of the Corporate Plan	Winter 2012
Introduce revised processes to influence the development of departmental plans	Winter 2012
Align revised risk management and performance management processes	2012/2013
Introduce revised risk management processes into the corporate approach to project management	2012/2013
Evaluate performance of new framework and processes and produce initial annual report to Members.	June 2013

8.2: Risk Register Template

Department / Service Area:							Scores						Completed by and date:				
No.	Date Raised	Date Last Reviewed	Risk Owner	Risk Category	High/ Medium/ Low	Description of Risk	Gross Scores			Net Scores			Existing Controls	Additional Controls	Responsibility	Target Date	Status
							Likelihood	Impact	Total	Likelihood	Impact	Total					
1																	
2																	
3																	
4																	
5																	
6																	

8.3: Impact and Likelihood Scores

Impact

Description	Score	Impact – Financial (Council, department or service area)	Impact - Reputation	Impact – Service Delivery	Impact – Health & Safety (Employees or public)	Impact – Service Objectives
Very Low	1	<2% of annual budget	Letter(s) of complaint.	Minor, very short term (under 24 hours) disruption to a single team or section.	Minor injuries or illnesses, but not resulting in 'lost time'	Minor effect on achievement of a sectional aim
Low	2	<5% but >2% of annual budget	Single adverse report in local media	Some short-term (under 48 hours) disruption to a single team or section, manageable by altered operational routine	Minor injuries or illnesses that require first aid and result in lost time.	Serious effect on achievement of a sectional aim
Medium	3	<10% but >5% of annual budget	Significant adverse publicity in local media	Longer term disruption (up to 7 days) to a number of operational areas within a single location and possible flow on to other locations. Or short-term disruption to a service-critical team or section.	Injuries or illnesses that result in an 'over 3 day' injury, major injury or hospitalisation	Achievement of a sectional aim seriously compromised and / or significant effect on a Departmental aim.
High	4	<15% but >10% of annual budget	Significant adverse publicity in national media. Dissatisfaction with Chief Officer &/or Member	All operational areas of a single location compromised. Other locations may be affected. Or longer-term (up to 7 days) disruption to one or more service critical teams or sections.	Single case of injury or illness that could be fatal, life threatening or cause long-term disability	Achievement of one or more departmental aims compromised and / or significant effect on achievement of Corporate objective
Very High	5	>15% of annual budget	Sustained adverse publicity in national media. Chief Officer &/or Member removal or resignation	Multiple locations compromised. Council unable to execute numerous service-critical functions.	Multiple cases that could be fatal, life threatening or cause long-term disability	Achievement of one or more Corporate objectives seriously compromised

Likelihood

Description	Score	Narrative	Quantitative (chance of occurrence within 3 years)
Very low	1	Extremely unlikely or virtually impossible	0-5%
Low	2	Unlikely, but not impossible	6-20%
Medium	3	Fairly likely to occur	21-50%
High	4	More likely to occur than not	51-80%
Very High	5	Very likely to occur	>80%

8.4: Risk Scoring Model

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Impact →

	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Very High (5)	<div>5</div> <div>Very low impact but very high likelihood</div>	<div>10</div> <div>Low impact but very high likelihood</div>	<div>15</div> <div>Medium impact but very high likelihood</div>	<div>20</div> <div>High impact and very high likelihood</div>	<div>25</div> <div>Very high impact and very high likelihood</div>
High (4)	<div>4</div> <div>Very low impact but high likelihood</div>	<div>8</div> <div>Low impact but high likelihood</div>	<div>12</div> <div>Medium impact but high likelihood</div>	<div>16</div> <div>High impact and high likelihood</div>	<div>20</div> <div>Very high impact and high likelihood</div>
Medium (3)	<div>3</div> <div>Very low impact and medium likelihood</div>	<div>6</div> <div>Low impact and medium likelihood</div>	<div>9</div> <div>Medium impact and medium likelihood</div>	<div>12</div> <div>High impact but medium likelihood</div>	<div>15</div> <div>Very high impact and medium likelihood</div>
Low (2)	<div>2</div> <div>Very low impact and low likelihood</div>	<div>4</div> <div>Low impact and low likelihood</div>	<div>6</div> <div>Medium impact and low likelihood</div>	<div>8</div> <div>High impact but low likelihood</div>	<div>10</div> <div>Very high impact but low likelihood</div>
Very Low (1)	<div>1</div> <div>Very low impact and very low likelihood</div>	<div>2</div> <div>Low impact and very low likelihood</div>	<div>3</div> <div>Medium impact and very low likelihood</div>	<div>4</div> <div>High impact but very low likelihood</div>	<div>5</div> <div>Very high impact but very low likelihood</div>

8.5: Priority and Action Table

Risk Colour	Risk Level	Descriptor	Action Required
Green	Low	Minor risks that are well controlled and/or which have a modest impact.	Additional control actions are unlikely to be needed. But the risk needs to be kept under periodic review.
Amber	Medium	Important risks that may potentially affect the achievement of departmental or corporate objectives and/or the delivery of key services	Consider additional control actions in the medium term. For risks with a high or very high impact, a contingency plan may be necessary
Red	High	Critical risks which are likely to significantly affect the achievement of departmental or corporate objectives and/or the delivery of key services.	Immediate action should be taken to address the risk

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

29 NOVEMBER 2011

SUBJECT	CORPORATE RISK REGISTER
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR STEVE FOULKES
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

- 1.1 This report summarises the process followed in undertaking the recent review of the Corporate Risk Register. The updated draft Register agreed by the Cabinet on 13 October 2011 is appended.

2.0 RECOMMENDATION

- 2.1 That the report be noted.

3.0 REASON FOR RECOMMENDATION

- 3.1 Approval of the risks and the monitoring process enables officers to focus resources on the most significant threats facing the organisation. The management and monitoring of the risks is key to the delivery of the aims of the Council as set out in the Corporate Plan.

4.0 BACKGROUND AND KEY ISSUES

Corporate Risk Register

- 4.1. The Register is a key element of the Risk Management Strategy. It summarises those areas of uncertainty which have greatest potential to prevent or frustrate delivery of the Corporate Plan and how the Authority is seeking to tackle them. In turn those actions influence the content of Departmental Service Plans and the allocation of resources. In that way they are closely aligned with the corporate planning process and so success in managing these risks is a key factor in overall performance.
- 4.2 The Register was approved by Cabinet on 13 October 2011. It will be reviewed each quarter and progress in managing the risks will be reported to Cabinet through the Risk Monitoring Summary which forms part of the quarterly Corporate Performance and Financial Review reports

- 4.3 Recently indicators have been developed for some of the risks which allow greater insight as to whether the action being taken to manage them is having a positive impact. These are also included in the Risk Monitoring Summary.

The Review Process

- 4.4 Although the broad goals within the Corporate Plan 2011 – 2014 are similar to the previous Plan there have been changes in the relative importance of certain elements. In addition there have been, and continue to be, significant changes both within the Council and in the external environment. The review sought to take account of these changes.
- 4.5 The review was undertaken through a series of structured sessions with the Executive Team. Firstly the key internal and external factors underpinning delivery of the Corporate Plan were identified which included community engagement, agility of the workforce, government policy and dependencies on other stakeholders. The Executive Team then considered the main influences on those factors at present, and in the future, including changes in service delivery models, the level of public expectation and the health of the economy. This led to the identification of a number of potentially serious risk scenarios.
- 4.6 Draft descriptions of the nature of the uncertainties and the threats which they posed were composed and refined by the Executive Team so that they more accurately reflected the issues. A Lead Officer for each risk was identified and the existing, and further, controls in managing the risks were reviewed and the draft Risk Register at Appendix 1 was agreed by the Executive Team.

Next Steps

- 4.7 The next stage will be to assess the risks and score them in accordance with the matrix within the Risk Management Strategy which has been reproduced at Appendix 2.
- 4.8 As part of the arrangements for the governance, delivery and monitoring of the Corporate Plan the Executive Team regularly review the effectiveness of the existing controls, the progress in implementing additional actions and consider any new risks of potential corporate significance. These reviews will continue to inform the Risk Monitoring element of the Corporate Performance and Financial Reviews reported to Cabinet.
- 4.9 The Risk Management Strategy report elsewhere on this agenda includes a plan for reviewing the overall approach to risk and uncertainty. This would encompass all risk management processes including that for determining the most significant threats and opportunities facing the organisation.

5.0 RELEVANT RISKS

- 5.1 The issues contained in Appendix 1 are considered by the Executive Team to present the most significant risks to achievement of the goals contained in the Corporate Plan. If they are not managed effectively there could be severe implications for delivery of the Plan and the Executive Team has identified the existing, as well as further, controls to mitigate the impact.

6.0 OTHER OPTIONS CONSIDERED

- 6.1. There were none considered in respect of this report.

7.0 CONSULTATION

- 7.1 The Risk Register has been considered by the Executive Team.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are no implications arising directly from this report.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 9.1 Whilst there are no direct implications the effective management of the risks will help avoid losses with a financial impact, impact upon assets and injury to staff.

10.0 LEGAL IMPLICATIONS

- 10.1 There are no implications arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

- 11.1 There are no equalities implications arising directly from this report.

12.0 CARBON REDUCTION IMPLICATIONS

- 12.1 There are no carbon usage implications arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 13.1 There are no direct planning implications. The effective management of the corporate risks will help assist with maintaining public safety.

FNCE/260/11

REPORT AUTHOR:	Mike Lane
(Designation)	Risk & Insurance Officer
telephone:	(0151) 666 3413
email:	mikelane@wirral.gov.uk

APPENDICES

Appendix 1 - Draft Corporate Risk Register.

Appendix 2 - Risk Scoring Model

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet	13 October 2011
Cabinet	3 September 2009
Cabinet	10 December 2008
Cabinet	13 March 2008

Draft Risk Description	Lead Officer	Existing Key Controls	Further Control Actions Planned
If we do not manage health and safety effectively then death or serious injury could result to service users, employees or members of the public	Chief Executive Jim Wilkie	<ul style="list-style-type: none"> • Register of corporate H&S risks • Corporate and departmental H&S policy specifies roles / responsibilities • Legislative Compliance Audit programme of all Council premises • Programme of auditing H&S management systems • Delivery of essential emergency training for fire and first aid • Investigation of all significant accidents & incidents by H&S Officers • Training delivered for significant hazardous work activities • Health surveillance arrangements implemented for occupational health risks 	<ul style="list-style-type: none"> • Deliver Institute Of Safety and Health (IOSH) Managing Safely training to all Managers and Supervisors below Head of Service • Review and develop H&S arrangements • Continuing audits of H&S arrangements • Implement health surveillance arrangements for occupational health risks re hearing loss and HAV/CT
If safeguarding arrangements are inadequate children might be exposed to greater risk of abuse or exploitation.	Acting Director of Children's Services David Armstrong	<ul style="list-style-type: none"> • Local Safeguarding Children Board monitors serious case review action plans • Weekly performance monitoring of changes to contact and referral taking in CADT • VCI reporting to the Chief Executive • Lead Member Briefing following each LSCB • National Notification of Serious Child Care Incidents to OFSTED • Continuing programme for disseminating learning from serious child care incidents • Child Death Overview Panels • Continuing review of S118 IRO applications 	<ul style="list-style-type: none"> • Implement revised 'Working Together to Safeguard Children • Comprehensive review of services / outcomes for children (on a multi agency basis) to be initiated following the Governments response to Professor Munro's review of Child Protection services; leading to implementation proposals • Recruit to outstanding vacant social work posts

Draft Risk Description	Lead Officer	Existing Key Controls	Further Control Actions Planned
If safeguarding arrangements are inadequate vulnerable adults could be exposed to greater risk of abuse or exploitation.	Interim Director of Adult Social Services Howard Cooper	<ul style="list-style-type: none"> • Whole system review of safeguarding completed & recommendations have been implemented including revised safeguarding procedures • Training rolled out across agencies • Regular monitoring reports to DASS strategic leadership team, project board and safeguarding adults partnership board • Self assessment undertaken as part of service inspection • Weekly monitoring of performance with key social work team members • Safeguarding is a core project in the Corporate Plan • Wirral Adult Safeguarding Board and Wirral Local Safeguarding Children's Board jointly administered • Safeguarding Social Worker located in CADT to better deal with potential safeguarding alerts 	<ul style="list-style-type: none"> • Continue to implement recommendations from DASS Improvement Plan • Joint Head of Safeguarding (CYPD and DASS) post to be established • Additional safeguarding posts created and to be filled following a restructure
Not having plans in place could compromise delivery of essential services in the event of a major public emergency	Director of Technical Services David Green	<ul style="list-style-type: none"> • Dedicated team provides support and guidance • IT disaster recovery planning audit • External suppliers identified and position statement complied as to their arrangements • Awareness sessions delivered • Exercises conducted to test efficiency of plans • Departmental business continuity plans finalised • Wirral Business Continuity Plan finalised • Wirral Flood and Water Management Partnership formed • Review of winter maintenance arrangements conducted. 	<ul style="list-style-type: none"> • Ensure external agencies have cohesive continuity arrangements • Conduct exercise to test the efficiency of critical service area business continuity plans

Draft Risk Description	Lead Officer	Existing Key Controls	Further Control Actions Planned
If the Council does not maintain the trust and confidence of citizens in the conduct of its duties this could result in significant damage to the authority's reputation and undermine the level of engagement with residents.	Head of Communications and Community Engagement Emma Degg	<ul style="list-style-type: none"> • Consultation and engagement activities 	
A serious failure in corporate governance could result in breaches of legislation and/or significant damage to the authority's reputation.	Chief Executive Jim Wilkie	<ul style="list-style-type: none"> • Constitution regularly reviewed, reported to Members and officers • Risk-based internal audit programme • Annual Governance Statement produced • Corporate Governance Monitoring Group • Code of Corporate Governance adopted • CIPFA/SOLACE 'Delivering Good Governance' Framework • Training programme for Members • Standards and Audit & Risk Management Committees • ICT Security policy and role of FoI officer • Individual strategies reviewed 	<ul style="list-style-type: none"> • Cabinet Committee to be established September 2011 • Action plan to be developed from October 2011
If the Strategic Change Programme does not deliver its expected outcomes it would place pressure on the Budget	Director of Technical Services David Green	<ul style="list-style-type: none"> • Strategic Change Programme Office established under the Lead Chief Officer • Programme management control system implemented • Gateway framework adopted • All SCP projects have a risk register • Reporting of progress is embedded into the Corporate Performance Management Framework 	<ul style="list-style-type: none"> • Embed programme control management system with project managers • Establish effective communication programme • Review risk management arrangements for critical projects • Agree programme risk register

Draft Risk Description	Lead Officer	Existing Key Controls	Further Control Actions Planned
If we do not use the available resources to meet the priorities set out in the Corporate Plan the services we provide might not be appropriate	Director of Finance / Deputy Chief Executive Ian Coleman	<ul style="list-style-type: none"> • Medium Term Financial Capital HR and IT strategies linked and reflect priorities in Corporate Plan. • Strong links between service & financial plans. • Investment is based on business cases for projects. • Effective financial management by planning, monitoring and reporting • Programme of financial management training. • Impacts of the economic downturn identified and appropriate responses developed • Budget resolution links directly to corporate priorities 	<ul style="list-style-type: none"> • Review the effectiveness and appropriateness of the strategies
Insufficient growth in the borough's economy could make it difficult for the Council to deliver its vision of a more prosperous and equal Wirral.	Interim Director of Corporate Services Kevin Adderley (will pass to Director of Regeneration, Housing and Planning)	<ul style="list-style-type: none"> • Investment Strategy Board established to lead and direct implementation of Investment Strategy • Wirral Business Forum set up by Invest Wirral • Performance Management arrangements for Corporate Plan • Corporate Investment Group in place 	<ul style="list-style-type: none"> • Support inward and indigenous investment through a programme of support delivered by Invest Wirral Team • Explore opportunities for working internationally, supporting businesses to access opportunities as appropriate • Support for economic regeneration schemes by the Regeneration and Investment Teams to create greater prosperity for Wirral
If we do not engage sufficiently with the workforce it could lead to de-motivation, a negative culture and a focus on short term rather than long term considerations.	Head of HR & Organisational Development Chris Hyams	<ul style="list-style-type: none"> • Staff communications including One Council, One Brief and team Briefing • Chief Executive Roadshows • Key Issue Exchanges 	

Draft Risk Description	Lead Officer	Existing Key Controls	Further Control Actions Planned
If do not have the right people with the right skills in the right posts it will be difficult to deliver the corporate priorities.	Head of HR & Organisational Development Chris Hyams	<ul style="list-style-type: none"> • People Strategy implemented • Recruitment processes reviewed and action plan implemented • Partial implementation of Job Evaluation • Working to implement skills audit • Robust capability and disciplinary policies • Priorities in Corporate Plan communicated to staff. • Corporate KIE process • Partnership working to support Apprenticeships initiatives • Chief Executive Roadshows and specialist events • Corporate 'Investors in People' status attained • Corporate leadership development programme 	<ul style="list-style-type: none"> • Develop online application tool linked to national electronic recruitment portals • Continue development and review effectiveness of Skills Audit • Continue development of approach to workforce planning/talent management • Continue Elected Member Development programme and review effectiveness • Continue corporate leadership development programme and review effectiveness • Conclude Local Pay Review
If we do not learn about changes to the legislative and policy environment it could impede our ability to understand and respond to them.	Director of Law, HR & Asset Management Bill Norman	<ul style="list-style-type: none"> • Membership of professional bodies and collective groups eg Directors of Social Services • Membership of organisations which represent the sector eg SIGOMA • Working regionally and with partners 	

Draft Risk Description	Lead Officer	Existing Key Controls	Further Control Actions Planned
<p>If we do not ensure that the policies and practices being introduced by the Council reflect a through understanding of the wants and needs of our citizens and businesses the services we provide might not be appropriate</p>	<p>Head of Communications and Community Engagement Emma Degg</p>	<ul style="list-style-type: none"> • Needs analyses and evidence bases inc. policy / legislative changes used to inform corporate / business planning • Budget / priority setting process fully engages Elected Members with approval by full Council • Infrastructure for co-ordinating strategic service planning inc. CIG • Understanding needs through community engagement (e.g. Area Forums, Place Survey, Older & Young People's etc..) • Equality considerations are accounted for through equality impact assessments • Single Equality Scheme sets out statutory requirements and duties relating to Wirral's diverse communities • Joint Strategic Needs Assessment (JSNA) 	<ul style="list-style-type: none"> • Continue to improve corporate service planning process • Review proposals for the Comprehensive Engagement Strategy • Drive forward further improvement in understanding and responding to community needs • Implement Customer Access Strategy
<p>In an era of increasingly scarce resources, if the Council does not collaborate effectively with partners we may not make the best use of the collective resource available to meet citizens' needs.</p>	<p>Chief Executive Jim Wilkie</p>	<ul style="list-style-type: none"> • Needs analyses and evidence bases inform the partnership's priority setting and key plans and strategies • Action-led delivery plans for partnership priorities • Strong strategic leadership for the partnership (Executive Board) • Council is the accountable body for Wirral's LSP. Supported by senior management inc. joint posts such as the Joint Director of Public Health • Partnership toolkit and register developed to support governance 	<ul style="list-style-type: none"> • Periodic checks to ensure partnerships comply with Wirral's governance arrangements • Refresh of Partnership Register and governance arrangements • Develop a performance management framework for the Sustainable Community Strategy • Comprehensive review of all economic policy in response to the recession, in line with statutory Local Economic Assessment duty • Ensure that partners share operational intelligence and co-ordinate activities in response to recession

Draft Risk Description	Lead Officer	Existing Key Controls	Further Control Actions Planned
Business failure from a supplier to the Council, including major private sector suppliers and the voluntary, community and faith sector providers, leading to interruption of service	Chief Executive Jim Wilkie	<ul style="list-style-type: none"> • External suppliers identified and position statement complied as to their arrangements • Procurement Strategy and the agreed procurement process • Contract and performance management arrangements • Linkages to Business Continuity 	<ul style="list-style-type: none"> • See linkages to Business Continuity above

Impact



	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Very High (5)	5 Very low impact but very high likelihood	10 Low impact but very high likelihood	15 Medium impact but very high likelihood	20 High impact and very high likelihood	25 Very high impact and very high likelihood
High (4)	4 Very low impact but high likelihood	8 Low impact but high likelihood	12 Medium impact but high likelihood	16 High impact and high likelihood	20 Very high impact and high likelihood
Medium (3)	3 Very low impact and medium likelihood	6 Low impact and medium likelihood	9 Medium impact and medium likelihood	12 High impact but medium likelihood	15 Very high impact and medium likelihood
Low (2)	2 Very low impact and low likelihood	4 Low impact and low likelihood	6 Medium impact and low likelihood	8 High impact but low likelihood	10 Very high impact but low likelihood
Very Low (1)	1 Very low impact and very low likelihood	2 Low impact and very low likelihood	3 Medium impact and very low likelihood	4 High impact but very low likelihood	5 Very high impact but very low likelihood

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

29 NOVEMBER 2011

SUBJECT	CORPORATE RISK AND INSURANCE MANAGEMENT
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR STEVE FOULKES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report details progress made against the objectives for corporate risk and insurance management and the anticipated developments in the coming months.

2.0 RECOMMENDATION

- 2.1 That the Corporate Risk and Insurance Management report be noted.

3.0 REASON FOR RECOMMENDATION

- 3.1 Regular update reports are presented to this Committee on the work around Risk and Insurance which seek to support the Risk Management Strategy and maintain the successful management of the Insurance Fund.

4.0 BACKGROUND AND KEY ISSUES

Insurance Management progress

- 4.1 The Risk and Insurance Team continues to be involved in the civil law reform process (the Lord Justice Jackson review of civil litigation). At the invitation of the Civil Justice Council one of my officers, representing the views of self insured local authorities, recently attended a high level roundtable meeting with leading industry practitioners to discuss the proposed revisions to the Civil Procedure Rules. Wirral Council continues to be considered a key voice in the national debate around the reform process.
- 4.2 The liability claims statistics for the quarter ending 30 September 2011 were compiled and analysed. Public liability claim numbers continue to show a steady increase. This increase has been predicted and accounted for within the Insurance Fund modelling. Committee is advised that repudiation rates continue at high levels with over 85% of highway claims having a sound defence.

- 4.3 Technically challenging work has continued on large liability losses / historic abuse / mesothelioma and other industrial disease claims. Vibration related claims continue to be received at historically high rates, as do claims for industrial deafness / noise induced hearing loss with some claims going back over 40 years.
- 4.4 Further meetings were held with the insurance brokers JLT Public Sector Risks to progress the service plan for 2011/12. The Marine Insurance policy was renewed on 30 September 2011. Zurich Municipal was asked to provide indicative terms for the renewal of the Motor Fleet and Engineering Insurance contracts. Initial Long Term Agreements for these policies expire on 31 March 2012. However the Council has an option to extend these agreements for a further two years and, as the company has proposed maintaining its existing terms for Engineering and reducing its terms for Motor, the two year extension is being taken up.
- 4.5 Seven schools which have Academy status or are in the process of converting have now taken out Service Level Agreements with the Risk & Insurance Team for professional advice and support in relation to insurance. Academies cannot be covered by the Council policy so have to obtain their own insurance and this support package has been appreciated with Academies entering into Agreements providing income to the Insurance Fund.
- 4.6 The Insurance Fund Budgets for 2012/03 have been prepared and reported to Cabinet on 24 November 2011. In overall terms costs are expected to be lower than for 2011/12 but with the premia being allocated upon historic claims data this has resulted in increased charge to General Fund services and a reduced charge Schools. It has been recommended to Cabinet that this increase for 2012/13 could be mitigated through the use of the Insurance Fund Budget Surplus Reserve.

Risk Management Progress

- 4.7 On 13 October 2011 Cabinet considered and approved a revised list of Corporate Risks as reported elsewhere on this agenda. The controls required to manage the Corporate Risks are informing the development of the Corporate Plan for 2012/13.
- 4.8 On 13 October 2011 Cabinet considered a report, which is also included on this agenda, on the Risk Management Strategy and the Management of Risk and Opportunity. It was agreed to undertake a review the Council framework and processes for managing risk and uncertainty.
- 4.9 The Risk & Insurance Team has held an initial meeting with the Deputy Director of Finance to ensure that the risk review is supportive and consistent with any proposed improvements in the corporate governance arrangements.
- 4.10 The Risk & Insurance Officer made a presentation to the extended Department of Regeneration, Housing and Planning Management Team on their role in the current Risk Management Strategy and the review which is being undertaken.

Insurance Management – Issues for Next Period

- 4.11 The Team will continue work in connection with the process of reform to civil litigation costs referred to in section 4.1. This coming period will include one of my officers making a presentation at a national legal conference.
- 4.12 Liability claims statistics for the third quarter of 2011/12 will be compiled.
- 4.13 Work will begin on collating information required by insurers to provide terms for the Liabilities, Computer and Foster Care policies which are due for renewal on 1 April 2012.
- 4.14 The work with the Academy Schools will continue with an individual package of cover put in place for Weatherhead High School which is expected to convert to Academy status on 1 January 2012.
- 4.15 In completing the Insurance Fund Budget for 2012/13 the insurance charges for individual schools for the 2012/13 financial year will be calculated.

Risk Management – Issues for Next Period

- 4.16 To initiate the review of the risk framework and processes referred to in section 4.10 the existing Risk Management Strategy will be evaluated against the British Standard to produce a gap analysis and action plan.
- 4.17 To support the management of risk and the capture and analysis of risk information an evaluation will be undertaken of the functionality of the programme management system recently acquired by the Director of Technical Services to support the Change Programme.
- 4.18 Updated guidance will be given to departments to support them in identifying and analysing the principal risks to the delivery of their objectives for 2012/13. Departments will include the register of these key risks in their Service Plans which will also highlight any additional controls for the management of the identified corporate risks which they will seek to implement in 2012/13.

5.0 RELEVANT RISKS

- 5.1 No decisions are required in relation to this report. As such there are no risks or opportunities to report.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 These are not applicable in respect of this monitoring report.

7.0 CONSULTATION

- 7.1 No specific consultation has been undertaken with regard to this report.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 Guidance for voluntary groups assists them in understanding whether they need to procure liability insurance in their own name.

9.0 RESOURCE IMPLICATIONS

- 9.1 The Academy Schools initiative undertaken by the Risk & Insurance Team has the potential to generate income to offset insurance administration costs.
- 9.2 There are no staffing implications arising directly from this report.

10.0 LEGAL IMPLICATIONS

- 10.1 There are none arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

- 11.1 There are none arising directly from this report.

12.0 CARBON REDUCTION IMPLICATIONS

- 12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 13.1 There are none arising directly from this report.

FNCE/263/11

REPORT AUTHOR: Mike Lane
Risk & Insurance Officer
telephone: 0151 666 3413
email: mikelane@wirral.gov.uk

REFERENCE MATERIAL / SUBJECT HISTORY

Council Meeting	Date
A corporate risk and insurance management report is presented to each meeting of the Audit and Risk Management Committee	

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

29 NOVEMBER 2011

SUBJECT:	SINGLE FRAUD INVESTIGATION SERVICE
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR STEPHEN FOULKES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 Currently benefits fraud prevention and detection is undertaken by Local Authorities for Housing & Council Tax Benefits along with the Department for Work and Pensions (DWP) and HMRC. This report details the current situation, the Department for Work and Pensions proposals to better harmonise this work from 2013 and recommends that Wirral supports the favoured DWP option of retaining the Council Fraud staff working directly in the Council but adhering to the Single Fraud Investigation Service proposed powers, policies, processes and priorities. Cabinet on 13 October 2011 agreed this recommendation.

2.0 RECOMMENDATION

- 2.1. That Members support the option that will see Local Authority staff remain employed by each Local Authority and operate under the Single Fraud Investigation Service powers, policies, processes and priorities.

3.0 REASON FOR RECOMMENDATION

- 3.1 To make Members aware of the proposed changes, the options available and the reasons for the favoured alternative as being the best for local benefits fraud work and for overall efficiency in supporting corporate anti fraud work.

4.0 BACKGROUND AND KEY ISSUES

- 4.1 At Wirral, Housing Benefits & Council Tax Benefits Fraud is undertaken by a team of investigators based in the Benefits Section with their focus on local Housing and Council Tax Benefit frauds. They work closely with colleagues in the Department for Work and Pensions given the many linkages in benefits paid and the crossover of fraudulent activity. They also work with national fraud and investigation agencies including the Police and the National Anti Fraud Network Initiative. The latter links many bodies together to allow improved and co-ordinated anti fraud work. Reports of the fraud work are presented to the Council Excellence Overview and Scrutiny Committee as part of the regular report on Revenues Benefits and Income.

- 4.2. The Government strategy for tackling welfare fraud and error was published in October 2010 and sets out a commitment to create a Single Fraud Investigation Service (SFIS) to investigate Benefit and Tax Credit fraud. This commitment was to be achieved by bringing together investigation staff from Local Authorities (LA), Department for Work and Pensions (DWP) and Her Majesties Revenues and Customs (HMRC). Since October 2010 the DWP has engaged with LA representatives along with Benefit and Tax Credit fraud practitioners to understand the challenges involved with designing a single service. The recent DWP led engagement exercise and its responses will inform further work and the DWP will continue to consult on proposals once they are more fully formed.
- 4.3. A key concern and driver from LAs has been the need for a clear direction regarding the creation of SFIS by autumn 2011 to inform the financial and planning rounds along with the clear staffing issues and ongoing operational fraud work requirements that local authorities have. The proposals have had to take account of the wider LA fraud strategy being developed in conjunction with the Department for Communities and Local Government (DCLG) and the National Fraud Authority, and LA capacity to deal with other fraud.
- 4.4. This is also linked to the Government announcement that it will localise support for Council Tax from April 2013 (Council Tax Rebate). In August 2011 DCLG published its consultation, Localising Support for Council Tax in England, which set out proposals on key elements of a framework for local support for Council Tax, and is seeking views on all aspects of the proposed approach, including the investigation of fraud. The Wirral response was agreed by Cabinet on 22 September 2011.
- 4.4. The current fraud investigation arrangements mirror the existing split in welfare provision with local authority investigators covering Housing and Council Tax Benefits fraud, DWP investigators covering DWP administered benefits and HMRC responsible for investigating Tax Credits fraud. The split between DWP and local authorities has largely been in place for 30 years and specialisms and experience in dealing with specific types of fraud have developed. While this has resulted in some variations in policy, practice and operational responsiveness local authorities liaise and work closely with the DWP.
- 4.5. Due to the overlap in the customer base across these benefits and credits, fraud affecting one benefit or credit can also affect those administered by the other parties. This can then require duplication of investigation resources in order to tackle all such frauds simultaneously.
- 4.6. Measures in the Welfare Reform Bill represent significant changes to the welfare system. The proposed creation of a Universal Credit to combine and replace several benefits and credits for people of working age has provided the opportunity to look at welfare benefit fraud investigation and how to address inefficiencies in the current arrangements.

- 4.7 The proposal is that in tandem with Universal Credit starting in 2013 the Government plans to introduce a new Single Fraud Investigation Service for all welfare fraud to maximise efficiency and consistency. The proposal takes into account the gradual shift to Universal Credit through to 2017 although a clearer understanding of the service is expected to be available by 2015.
- 4.8. The DWP has worked with key stakeholders over the last few months in the Security Operation Group and the Joint Local Authority Association and DWP Fraud and Error Steering Group, as well as engaging directly with LA benefit fraud investigation through conferences in England, Scotland and Wales. Having listened to the representations and concerns from Local Authorities and other stakeholders with regard to SFIS and in developing the options the DWP has sought to recognise and address those concerns.
- 4.9. DWP has identified four options for LA staff joining SFIS. The first two relate to LA staff remaining LA employees, while the second two relate to LA staff becoming employees of DWP.

Option 1. LA staff remain employed by LAs, but operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under a procedural change. By leaving employment and location unchanged this option would allow LAs the flexibility to redeploy resources to meet other LA priorities if required.

Option 2. LA staff remain employed by LAs and remain situated in LAs but are seconded to the DWP. This option means all LA investigation staff are under formal secondment to DWP and operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under both management and procedural changes. This option would allow LAs a limited degree of flexibility to recall and redeploy resources to meet other LA priorities, under the terms of a secondment agreement.

Option 3. LA staff become DWP employees but deliver investigation locally from LA offices. This option means all LA investigation staff become DWP employees and operate under SFIS powers, policies, processes and priorities but do not move physically. This brings LA investigation staff into SFIS under both management and procedural changes.

Option 4. LA staff become part of the DWP working within DWP offices as DWP employees and operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under both management and procedural changes.

- 4.10 The key factors taken in to account are summarised below for each alternative:

Option 1: LA staff remain employed by LAs, operating under SFIS powers, policies, processes and priorities.

All LA investigators are employed exclusively on benefit fraud and remain LA employees based in LA offices operating under SFIS powers, policies, processes and priorities. Under the Welfare Reform Bill SFIS investigators will have wider investigative powers. The investigation and prosecution policy will be the same for all welfare benefit fraud and SFIS operational processes will be agreed by 2013. This option brings LA investigation staff into SFIS under a procedural change. By leaving employment and location unchanged this option allows LAs flexibility to redeploy resource to meet LA priorities.

Legality – This utilises existing powers for investigation but work needs to be done on the Tax Credit element (HMRC) of investigations.

Cost / Financial implication – initial estimates are that costs would be lower but financial implications need to be fully evaluated after responses are considered alongside other changes made in local government finance

Viability – this option is achievable by 2013 as the status quo remains in place until firmer decisions regarding Universal Credit are taken. It works in line with the localism agenda, supporting flexibility for LAs to deal with Council Tax and other LA fraud, and allows local knowledge to remain in the hands of the investigators.

People Impact – terms and conditions, locations and skills remain static at least until the organisation of Universal Credit is decided.

A key consideration for LAs, over and above the stability gained by maintaining the status quo, is that LAs retain the qualified staff that will be able to investigate Tax Credit fraud once the SFIS powers are implemented and there should also be flexibility to redeploy resources to other LA priorities.

Option 2: LA staff remain in LA estate employed by LA and are formally seconded to SFIS.

This option means all LA investigators employed full time on housing benefit fraud remain LA employees based in LA offices under a formal secondment to the DWP and operate under SFIS powers, policies, processes and priorities. This brings LA investigation staff into SFIS under both management and procedural changes. This option should allow LAs a degree of flexibility to recall and redeploy resource to meet other LA priorities, under the terms of the secondment agreement.

Legality – This utilises seconded staff who take on the same powers as current DWP staff. DWP staff have existing powers for investigation which have been enhanced to cover HMRC Tax Credit investigations as part of the Welfare Reform Bill.

Cost / Financial Risk – costs would need to be fully evaluated after responses are considered alongside other changes being made in local government finance.

Viability – Secondment arrangements may be difficult to implement and sustain over long periods.

People Impact – staff remain with the same employer but work to DWP policies and procedures. This has the capacity to cause tensions within the workplace and further long term secondments may be difficult to maintain and may not offer staff security.

Fraud & Error Strategic Fit – although this fits with the fraud and error strategy, it only does so with potentially time limited secondment arrangements.

Other key things to consider for this option are: It enables central control of operations and outputs but allows the delivery of a local investigation service.

Key considerations for LAs are that the management and measurement of work and outputs, and of staff handling and responsibility would need to be agreed and implemented. It would not necessarily be as easy for SFIS staff in LA bases to investigate other LA fraud as staff have been seconded to DWP, although there is the flexibility for LAs to recall and redeploy staff to other LA duties under the terms of a secondment agreement.

The other considerations that Options 1 and 2 bring for the Authority are that if fraud work decreases then the Authority could face any consequential redeployment or redundancy issues which under a transfer to DWP would fall to the DWP to resolve. Under both of these options I would not expect the Authority to undertake prosecution of Benefits Fraud as the Council would utilise regional DWP Solicitors for all court actions.

Option 3: LA staff become DWP employees but deliver investigation locally from the LA Offices.

This option supports investigations to be directed by the SFIS powers, policies, processes and priorities. It also has the advantage of allowing LA investigators employed full time on housing benefit fraud to remain in their existing bases and link more closely with other parts of the local authority to combat other fraud but as DWP employees.

Legality –brings all staff together as DWP employees. DWP has existing powers for investigation which will be enhanced to cover Tax Credit investigations as part of the Welfare Reform Bill.

Cost / Financial Risk –costs need to be fully evaluated after responses are considered alongside other changes being made in local government finance.

Viability – the work required by DWP to transfer LA staff to DWP is challenging and DWP concedes it may not be achievable by 2013.

People Impact – These changes will lead to a great deal of uncertainty, with work required to align salaries, allowances and management activity.

Fraud & Error Strategic Fit – it mirrors the requirements of the strategy and allows a single management structure with common IT and investigation processes. However as LA and other SFIS teams are not co-located there is the risk of a loss of efficiency.

Key considerations for LA include the potential cost of continued office hosting and the loss of trained LA staff to the DWP no longer easily able to consider other LA fraud.

Option 4: LA staff become part of the DWP working within DWP offices as DWP employees.

This option aligns people, processes, IT systems and office bases. It can enable flexibility and prioritisation by type of fraud, geographical location and areas of greatest loss.

Legality – This option has all staff co-located together as DWP employees. DWP has existing powers for investigation which will be enhanced to cover Tax Credit investigations as part of the Welfare Reform Bill.

Cost / Financial Risk –costs would need to be fully evaluated after responses are considered alongside other changes being made in local government finance.

Viability – This option is unlikely to meet delivery of SFIS by 2013, owing to the HR and office estate work that would be required.

People Impact – Salaries, pensions, local allowances, vehicles, equipment and moving location will all be a considerable source of concern and uncertainty for the staff involved along with additional cost.

Fraud & Error Strategic Fit – This does mirror the requirements of the strategy and allows a single management structure with common IT and investigation processes.

Other key things to consider are: that it provides swift resolution and offers a degree of certainty of joining SFIS for investigation staff. There would be issues around the accountabilities for Section 151 officers and the option is not flexible enough to respond to the changing environment. From a DWP viewpoint this is the costliest and riskiest option.

Key considerations for LAs are the risks around Section 151 officer responsibilities, the loss of key trained staff, the impact on the localism agenda and the consideration of other LA fraud investigation

- 4.11 Options 3 and 4 highlight that the DWP sees these as high risk or unachievable options in the available timescale. This is starkly set against the DWP view with regard to the expectations on local authorities in respect of the other imminent welfare changes. This proposal is far less complex to introduce in administrative and IT changes for staff and customers than the Universal Credit proposals and the proposals to “localise” Council Tax Rebate.
- 4.12 In its consultation paper the DWP recognises the Government commitment to decentralising power away from Whitehall. At the same time, the Government is also committed to delivering significant efficiency savings where central co-ordination can demonstrably deliver them and where centrally co-ordinated action can increase transparency and achieve the largest economies of scale. Whilst the DWP believes that SFIS will benefit from central co-ordination, it is accepting that it should also offer sufficient flexibility to allow those at the front line to tailor their services to local circumstances in order to realise further efficiencies.
- 4.13 The DWP initial analysis of the options has concluded that Option 1 is the most practical and attainable from a DWP perspective and allows the most flexibility of delivery at least until 2015.
- 4.14 It is also noteworthy that Option 1 as proposed has the potential to be a workable strategy for the delivery of Universal Credit with the DWP administering personal based benefits and credits with the local authority continuing to administer housing related benefits under the new Universal Credit rules, after personal awards are made. This would maximise local experience and significantly limit massive IT development which is fraught with issues for the Government. If this fraud model is shown to work positively then it will assist local authorities in showing how such an alternate delivery model to a wholly centralised administration of Universal Credit can be a successful and efficient localised way forward.
- 4.15 DWP is seeking LA input during October 2011 to inform the final preferred option. DWP will then provide a summary response of the feedback received. The decision on which option is chosen will be made by the DWP and is scheduled for November 2011.

5.0. RELEVANT RISKS

- 5.1. By adopting the best option this should mitigate as much as possible the risk of fraud and ensure the anti fraud culture remains in place locally as well as nationally. The risk of a loss of local anti-fraud work and the Council not being able to direct fraud resources is minimised by the adoption of the DWP proposed option.

6.0. OTHER OPTIONS CONSIDERED

- 6.1. The four alternatives outlined are the only options for consideration.

7.0. CONSULTATION

- 7.1. Consultation is being undertaken by the DWP and local authorities are co-ordinating their response via the professional body, CIPFA.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 8.1 **FINANCIAL:** With regard to the proposed way forward (Option 1) initial estimates are that overall costs would be lower than the other options, but other implications will need to be fully evaluated after consideration of responses, and impacts considered alongside other changes being made in local government finance.
- 8.2 **IT:** LA staff would still access the existing IT systems of both the LA and DWP. Further integration of current IT systems could be complex and costly with further evaluation required on new systems or linking existing systems.
- 8.3 **STAFFING:** Under Option 1 staff remain in LA employment but this would need to be subject to review once the organisation of Universal Credit is determined. However, until then, the option provides a degree of stability, minimises disruption and maximises effectiveness.
- 8.4 **ASSETS:** Option 1 would see no change with LA staff based in LA offices as now and this would be the case at least until the way forward under Universal Credit is further determined in 2015.

9.0 LEGAL IMPLICATIONS

- 9.1 There are none arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

- 10.1 An Equality Impact Assessment (EIA) is not required specifically as part of this option appraisal although EIA's are in place for the current working procedures in the Benefits Section.

11.0 CARBON REDUCTION IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 None.

FNCE/259/11

13.0 REPORT AUTHOR: Malcolm Flanagan

Head of Revenues, Benefits and Customer Services

Telephone: 666 3260

Email: Malcolmflanagan@wirral.gov.uk

14 Appendices

14.1 None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet	13 October 2011

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