



Audit and Risk Management Committee

Date:	Tuesday, 13 March 2012
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 - 6)

To receive the minutes of the meeting held on 1 February 2012.

3. AUDIT COMMISSION - PROGRESS REPORT

To follow

4. AUDIT COMMISSION - GRANT CLAIMS AND RETURNS (Pages 7 - 32)

5. INTERNAL AUDIT UPDATE (Pages 33 - 50)

6. INTERNAL AUDIT PLAN 2012/2013 (Pages 51 - 72)

7. ANNUAL GOVERNANCE STATEMENT 2011/2012 (Pages 73 - 92)

8. SELF ASSESSMENT (Pages 93 - 112)

9. ANNUAL REPORT (Pages 113 - 126)

- 10. CORPORATE RISK AND INSURANCE MANAGEMENT (Pages 127 - 132)**
- 11. CORPORATE RISK REGISTER (Pages 133 - 144)**
- 12. MEMBERS TRAINING (Pages 145 - 148)**
- 13. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 1)**
- 14. 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.

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 1 February 2012

Present: Councillor J Crabtree (Chair)

Councillors D Dodd JE Green
S Mountney I Williams
A Brighthouse

Deputies: Councillors J Salter (In place of RL Abbey)

49 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked to consider whether they had personal or prejudicial interests in connection with any item(s) on this agenda and, if so, to declare them and state what they were. No such declarations were made.

50 MINUTES

Resolved – That the minutes of the meeting held on 29 November 2011, be approved.

51 ANNUAL GOVERNANCE REPORT 2010/2011 - ACTION PLAN UPDATE

Further to minute 23 (28 September 2011), the Deputy Chief Executive/Director of Finance presented an update upon progress in the implementation of a series of actions set out in the Audit Commission Annual Governance Report Action Plan.

Resolved – That the progress on delivering the Action Plan be noted.

52 STATEMENT OF ACCOUNTS 2011/2012 - REVIEW OF ARRANGEMENTS

The Deputy Chief Executive/Director of Finance provided details of the actions being taken to improve the completion of the accounts and the production of the Statement of Accounts for 2011/2012. The Annual Governance Report 2010/2011 and the Statement of Accounts for 2010/2011 had both highlighted a number of issues with the 2010/2011 closedown and had set out actions to facilitate improvements in the closure process for 2011/2012. The Director indicated the Auditors key findings and set out the actions being taken to address the key messages –

- That a framework for **Quality Assurance** of the final accounts process and Statement of Accounts is developed and implemented.
- In relation to **capacity**, to ensure that adequate resources are identified and used to support the achievement of the 2011/2012 closedown plan.
- To undertake collaborative working with the Audit Commission to improve the production of **working papers** in the 2011/2012 closedown.
- To arrange a briefing session for **Members** for July 2012.

In response to comments from Members in relation to bringing forward the September 2012 meeting of the Committee to allow for improved governance, the Director indicated that last year, the introduction of the International Financial Reporting Standards (IFRS) had caused difficulties for many local authorities. Nevertheless, the Accounts were published by the end of September deadline and he anticipated that all deadlines would be met in the current year. However, if the meeting was brought forward, any work that remained outstanding could be completed after the Committee had met.

Resolved –

- (1) That the progress and plans to improve the completion of the Statement of Accounts for 2011/2012 be noted.**
- (2) That, to improve the Council's governance arrangements, the September 2012 meeting of the Committee be brought forward by one week.**

53 **INTERNAL AUDIT UPDATE**

The Chief Internal Auditor reported that, in order to assist in effective corporate governance and fulfil statutory requirements, the Internal Audit Section of the Finance Department reviewed management and service delivery arrangements within the Council as well as financial control systems. Work areas were selected for review on the basis of risks identified on the Corporate Risk Register and as assessed by Internal Audit in consultation with Chief Officers and Managers. His report identified and evaluated the performance of the Internal Audit Section and included details of the actual work undertaken during November/December 2011. He highlighted a number of issues related to an unforeseen shortfall in staffing resource and commented also upon the following items of note concerning audit work undertaken during the monitoring period –

- Care Quality Commission (CQC)
- Counter Fraud Investigation
- DASS Procurement (Day to Day)
- Universal Youth Support Service Accounts
- Cultural Services
- School Audits

Members referred to the concerns that had been expressed at the last meeting of the Committee (minute 38 (29 November 2011) refers) in relation to the DASS Day to Day Procurement system and commented upon the unacceptable delays in ensuring compliance with high priority Audit recommendations. The District Auditor confirmed that appropriate actions had now been undertaken and that there had been administrative issues associated with the transfer of responsibility from one department to another. The Director of Law, HR and Asset Management proposed to investigate why high priority recommendations had not been implemented in a timely manner and undertook to provide a full explanation to Members direct. The Chief Executive proposed also that a review of systems should be undertaken to ensure that the Council was not exposed to risk.

Resolved –

- (1) That the report be noted.**
- (2) That all high priority recommendations and any other particular concerns identified by Internal Audit be brought to the attention of the Chair.**
- (3) That, if any Audit recommendations are not implemented in a timely manner, the appropriate Chief Officer be required to attend the Audit and Risk Management Committee and provide an explanation for the non-compliance.**

54 **AUDIT COMMISSION - PROGRESS REPORT**

The District Auditor presented the Audit Commission Progress Report dated 24 January 2012, which provided an update of ongoing work at the Council. Initial planning had been completed for the 2011/2012 audit (see minute 55 post) and a detailed working paper requirements document would soon be issued to officers for the development of more detailed milestone dates for completion of the accounts and audit of the statements. Initial planning had been completed for the 2011 work on the Value for Money conclusion and he commented also that follow up work for the finalised HESPE report was being undertaken.

He referred to the Government response to consultation on the future of local public audit and provided also an update on the externalisation of the Audit Practice. Other matters of interest included making the local authority IFRS accounts more accessible and understandable. The District Auditor set out also a number of key considerations for the Committee, in respect of the issues highlighted in the briefing paper.

Resolved –

- (1) That the Audit Commission Progress Report be noted.**
- (2) That reports be presented to future meetings of the Committee upon each of the key considerations set out in the Progress Report.**

55 **AUDIT COMMISSION - AUDIT PLAN**

The District Auditor presented the Audit Plan, which set out the work for the 2011/2012 audit of Wirral Council, based on the Audit Commission's risk-based approach to audit planning. He identified the significant risks to the audit opinion and commented that, alongside his work on the accounting statements, he also proposed to review and report to the National Audit Office on the Council's Whole of Government Accounts (WGA) return. The extent of the review and the nature of the report would be specified by the National Audit Office.

The District Auditor was also required to reach a conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness and he set out the significant risks to the value for money conclusion. The fee for the audit was

£352,800, which represented a 10% reduction on the audit fee for 2010/2011 and he indicated the specific actions the Council could take to reduce the fee.

In response to a question from a Member in relation to how the Audit Commission would interact with ongoing peer review work involving the Local Government Association (LGA), the District Auditor stated that he would be interested in the findings of such a review and would be prepared to comment upon it. The recently established Improvement Board could work in a variety of ways and any involvement of the Audit Commission would be to ensure that arrangements were in place to achieve value for money.

Resolved – That the report be noted.

56 AUDIT COMMISSION - MERSEYSIDE PENSION FUND AUDIT PLAN

The District Auditor presented the Audit Plan 2011/2012 for the Merseyside Pension Fund, based upon the Audit Commission's risk-based approach to audit planning. He highlighted the specific audit risks that could have an impact on the Pension Fund's financial statements and set out the audit testing strategy. The scale fee for the audit was £59,181 and he proposed that the work would be completed and opinions issued by 30 September 2012.

Resolved – That the report be noted.

57 INSURANCE FUND BUDGET 2012/2013

The Deputy Chief Executive/Director of Finance reported upon the elements which made up the Insurance Fund, the cost of running the Risk and Insurance Section and the Budget for 2012/2013. The Insurance Fund Budget was to adequately fund insurable risk and ensure the equitable allocation of insurance costs. It was one element of the Council Budget setting process and was agreed by the Cabinet on 24 November 2011 (minute 198 refers).

He commented that Wirral Council had operated an Insurance Fund since its formation and was one of the first local authorities to adopt a high degree of self-insurance when large excesses on liability and material damage insurance were negotiated in the 1980s. Self-funding was a fundamental element of the risk management strategy and it provided a greater incentive to deal with risk more effectively since any reduction in claims directly benefited the Authority. He set out the premia charged in recent years in respect of the three principal risks covered by the Fund – Combined Liability; Material Damage and Business Interruption; and Comprehensive Motor, and he highlighted the relevant risks and resource implications.

Resolved –

- (1) That the Insurance Fund Budget 2012/2013 be noted.**
- (2) That savings to schools (subject to Academy transfers) of £226,000 and increased costs to the General Fund of £20,000 for 2012/2013 be noted.**

58 CORPORATE RISK AND INSURANCE MANAGEMENT

The Deputy Chief Executive/Director of Finance reported upon progress made against the objectives for corporate risk and insurance management and he set out the anticipated developments in the coming months. An item of note related to an Employers' Liability case, initially valued at over £250,000 by the claimant solicitors, which was discontinued in December 2011 without any payment to the claimant, just two weeks prior to the scheduled trial. The case had been open for over four years and highlighted the value brought to the claims process by the operations of the Risk and Insurance Team. The Team had established a full and detailed defence that was likely to have been successful at trial, after the Council's insurers had initially sought to settle the claim. Under the insurance contract the first £250,000 of the claim would have been met by the Insurance Fund. The Director commented that whilst the scale of the saving on this individual claim was unusual, the principles and timescales involved were common.

He commented also that amongst the current portfolio of almost 800 open liability claims, there were five cases that had the individual capacity to exceed £100,000 in damages and legal costs, with one currently reserved at a level that would substantially exceed the £250,000 policy deductible. As with all claims, irrespective of value, effective procedures were put in place to ensure that a valid defence was raised wherever possible and the most economic and timely settlement was attained whenever this was not the case.

A Member referred to the evaluation of the Corporate Risk Management Strategy and to the significant number of improvement actions that had been identified. He commented that there appeared to be little evidence of work being undertaken to effectively manage risk and reduce the risk scores within the Council's Risk Register. He commented that it was essential for the Risk Register to be accurate for the formulation of the Audit Plan and he expressed a view that the Chair of the Committee should be actively involved in setting the Risk Management Strategy.

Resolved –

- (1) That the report be noted.**
- (2) That the Chair be requested to liaise with those officers responsible for the development of the Risk Management Strategy and to identify those key areas that this Committee would wish to be involved in.**
- (3) That the officers be requested to ensure that the Council's Risk Register is regularly reviewed, monitored and updated.**

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

In accordance with the Home Office Code of Practice on covert surveillance, which required every Council to report quarterly on its use of the Regulation of Investigatory Powers Act 2000 (RIPA), the Director of Law, HR and Asset Management presented a summary of the use of covert surveillance by the Council between 1 September 2011 and 16 January 2012.

He reported that in July 2010, the Home Secretary announced a 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. The Local Government Association (LGA) had provided considerable evidence, which showed how evidence obtained through the proper use of RIPA had helped local authorities support communities. On 26 January 2011, the Home Office published its review and made the following recommendations concerning local authorities, which had been incorporated in the Protection of Freedoms Bill that was progressing through the House of Lords –

- 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.
- The use of RIPA to authorise directed surveillance should be confined to cases where the offence under investigation carried a maximum custodial sentence of six months or more. But because of the importance of directed surveillance in corroborating investigations into underage sales of alcohol and tobacco, the Government should not seek to apply the threshold in those cases.

Resolved – That the report be noted.

Certification of claims and returns - annual report

Wirral MBC

Audit 2010/11

Page 7



Agenda Item 4

 audit
commission

Contents

Introduction.....	3
Summary of my 2010/11 certification work.....	5
Results of 2010/11 certification work.....	7
Summary of progress on previous recommendations	16
Summary of recommendations	20
Summary of certification fees	24

Introduction

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. My certification work provides assurance to grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my certification work on your 2010/11 claims and returns.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. Where such arrangements are made, certification instructions (CIs) issued by the Audit Commission to its auditors set out the work auditors must do before they give their certificate and we provide a copy of all CIs to the Council in advance of our work to ensure officers are aware of our requirements. The grant claims programme is led by the Deputy Chief Executive and Director of Finance and the Head of Financial Services and is coordinated by a member of the Finance team. The key contact for each claim is notified to us by the coordinator in line with the protocol. Grant claim reports will be shared with the claim certifier/named contacts within one week for a response. We will be agreeing an updated protocol with officers before the start of the 2011/12 programme.

The work required varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but in broad terms:

- for claims and returns below £125,000 the Commission does not make certification arrangements unless the total value over the life of the grant exceeds £125,000, we would then complete a review. We completed two single programme claims that were below the threshold but in total the programme value exceeded £125,000.
- for claims and returns between £125,000 and £500,000, I undertook tests to agree form entries to underlying records and testing of eligibility of expenditure for the one single programme claim that was within these values (Part A)
- for claims and returns over £500,000 I planned and performed my work in accordance with the certification instruction to assess the control environment for the preparation of the claim or return to decide whether or not to place reliance on it. Depending on the outcome of that assessment, I undertook testing as appropriate (Part A only or Part A & B) to agree form entries to underlying records and test the eligibility of expenditure or data.

Claims and returns may be amended where I agree with your officers that this is necessary. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you have not complied with scheme terms and conditions. On completion of the certification work we report back to the Deputy Chief Executive and Director of Finance in a letter that refers to any qualification issues and also any further issues that we have not reported to the department but need to be resolved or where arrangements need to be improved.

Summary of my 2010/11 certification work

The grants claim programme is now complete for 2010/11.

This report summarises the findings from the certification of 2010/11 claims. It includes the messages arising from my assessment of your arrangements for preparing claims and returns and information on claims that we amended or qualified.

Wirral Council receives around £260 million funding from various grant paying departments. The grant paying departments attach conditions to these grants. The Council must show that it has met these conditions. If the Council cannot evidence this the funding can be at risk. It is therefore important that the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant conditions have been met.

In 2010/11, my team certified ten claims and returns with a total value of around £260 million. Of these, we carried out a limited review of three claims and a full review of seven claims. We amended eight claims (only three of which had a financial impact on the Council) and five claims were qualified.

Table 1: Summary of 2010/11 certification work

	2009/10	2010/11
Number of claims and returns certified		
Total Claims	9	10
Total value of claims and returns certified	£267,283,203	£260,588,526
Number of claims and returns amended due to errors	4	8
Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with	4	5
Total cost of certification work at 31 December 2011 (total estimated to completion £120,000)	£121,834.25	£103,317.35

The grants claim programme is now complete for 2010/11. One claim was submitted late to the Auditor due to uncertainty around whether certification was required by the funding body and two claims were certified late by us due to issues found during the work.

The control environment was relied upon for three of the ten claims which is the same as last year. The number of claims requiring amendment has increased since last year's 4 claims to 8 claims this year, however, only 3 of these amended claims had a financial impact on the Council. The effect of this was an overall increase of funding due to the Council of £27,330. The number of claims requiring qualification also increased in comparison to 2009/10, 4 claims in 2009/10 to 5 in 2010/11 (4 >£500K and 1 £125K to £500K)

The grant claim co-ordination arrangements at the Council worked well. Actions were implemented during the year to improve the quality of claims submitted for certification although there remains the opportunity for individual departments responsible for the claim to make further improvements around the quality assurance process. There is also scope to improve our working with you as set out in the current protocol and we will discuss this with officers before the start of the 2011/12 programme. Table 4 below sets out the summary of recommendations from this report detailing the opportunities for improvement.

This section summarises the results of my 2010/11 certification work and highlights the significant issues arising from that work.

The starting point for our certification work for every grant claim or return whose value is in excess of £500,000 is our assessment of the control environment in place for the preparation and compilation of each claim or return. We consider the risk attached to the claim due to its value and inherent complexity and how the Council mitigates this risk through the control environment. A strong control environment provides the responsible finance officer with assurance that the grant claim or return they sign is accurate and complies with the relevant terms and conditions. Where we are able to place reliance on the control environment for a specific grant claim or return, we reduce the level of testing that we are required to perform.

The control environment is assessed across five themes:

- Arrangements to ensure claims and returns are completed accurately and in accordance with the scheme terms and conditions.
- Control arrangements, including internal financial control and internal audit.
- Quality of the authority's working papers.
- Expertise and knowledge of the preparers, including the adequacy of supervision and review.
- Cumulative knowledge of the problems associated with compilation of the claim or return.

Page 13

In 2010/11, we assessed that the control environment could not be relied upon for seven of the ten claims and returns submitted for certification. The main reasons why we could not place reliance on the control environment were:

- Part A testing only during previous 3 years / mandatory Part A & B
- Previous record of amendment and/or qualification of the claim/return.
- Insufficient demonstration of controls over payments administered by external parties.
- Controls around the tendering of contracts.
- Quality of working papers and quality assurance

Claims and returns above £500,000

For claims above £500,000 we are required to assess the control environment for the preparation of the claim or return to decide whether or not to place reliance on it. Depending on the outcome of that assessment we undertake part A or Part A & B testing.

We do not assess the control environment in respect of the housing and council tax benefits subsidy claim because we are required to carry out mandatory extended testing irrespective of the control environment.

Table 2: **Claims and returns above £500,000**

There were 7 claims above £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?	Further issues raised in letter to DCE&DoF
Housing and council tax benefit scheme	159,135,508	No – we are required to carry out mandatory extended testing irrespective of the control environment	27,046	Yes (1)	No all issues raised are those in the qualification letter
National non-domestic rates return	59,161,252	No – Part A testing completed in the last 3 years therefore part A and B testing required	0	No	No
Teachers' pensions return	23,441,376	Yes	285	No	Yes (5)
Sure start, early years and childcare grant *	15,140,605	No – The claim is complex and includes a large volume of both revenue and capital transactions;	0	Yes (2) to be reported separately	Yes (2) to be reported separately

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?	Further issues raised in letter to DCE&DoF
Disabled facilities	1,204,000	previous record of amendment. Yes	0	No	Yes (6)
Flood and coastal erosion management *	1,387,163	No – First year of claim and contractor liquidation therefore part A & B testing required	-1	Yes (3) to be reported separately	Yes (3) to be reported separately
Single programme – New Brighton Phase 2 Grant	555,378	No – Complex investment with a private sector partner. Previous years findings on the monitoring of project outputs, significant levels of sub-contracting and final year of claim.	0	Yes (4)	Yes (4)

* We will report separately to members on these two claims as we are still clarifying and agreeing with officers the issues and actions that the Council needs to take forward.

Qualified Claims above £500,000

(1) Housing and council tax benefit scheme – a qualification letter was necessary in respect of the following matters:

- 8 backdating errors found in our sampling (12 errors in 2009/10)
- 2 council tax benefit calculation errors found in our sampling (3 errors in 2009/10)
- 9 rent rebate calculation errors found in our sampling (13 errors in 2009/10)

- Un-reconciled amounts between the benefit granted in the claim form and benefit granted in the software supplier's reconciliation of benefit granted to benefit paid (issue also occurred in 2009/10)
- Difference between the in-year reconciliation cells for rent allowances and council tax benefit. (issue also occurred in 2009/10)
- In 2 instances we found errors that related to unpaid benefit. As there is no subsidy for benefit not paid out these were referred to in the qualification letter but had no impact on the claim. Officers corrected these cases and the payment and subsequent claim for subsidy will be included in the 2011/12 claim.
- A lack of clarity on how to apply Local Housing Allowance rates to joint tenancies. After discussion with Department for Work and Pensions, officers were able to amend the claim prior to certification for this item.
- For certain dwellings authority policy is not to apply to the rent officer for a referral despite the property appearing larger than required for tenants. We understand this is due to plans for renovation and in consideration of the age of the current tenants.
- A system error that placed expenditure up to and including 24th October into a holding cell and did not report the expenditure in the claim. This was adjusted for and at £24,512 accounts for the majority of the change between the original and final claim.

(2) **Sure start, early years and childcare grant** - to be reported separately.

(3) **Flood and coastal erosion management** - to be reported separately.

(4) **Single programme – New Brighton Phase 2 Grant** a qualification letter was necessary in respect of the following matter

- At the time of the certification work, the Council was unable to demonstrate that an inventory of single programme funded assets was in place.

We also raised further issues and recommended the following actions in the letter to the Deputy Chief Executive and Director of Finance:

- The Council has established a Quality Assurance approach for the completion, submission and co-ordination for the certification of all grant claims. As required under the Certification Instruction we have considered the quality assurance approach and taken assurance in

respect of the Control Environment in respect of compilation of the claims. However in conducting the certification of this claim we have identified areas within the quality assurance process that could be improved, these are:

- Grant Co-ordination Control Environment form completed as yes / no responses, it would be helpful if a detailed response is given for each question
- Working Papers provided to support the claim were not complete with copies of main contractor invoices not included (CI Test 4 and 16), Partial extract of contract variation correspondence with North West Development Agency (CI Test 7 and 13).
- Errors on the claim form amended which could have been avoided with a robust Quality Assurance process
- In follow-up our 2009-10 concerns on monitoring, it was established that the Council had recently agreed a change to use (outputs) with the approval of the North West Development Agency. As part of the grant conditions the Council submitted an exit report to the NWDA (dated 1.10.2010) that reported on outputs and other key milestones. This report indicated that outputs will be realised upon completion of the whole of the development in August 2011. During the course of the certification work it was reported by Officers that monitoring of ongoing outputs (job creation) is currently undertaken by the Council's Regeneration Team. It is our understanding that the required Project Evaluation Report (para 2.1 Monitoring and Evaluation Plan, 10 September 2010) has yet to be completed and submitted to the NorthWest Development Agency.

(5) Claims not qualified above £500,000

We raised further issues and recommended the following actions in the letter to the Deputy Chief Executive and Director of Finance for the following two claims which had not been qualified:

(5) Teachers Pension Claim

- Inclusion of Academy Schools in 2010-11 return - The local authority element of the Teachers Pension return (Part A) includes contributions for two schools (Prenton High and Rockferry & Park High) which achieved academy status during 2010-11, but whose staff have continued to be paid via the Council payroll system up until the end of the financial year. We have been informed that the Council has taken advice from HMRC but we have not been provided with documented correspondence with either HMRC or Teachers Pensions Agency which would confirm that all interested parties are content with this arrangement. Academy schools should be producing their own TR17 returns (which we were informed will indeed be the case for these schools going forward). There is the risk that the current arrangement for 2010-11 has not been formally agreed by all interested stakeholders.

- Additional Contributions – End date not implemented - Our certification work noted one employee for whom additional pension contributions ought to have ceased from 31 March 2009. However, deductions continued to be made during all of 2009-10 and up to and including May 2011. The Payroll Control team detected this error during year-end analysis in 2009-10. However, deductions continued for a further two months of 2010-11.

(6) Disabled Facilities Claim

- The Council has established a Quality Assurance approach for the completion, submission and co-ordination for the certification of all grant claims. As required under the Certification Instruction we have considered the quality assurance approach and taken assurance in respect of the Control Environment in respect of compilation of the claims. However in conducting the certification of this claim we have identified an area within the quality assurance process that could be improved, this is:
 - Grant Co-ordination Control Environment form completed as yes / no responses - it would be helpful if a detailed response is given for each question

Claims and returns between £125,000 and £500,000 including the cumulative value of claims

For claims and returns between £125,000 and £500,000 we undertake tests to agree form entries to underlying records and testing of eligibility of expenditure (Part A testing)

Claims between £125,000 and £500,000 including the cumulative value of claims

3 Claims

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made	Qualification letter	Further issues raised in letter to DCE&DoF
Single programme – Wirral International Business Park	110,500 (£1,865,988 Amount of Single Programme Grant approved for the lifetime of the project)	0	Yes(7)	Yes (7)
Single programme – Intensive Start Up Support Grant	398,544	0	No	Yes (8)
Single programme – Merseyside Waterfront Succession Programme	54,200 (£10,914,852 Amount of Single Programme Grant approved for the lifetime of the project)	0	No	Yes (9)

Qualified Claims between £125,000 and £500,000

(7) Single programme – Wirral International Business Park - a qualification letter was necessary in respect of the following matter

- At the time of the certification work, the Authority had not included the substation in its asset register. We have been informed by Council staff that this is because it was never intended that the substation be a Wirral MBC asset. The grant application was made to facilitate the provision of extra power supply in the Business Park for economic development purposes. The substation was built to Scottish Power specification and it will be run and operated as part of the Scottish Power network. However, the asset has not yet been transferred to

Scottish Power and so remains with Wirral. The delay in adoption by Scottish Power is due to legal problems over access rights. Officers need to consider the accounting implications of this and also assure the Council that appropriate mechanisms are in place to mitigate any risks.

We also raised a further issue and recommended the following actions in the letter to the Deputy Chief Executive and Director of Finance:

- The Council has established a Quality Assurance approach for the completion, submission and co-ordination for the certification of all grant claims. As required under the Certification Instruction we have considered the quality assurance approach and taken assurance in respect of the Control Environment in respect of compilation of the claims. However in conducting the certification of this claim we have identified areas within the quality assurance process that could be improved, these are:
 - Grant Co-ordination Control Environment form completed as yes / no responses, it would be helpful if a detailed response is given for each question
 - Error on the claim form amended which could have been avoided with a robust Quality Assurance process

Claims not qualified between £125,000 and £500,000

We raised further issues and recommended the following actions in the letter to the Deputy Chief Executive and Director of Finance for the following two claims which had not been qualified:

(8) Single Programme – Intensive Start Up Support Grant

- The Council has established a Quality Assurance approach for the completion, submission and co-ordination for the certification of all grant claims. As required under the Certification Instruction we have considered the quality assurance approach and taken assurance in respect of the Control Environment in respect of compilation of the claims. However in conducting the certification of this claim we have identified areas within the quality assurance process that could be improved, these are:
 - Grant Co-ordination Control Environment form completed as yes / no responses, it would be helpful if a detailed response is given for each question.
 - Working Papers provided to support the claim were not complete, with copies of main contractor invoices not included (CI Test 4 and 16), there was also insufficient information to confirm the Council's funding for the project as agreed with the NWDA (CI Test 7 and 13).
 - As detailed above, a large number of errors on the claim form had to be amended which could have been avoided with a robust Quality Assurance process

(9) Single Programme – Merseyside Waterfront Succession Programme

- The Council has established a Quality Assurance approach for the completion, submission and co-ordination for the certification of all grant claims. As required under the Certification Instruction we have considered the quality assurance approach and taken assurance in respect of the Control Environment in respect of compilation of the claims. However in conducting the certification of this claim we have identified areas within the quality assurance process that could be improved, these are:
 - Grant Co-ordination Control Environment form completed as yes / no responses, it would be helpful if a detailed response is given for each question.
 - Working Papers provided to support the claim were not complete with copies of main contractor invoices not included (CI Test 4 and 16), Partial extract of contract variation correspondence with NWDA (CI Test 7 and 13).

Summary of progress on previous recommendations

This section considers the progress made in implementing recommendations I have previously made arising from certification work.

In 2010/11 we made 6 recommendations in our Action plan within Appendix 2 of the report, of the 6 recommendations:

- 2 have been implemented
- 2 have been partially implemented
- 2 have not been implemented or did not resolve issues

Table 3: Summary of progress made on recommendations arising from certification work undertaken in earlier years

Agreed action 2009/10	Priority	Date for implementation	Responsible officer	Current status	Comments from Authority Jan 12	Auditor comments 2010/11
Recommendation 1: Review the amendments made to the 2009/10 Housing and Council Tax Benefits Subsidy claim and consider what action can be taken to prevent reoccurrence; in particular in respect of the amendments required for backdated benefit cases	Low	January 2011	Malcolm Flanagan	Implemented	The DWP responded in favour of the Local Authority's application of the Regulations. Amendments required for backdated claims in the 2010/2011	The DWP clarified correct treatment in 4 cases out of the 12 backdating errors found in 2009/10. Errors remain in backdating awards in 2010/11, in addition to other parts of the subsidy

Agreed action 2009/10	Priority	Date for implementation	Responsible officer	Current status	Comments from Authority Jan 12	Auditor comments 2010/11
<p>Recommendation 2: Housing and Council Tax Benefits Subsidy claim - Liaise with the software supplier to investigate and resolve the difference between:</p> <ul style="list-style-type: none"> • The headline cell and the reconciliation cell • The amount awarded and the amount paid to claimants 	Medium	January 2011	Malcolm Flanagan	Not implemented	<p>Housing and Council Tax Benefit Subsidy claim were nominal.</p> <p>Every effort is made to reconcile discrepancies and those which remain are usually the result of a number of transactions on highly complex claims which would be too time consuming to resolve given the relatively small amounts involved.</p>	<p>claim.</p> <p>This is evidenced on page 9 of this report.</p> <p>Issues remained in 2010/11. The Council has not implemented any software fix.</p>
<p>Recommendation 3: Sure Start, Early Years and Childcare grant – Ensure that capital expenditure funded by Sure Start, Early Years and Childcare grant meet the definition for capitalisation as set out by the DCSF</p>	Medium	January 2011	Andrew Roberts/Jenny Harris	Implemented	<p>Six sample files were scanned and sent through to the Dfe by the financial Grant Co-ordinator. The Dfe confirmed they were 'content' with the evidence produced and that the claim would not</p>	<p>No issues found in 2010/11</p>

Agreed action 2009/10	Priority	Date for implementation	Responsible officer	Current status	Comments from Authority Jan 12	Auditor comments 2010/11
<p>Recommendation 4: Sure Start, Early Year and Childcare grant – Ensure that assets recorded in respect of all assets funded by Sure Start, Early Years and Childcare grant meet the requirements of the DCSF</p>	Medium	January 2011	Andrew Roberts/Jenny Harris	Not implemented	<p>The Asset Register and Inventory have been reviewed and circulated to all Children Centres. This exercise has been completed in full.</p>	<p>Issue remained in 2010/11. The action last year has not ensured that asset records meet the requirements of the DCSF for all funded assets.</p>
<p>Recommendation 5: Sure Start, Early Year and Childcare grant – Ensure that decisions taken in respect of contracts awarded are clearly documented and evidence retained</p>	High	January 2011	Andrew Roberts/Jenny Harris	Partially implemented	<p>All SSEYC Budget Holders are aware of the Councils financial procedures in respect of procuring goods and services. A hard copy of the financial guidelines is held at each centre and all staff have access to this document. The Financial Grants Coordinator has advised that all future goods/services ordered through the</p>	<p>Issue arose in 2010/11 and will be reported separately.</p>

Agreed action 2009/10	Priority	Date for implementation	Responsible officer	Current status	Comments from Authority Jan 12	Auditor comments 2010/11
<p>Recommendation 6: NWDA Single Programme Grant- review and continue to improve the quality assurance process to reduce the number of compilation errors present in claims submitted to the Auditor; specifically in respect of regeneration claims.</p>	Low	January 2011	Dave Stone/Carl Gurnell	Partially Completed	<p>Dept in question must adhere with the financial guidelines.</p> <p>All claims submitted on time; quality assurance processes being followed in conjunction with claims co-ordinator, compiler and project manager.</p>	<p>One claim was submitted late for certification due to uncertainty as to whether the claim required certification. Two certified claims were submitted late to the funding body due to issues found during our work. The number of amended claims increased from 4 to 8.</p>

Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

Table 4: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Housing Benefit and Council Tax Subsidy Return				
Recommendation 1: Housing Benefit and Council Tax Subsidy Return – Review the amendments made in the 2010/11 return and consider what actions can be taken to prevent reoccurrence.	Medium	Where possible, pro active work will be undertaken to make any necessary amendments due to known software issues in advance of the claim submission. A robust checking regime is in place to minimise the presence of incorrect claim calculations	31 May 2012	Diane Eusoof
Teachers Pensions Return				
Recommendation 2: Teachers Pensions Return – The Council should engage and document discussions with HMRC/TPA on areas where judgements may be required on inclusion of Academy schools in the	Medium	2011/12 TR17 return will NOT include any Academy Schools. These will be reported individually via TR17a reports. There is no need for discussion as a result.	1 August 2011	Peter Hughes

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Council's TR17 form.				
<p>Recommendation 3: Teachers Pension Return – The pay control team should ensure that there are robust communication links with the main Council payroll team that would confirm that notified control issues have been agreed and actioned on a timely basis.</p>	Medium	Control Team will check payslips to ensure any requested action has been correctly actioned.	1 October 2011	Peter Hughes
Disabled Facilities Grant				
<p>Recommendation 4: Disabled Facilities</p> <ul style="list-style-type: none"> – Revisit the quality assurance approach to ensure the control environment form includes detailed responses and evidence for each question. 	Medium	Recommendations noted and will be actioned for next cycle of claims.	31 March 2012	David Stone
Single Programme Grants				
<p>Recommendation 5: All Single Programme Grants - Revisit the quality assurance approach to ensure:</p> <ul style="list-style-type: none"> • a considered assessment of the control environment • a robust checking of the claim form • the documented consideration of the evidence required to complete the certification work • the inclusion of the relevant 	Medium	Recommendations noted and will be actioned for next cycle of claims.	31 March 2012	David Stone

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
evidence to support the claim				
Recommendation 6: Single Programme New Brighton Phase 2 – Establish which assets have been adopted and assess how these adopted assets should be recorded in compliance with the requirements of the Grant and Code of Practice for Local Authority Accounting.	Medium	Meetings will be arranged between the Asset Management, Finance and Technical Services Departments to ensure that these issues are addressed.	30 June 2012	Reg Huyton
Recommendation 7: Single Programme New Brighton Phase 2 – Establish the nature and form of the annualised income and assess whether this should be recognised as an asset in reference to the guidance on Financial Instruments as set out in the Code of Practice for Local Authority Accounting.	Medium	As the scheme is concluded this will be actioned as and when relevant.	30 June 2012	Jenny Spick
Recommendation 8: Single Programme New Brighton Phase 2 - Prepare and submit the project evaluation report in line with the requirements of the grant.	High	Draft Report was shared with NWDA as project reached practical completion. We will finalise the report and send to appropriate contact at BIS, as successor body to NWDA.	31 March 2012	Ray Squire
Recommendation 9: Single Programme: Wirral International Business Park Primary Substation – Consider the accounting implications of	High	The risk of continued delay will be mitigated by more frequent meetings with Scottish Power and the Council's Contractor. The focus is to have the	31 March 2012	Ray Squire with Finance and Legal Services

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
<p>the substation not yet being transferred and ensure that appropriate mechanisms are in place to mitigate any risks from the substation not yet being transferred.</p>		<p>asset transferred to Scottish Power as quickly as possible to reduce the exposure period to risk. In the interim the sub-station is technically the responsibility of the Contractor and covered by their company insurance</p>		

Summary of certification fees

This section summarises the fees arising from my 2010/11 certification work and highlights the reasons for any significant changes in the level of fees from 2009/10.

The anticipated fee for 2010/11 as notified to you in the Annual Audit Fee letter issued in April 2010 was £128,000. The total fee charged for the certification of 10 grant claims and returns for 2010/11 will be approximately £120,000. Scope to reduce fees remains through improvements to the control environment, working papers and quality assurance.

Page 30

Table 5: **Summary of certification fees**

Claim or return	2010/11 fee @ December 2011	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	52,152.75	68,387.75	Improved 40+ testing and query response time by the Council.
National non-domestic rates return	5,121.25	2,665.00	Part A completed 2009/10; Part A and B completed 2010/11
Teachers' pensions return	3,060.00	2,937.50	N/A
Sure start, early years and childcare grant and aiming high for disabled children grant	9,341.50	8,072.50	More complex issues found during our work
Disabled facilities	1,716.00	0	No grant 2009/10
Housing subsidies and grants	0	1662.50	No grant 2010/11

Claim or return	2010/11 fee @ December 2011	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Flood and coastal erosion management	14,216.50	0	No grant 2009/10
Single programme – 4 projects	10,720.15	13,287.50	More complex issues found during our work and increase in claims requiring amendment.
Grant planning	6,989.20	24,821.50	Some further costs to be charged
Estimated amount still to be charged	16,682.65		
Total	120,000.00	121,834.25	

© Audit Commission 2012.
Design and production by the Audit Commission Publishing Team.
Image copyright © Audit Commission.

The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.



WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

13 MARCH 2012

SUBJECT:	INTERNAL AUDIT UPDATE
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR TOM HARNEY
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 are a number of items of note concerning audit work undertaken that are brought to the attention of the Members for this period and these are identified at Section 2.7.
- 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 those elements of the audit plan designed to support the provision of the 'annual assurance opinion' on the effectiveness of the Council's control environment and also support the delivery of the Annual Governance Statement are delivered effectively. Following the recent acquisition of additional staffing resource identified at 2.4 I am confident that this objective will be achieved by the year end.

2.0 BACKGROUND AND AUDIT OUTPUT

- 2.1. This report summarises the audit work completed during the period 1st January 2012 to 28th February 2012. The specific nature of the work that has been undertaken or is currently ongoing is identified in Appendix I. 25 audits were undertaken during this period identifying 44 high 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 2.6 of this report.

- 2.2. The Service constantly evaluates the effectiveness of its performance including a number of performance indicators in key areas that includes the provision of sufficient resource to deliver the annual Internal Audit Plan and ensuring that all of the audits identified in the plan are delivered on schedule.
- 2.3. Due to an unforeseen shortfall in staffing resource during the year to date mainly resulting from a number of members of staff being deployed assisting an external investigation and the permanent loss of a number of members of staff, delivery of the audit plan is below the specified target for this time of the year, and currently running at 79% achievement against the target. This equates to 160 audits completed to date by the service, it is anticipated that the overall year end outturn will be approximately 90% as a substantial amount of work is currently ongoing. This is a considerable achievement given some of the resourcing problems experienced during the year to date and includes all of the work necessary to support the provision of the annual audit opinion on the effectiveness of the Council's control environment.
- 2.4. In addition, and as previously reported a further three members of staff will be absent for a combined period of 21 months over the next ten 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 a total of five agency staff have been appointed on a temporary basis to make up the staffing shortfall and assist us with the delivery of the audit plan.

2.5. Follow Up Audits

The table attached at Appendix 2 identifies the status of those recommendations made in internal audit reports that have been followed up during the period:

2.6 Audits Identifying High Priority Recommendations

- (a) The table at Appendix 3 identifies audits undertaken over the period which include recommendations of **a high priority nature** where a significant risk has been identified that might affect 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 and 1* poor. Actual recommendations are identified where the audit opinion provided is 1*:
- (b) All of the action plans in respect of the audits identified have been returned fully completed with the exception of those identified below. Those returned all identify appropriate timescales for the implementation of recommendations

agreed to mitigate or remove weaknesses. Relevant managers have been contacted regarding the return of these overdue action plans:

- Bidston Village Primary School
- Townfield Primary School
- Members Allowances, Sources of Income (Law/HR/AM)
- Building Security – Wallasey (Law/HR/AM)
- Redeployment (LAW/HR/AM)
- Departmental Risk Management (LAW/HR/AM)
- Departmental Risk Management (DASS)

2.7. Items of Note

(a) Annual Governance Statement

A significant amount of work has been undertaken by the Internal Audit Service this period to ensure that the Council complies with the statutory requirements of Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006 and 2011). This well established process for reviewing the control system, collating information and contributing to the compilation of the Annual Governance Statement is implemented in full compliance with the CPFA/SOLACE Best Practice Framework to evaluate the effectiveness of governance arrangements in operation across the Council. Whilst Internal Audit is responsible for undertaking the assurance work used in compiling the Statement, it is important to recognise that this is not a document owned by the audit function but an Authority statement on the effectiveness of its governance processes.

The process undertaken by Internal Audit involves:

- Reviewing key governance processes, covering such areas as the adequacy of Performance Management, key HR functions and policies; and Risk Management.
- Reviewing reports completed by external review agencies, so as to ensure that key findings are considered for inclusion in the Annual Governance Statement and ensuring that appropriate actions have been taken or are planned to address any issues highlighted.
- Requiring Chief Officers and Managers to review and comment upon the adequacy and effectiveness of key processes in their areas of responsibility so as to provide assurance that the governance arrangements are sufficiently robust.
- Evaluating through testing some of the key areas identified for adequacy, efficiency and effectiveness.
- Preparing reports for Chief Officers identifying areas for improvement and reporting these outcomes to the Chief Executive and Executive Team for consideration.

Further extensive ongoing work is scheduled during 2012/13 to assist management in the improvement of these systems and processes in line with developing best practice and regular updates will be provided to Committee during the year.

(b) Counter Fraud

Following the enforced absence of the two members of staff from the Counter Fraud Team and their subsequent short term replacement with a number of temporary appointments, work in this area is now progressing well. A number of proactive audits designed to detect any fraudulent activity across a number of systems are currently being undertaken in the following areas:

Mileage Claims
Overseas Travel
Corporate Credit Cards
Expenses

In addition to this, the team has been busy delivering the counter fraud message across the Council through the development of various training tools and face to face sessions including the production of a new Money Laundering presentation to be made available via the e-learning facility.

Work is also currently ongoing to update the Fraud Risk Evaluation Diagnostic provided by CIPFA and designed to evaluate and test the effectiveness of the Council's existing arrangements for the prevention of fraud and the organisations appetite for fraud prevention. The results of this exercise will be reported to Members of this Committee in due course.

(c) Schools Audits

Audits have been conducted at a number of Primary Schools recently were a significant number of issues have been identified that were of a very similar nature presenting risks of a very fundamental and serious control nature. Following the audits, reports were prepared for Headteachers and Governors for each of the Schools in question and actions discussed and agreed to address all of the weaknesses identified with immediate effect and strengthen the overall control environment. However because of the seriousness of these issues and their increasingly widespread nature a meeting has been held with the Director of CYPD and the LMS Bursars Unit to alert them to these issues and discuss their increased support and involvement with Schools in these areas. The majority of the weaknesses identified were of a financial nature and included the following:

- Governors declaring pecuniary interests,
- Bank Mandates being complete and readily available,
- Approval of Charging Policies for hiring and lettings,
- Timesheet review and approval,
- Raising purchase orders before the payment of invoices,
- Separating duties in key processes such as purchasing and asset control,
- Adherence to agreed tendering procedures,
- Maintaining and approving financial procedures.

(d) National Fraud Initiative (NFI)

Extensive work has been conducted this period to ensure that sufficient progress is being made by the Council to implement the National Fraud Initiative for this year. Matching and investigating reports of potential fraud and error is ongoing with 67 reports having been closed from a total of 78 provided by the Audit Commission, leaving 11 outstanding. Some reports have had no activity to date and responsible officers have been identified to ensure that they complete the necessary follow up and investigation work. Testing is also underway to ensure that reports have not been closed without proper follow up. Investigation of the matches has, so far, identified 230 cases of overpayment, due to fraud and error, amounting to £242,198.92, of which £193,288.54 is in the process of being recovered. Of the 230 cases, 7 have, so far, been confirmed to be fraudulent resulting in 6 formal cautions. The remaining confirmed fraud case was not pursued on grounds of ill health but is in the process of being recovered.

3.0 RELEVANT RISKS

- 3.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.
- 3.2 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.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options considered.

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

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

- 7.1 There are none arising from this report.

8.0 LEGAL IMPLICATIONS

- 8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

- 9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATION

12.1. That the report be noted and appropriate action be taken by the Members as deemed necessary.

13.0 REASON FOR RECOMMENDATION

13.1 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.

13.2 To ensure that risks to the Council are managed effectively.

13.3 To ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

REPORT AUTHOR: Mark P Niblock
Deputy Chief Internal Auditor
telephone: 0151 666 3432
email: markniblock@wirral.gov.uk

APPENDICES

Appendix 1: Internal Audit Work Conducted/Ongoing – January to February 2012

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.

APPENDIX I

INTERNAL AUDIT PLAN 2011/12

WORK CONDUCTED/ONGOING – JANUARY TO FEBRUARY 2012

1. SYSTEMS

- (a) Finance
 - Housing Benefits Write Offs
 - Debtors Write Offs
 - Treasury Management
 - Sundry Debtor Refunds
 - Pensions – Payroll
 - Pension Fund - Investments
 - Pensions - Admin
 - Performance Indicators

- (b) Law, HR and Asset Management
 - Corporate Governance
 - Payroll
 - Licenses
 - Members Allowances

- (c) Children & Young People
 - Youth Services
 - Governance
 - Out of Borough Placements
 - Performance Indicators
 - Metro Catering
 - Schools Bursar Support

- (d) Technical Services
 - Cultural Services Establishments
 - On line Leisure Bookings
 - Performance Indicators
 - Transport Division
 - Governance

- (e) Adult Social Services
 - Procurement
 - Inter Authority Payments
 - Performance Indicators
 - Governance
 - Risk Management

- (f) Regeneration Housing and Planning
 - Governance
 - Grants
 - Performance Indicators

- (g) Corporate Systems
 - Corporate Governance
 - Annual Governance Statement
 - National Fraud Initiative
 - Performance Indicators
 - Contract Awards
 - Conflict Declarations
 - Gifts and Hospitality
 - Constitution
 - Corporate Contracts

2. **SCHOOLS**

- (a) Thematic Reviews - Financial Systems
- (b) Full Reviews – Primary Schools

3. **ICT**

- (a) Departmental Servers
- (b) Information Assurance and ICT Governance
- (c) Payments
- (d) Webmail
- (e) HR Self Service
- (f) Removable Media

4. **ANTI-FRAUD**

- (a) National Fraud Initiative
- (b) Counter Fraud Awareness exercise
- (c) IDEA Testing - All Systems
- (d) Corporate Credit Cards
- (e) Members Expenses

5. **INVESTIGATIONS**

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

6. **OTHER**

- (a) Final Accounts

FOLLOW UP OF AUDIT RECOMMENDATIONS – STATUS

Audit name	Dates		Opinion	Recommendations			Status
	Original report issue date	Follow-up date		High	Med	Low	
Merseyside Pension Fund Administration	21/09/11	05/01/12	3 *	1	1	0	All implemented
Debt Recovery	15/07/11	09/01/12	3 *	0	1	0	Implemented
DASS Procurement	27/08/10	26/09/11	2 *	5	0	0	Implemented
Taxi licenses	09/09/11	24/01/12	3 *	1	1	0	<p>A reconciliation has not yet taken place on:</p> <p>(i) licenses issued to the income received</p> <p>(ii) income received to the monthly budget tabulations.</p> <p>The Senior Account Assistant is continuing to investigate any appropriate measures that could be implemented to comply with the recommendation (report ref 5.3).</p> <p>The relevant Chief Officer has been notified.</p>
Wallasey Central Complex Administration Including Court Fees	18/07/11	08/02/12	2 *	4	5	0	<p>Progress has been made in the following area:</p> <p>The safe cash book now records all income that is held in the safe and a new safe cash book is in operation. The new safe book is held in a separate place and access is limited to three officers. However:</p> <p>(i) regular independent checks of safe contents, is still to be undertaken, and evidenced with dates and signatures (report ref 5.5)</p>

							<p>(ii) an inventory of all assets has not been compiled and independently reviewed on at least an annual basis. Discrepancies have not yet been identified and recorded/ investigated nor has a copy of the inventory been saved on the Council network.</p> <p>The manager has advised that he is still awaiting a response from WITS regarding this issue (report ref 5.7).</p> <p>The relevant Chief Officer has been notified.</p>
Access Controls - CIVICA	26/08/11	21/02/12	3*	-	2	-	<p>1 recommendation implemented, the following not yet:</p> <p>Civica should be configured to conform to the Corporate Password Policy. Where this is not possible, compensating controls should be implemented to ensure the security of the information held within the application.</p> <p>The client is awaiting input on this from the third party software supplier. This will continue to be monitored by IA.</p> <p>The relevant Chief Officer has been made aware of this situation.</p>
Active Directory System	07/09/11	21/02/12	2*	2	2	-	<p>1. There should be a full review of all the accounts identified, and accounts which are invalid or no longer necessary should be disabled, and errors corrected.</p> <p>Expiry dates should be added for third party accounts.</p> <p>2. Promptly disable all user accounts for leavers</p> <p>3. The project to synchronise Active Directory with the HR system should be completed, as planned. It should be ensured that the proposed Active Directory structure mirrors the actual organisational structure of the Council as closely as possible.</p>

							<p>4. A procedure for authorising for changes or additions to the Active Directory groups should be documented and approved.</p> <p>We are advised that a project team is currently looking at this system. This will continue to be monitored and reported by IA.</p> <p>The relevant Chief Officer has been notified.</p>
Payment Card Industry – DSS	13/08/11	17/02/12	1*	1	-	-	<p>CSC Software should be upgraded to prevent audio recordings being made of card details disclosed over the phone.</p> <p>This is in progress, a contract has been agreed. IA will continue to monitor implementation of this recommendation.</p> <p>The relevant Chief Officer has been notified.</p>

Audits Identifying High Priority Recommendations

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 affect 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 and 1* poor. Actual recommendations are identified where the audit opinion provided is 1*:

Audit	Total Recs Agreed (H)	Recs Not Agreed	Audit Opinion Provided	High Priority Recommendations
St Werburgh's Catholic Primary School	6 (3)	-	***	Not applicable – 3* rating
Holy Spirit Primary School	13 (13)	-	*	<ol style="list-style-type: none"> 1. The Financial Procedures Manual should be updated to include all the relevant areas pertaining to the school's financial systems. Once updated, it should be presented to the full Governing Body for approval, and the approval should be minuted. <ol style="list-style-type: none"> 1a. All relevant staff should be made aware of the procedures through their distribution and the procedures should be followed at all times. 2. All purchase orders should be raised prior to the receipt of the invoice. 3. The non-order system should be used for utilities only, as per the financial procedures. 4. All deliveries should be independently checked and evidenced with a date and signature on the delivery note or equivalent record. 5. The Charge Policy should include the charges for all income

			<p>received in the school for meals for pupils and staff, school milk, and for letting/hiring charges.</p> <p>5a. The full Governing Body should agree the basis of charges regarding utilities costs, and where these costs are to be paid from. The Governing Body should also agree on whether the income from lettings/hiring's is to be paid into the school budget or the Voluntary Fund account</p> <p>5b. Once agreed the Charging Policy should then be approved by the governing body and evidenced in the minutes.</p> <p>6. The income record should be regularly reviewed by the manager, and evidenced with a signature and date.</p> <p>6a. Income records should be completed accurately and any cancelled records should be kept for auditing purposes.</p> <p>6b. All income should be banked in full before deductions.</p> <p>6c. All tabulations should be reconciled and evidenced with a date and signature.</p> <p>6d. An independent check of the income received to the income banked should take place regularly and be evidenced with a signature and date.</p> <p>7. A procedure should be in place to confirm receipt of income. If receipts are to be issued upon request then an official Wirral receipt book should be used.</p> <p>8. All applications for hiring/letting should be completed in full with amount due, dates paid, VAT details. These should be authorised by an appropriate delegated staff in accordance with financial procedures.</p> <p>8a. The conditions for hiring/lettings should be made available to all staff operating the system, and to all individuals and organisations hiring/letting the school premises.</p>
--	--	--	--

			<p>8b. A hiring/letting diary should be maintained for reconciliation, monitoring and reviewing purposes</p> <p>9. All Governors should complete a Business and Pecuniary Interest form. The forms should be completed annually, and a nil return completed if appropriate.</p> <p>9a. A Register of Gifts and Hospitality should be prepared and made available to all staff. The register should be used to record all offers received and refused and should be subject to periodic review by the Headteacher.</p> <p>10. The full school inventory should be completed as soon as possible.</p> <p>10a. A regular independent check should be made of assets held and evidenced with a signature and date.</p> <p>11. The specific concerns previously raised in the administration of the Voluntary Fund account should be immediately addressed and rectified. Actions and outcomes should be noted in the Governing Body minutes.</p> <p>11a. Once audited, the accounts from the period August 2010 should be presented to the Governing Body.</p> <p>11b. Audited accounts should be presented to the Governing Body annually and evidenced in the minutes.</p> <p>12. Timesheets should be authorised in line with the authorised signatory list.</p> <p>12a. Governors should agree the authority signatory for authorising the Headteachers timesheets</p> <p>12b. Monthly independent checks should be undertaken on the payroll system and evidenced with dates and signatures.</p>
--	--	--	---

				<p>12c.All casual staff should complete a declaration form for each employment period on the Employment Record Sheet, as detailed in the schools procedures on Payments to Casual Workers.</p> <p>13. The following items should be presented to the Governing Body on a regular basis for full approval, and these should be reflected in the minutes:</p> <ul style="list-style-type: none"> • Income credit income: credit policy, prompt issue of invoices, amendment/cancellation, collection policy, recovery policy, and write off policy. • Purchasing: policy on returned goods, partial payments, settlements of disputes, taking of cash discounts, • The Information Technology Strategy: the Internet Connection Policy & Code of Conduct for Internet Usage. • Data Recovery Procedures: are out of date and do not include details of roles and responsibilities. • The school's building Security Policy. • Security of Assets: Procedures covering the disposal and write off of assets, reporting of theft and losses and lost property. • Annual Review of Insurance arrangements. • Personnel and Payroll procedures: defining roles and responsibilities for recruitment, retention, and emergency payments.
St Peters School	6 (2)	-	***	Not applicable 3* rating
Well Lane Primary School	10 (7)	-	*	<p>1. <u>Financial Procedures Manual</u> -the following items should be presented to the Governing Body on a regular basis for full approval and clearly reflected in the minutes:</p> <p>Ethics Policy; Information Technology Strategy; Internet Connection Policy & Code of Conduct for Internet Usage; Security Policy; Security of Assets; Procedures covering the disposal and write off of</p>

			<p>assets, reporting of theft and losses and lost property; Bank account procedures; Capital expenditure procedures; Authorised Signatory List; Income procedures.</p> <p>2. <u>Insurance</u> - the school's insurance arrangements, including the insurance managed by the LA, should be reviewed and approved annually by the Governing Body. The Financial Procedures Manual should be updated to reflect the following three items. These items should be approved by the Governing Body and evidenced in the minutes.</p> <p>3. <u>Financial regulations</u> - the levels set for obtaining verbal and written quotes should be clearly defined in the Financial Procedures Manual. The level set for obtaining tenders, £10,000 in the Scheme for Financing Schools (Ref. 2.10.1d), should be reflected in the Financial Procedures Manual.</p> <p>4. <u>Scheme of Delegation and Authorised Signatory List</u> - to ensure an effective separation of duties, the Scheme of Delegation and the Authorised Signatory List should be reviewed and amended to ensure all staff on the Authorised Signatory List are allocated a delegated limit in their own right.</p> <p>5. <u>Personnel and Payroll</u> –</p> <p>a. The Financial Procedures Manual should be updated to include policies covering recruitment and resignations.</p> <p>b. All governors should complete a Business and Pecuniary Interest Form. The forms should be completed annually.</p> <p>c. All financial and payroll documents should be stored securely with access limited to authorised staff.</p> <p>d. A copy of the bank mandate should be requested from the bank and held at the school. Relevant staff should be made aware of the staff detailed on the mandate.</p> <p>e. Training should be provided to ensure that petty cash can be</p>
--	--	--	--

				<p>balanced and reconciled by school staff. Procedures should clarify the expenditure permitted from the petty cash.</p> <p>f. The audited accounts for year ending March 2011 should be presented to the Governing Body and approved. Approval should be minuted. On an ongoing basis, the audited accounts should be presented to the Governing Body annually and evidenced in the minutes.</p> <p>g. The budget for 2011/12 should be approved retrospectively by the Governing Body and evidenced in the minutes.</p>
Castleway Primary School	4 (2)	-	**	Not applicable - 2* rating
Cultural Services Establishments	13 (13)	-	*	<ol style="list-style-type: none"> 1. An Income procedures manual should be produced which explains the procedures governing the operation and management of income control at all establishments. 2. The procedures should incorporate the following areas. <ul style="list-style-type: none"> • Collection of cash income and including cheque receipts • Recording of income • Commission policy and procedures • Donations policy and procedure • Separation of duty details. Roles and responsibilities • Monitoring and reviewing process. • Debt management • Charging policy and procedures • Letting's/hiring's policy and procedures • Official receipts • Banking procedures • Security of income

				<ul style="list-style-type: none"> • Retention of records timetable • Insurance Cover details <p>2. Income Procedures should be documented and made available to all staff involved in the income system across all establishments. The documented procedures should incorporate appropriate controls, which all staff should adhere to in all cases.</p>
Gifts and Hospitality - DASS	1 (1)	-	*	A Gifts and Hospitality register for the department must be established and maintained immediately and the Councils policies and procedures on gifts and hospitality must be adhered to across the department.
Pensby High School for Girls	6 (3)	-	**	Not applicable 2*

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

13 MARCH 2012

SUBJECT:	INTERNAL AUDIT PLAN 2012/13
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR TOM HARNEY
KEY DECISION ?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report sets out the draft plan of work for Wirral Council's Internal Audit Service for 2012/13. The Service is currently the subject of an external review and following the outcome of this and any subsequent changes in the structure of the service, alterations may be required to be made to the planned areas of work. In addition to this, and as part of the routine annual process a number of meetings are currently taking place with Chief Officers and their management teams to identify the current and emerging risks and confirm the accuracy risk registers. This is an essential part of the planning process to ensure that risks to objectives being achieved in their respective service areas are identified and audit work programmes formulated to assess the adequacy of controls in these areas. Regular reports on this will be brought to the Committee in due course identifying any necessary changes to the Audit plan as they arise.
- 1.2 Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 requires the Council to conduct a review at least once in a year of the effectiveness of its systems of internal control and to prepare a statement of internal control in accordance with proper practices. CIPFA and SOLACE have jointly determined that the preparation and publication of an Annual Governance Statement, published with the financial statements, is necessary to meet this statutory requirement. The scope of this governance statement incorporates consideration of not just internal control, but also risk management and other aspects of governance.
- 1.3 The regulations also require the findings of the review to be considered by a committee of the Council – the Audit Committee – or else by the Council as a whole.
- 1.4 The responsibility for implementing, maintaining and reviewing the system of internal control clearly rests with the Council, but the process by which the effectiveness of its system of internal control is reviewed, and the governance statement is made, includes obtaining assurances on the effectiveness of key controls. In practice, these assurances will be substantially drawn from the work of Internal Audit, other inspection agencies and the Audit Commission.

- 1.5 The Internal Audit Plan is therefore focussed on reviewing the critical areas and including those issues identified by Chief Officers and in recent external reports and providing assurances to the Chief Executive and Leader of the Council who are jointly required to sign the Annual Governance Statement.
- 1.6 The plan amounts to a total planned resource of **2787** audit days, of which **2437** days will support the provision of the annual assurance opinion on the effectiveness of the Council's control systems and the Annual Governance statement.

2.0 BACKGROUND AND INTERNAL AUDIT OUTPUT

- 2.1 The Audit and Risk Management Committee is required by its terms of reference to advise on the adequacy of the Council's strategic risk management, internal control and governance processes.
- 2.2 The Committee is also required to review and approve the Council's Statements of Account, including the Governance Statement made annually by the Chief Executive and Leader of the Council. The Committee's terms of reference also oblige it to consider and challenge the annual Internal Audit Plan and the Statement of Internal Control, now subsumed within the Annual Governance Statement.
- 2.3 Appendix 1 sets out the Internal Audit Plan and explains the audit resources available to deliver the service and provide management with sufficient assurance for the Annual Governance statement.
- 2.4 In developing this plan the Internal Audit Section has:
 - Considered the Council's corporate and individual departments' risk registers;
 - Regularly met with the Chief Executive, Chief Officers, Members and departmental management teams to discuss their risks and related controls.
 - Made its own assessment of the risks facing the Council from experience, information from professional bodies and the Audit Commission.
 - Considered the findings of external reviews of aspects of the Council's service delivery including the effectiveness of its governance arrangements.

The information derived from these consultations has been incorporated into the Internal Audit Plan.

- 2.5 The Internal Audit Plan identifies all of those audits required to provide the Council with adequate assurance regarding the effectiveness of its systems in operation to manage and mitigate all of the identified risks to the achievement of the Council's objectives.

2.6 The basis, on which the Internal Audit Plan has been prepared, specifically the risk based approach and the approach to the audit of corporate systems complies with CIPFA best practice guidance and has been discussed with the Audit Commission.

3.0 RELEVANT RISKS

If appropriate systems are not in place or are not effective there is a risk of potential failure of;

3.1 The Council not achieving its corporate objectives.

3.2 The 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.

3.3 Meeting statutory requirements to provide adequate and effective systems of internal audit.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options considered.

5.0 CONSULTATION

5.1 Members of this Committee, Chief Officers and other stakeholders are consulted throughout the process of developing and delivering the Internal Audit Plan.

5.2 The Audit Commission has been approached for their views on the document.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising from this report.

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

7.1 There are none arising from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(a) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATION

12.1 That the report is noted and the Audit Plan endorsed.

13.0 REASON FOR RECOMMENDATION

13.1 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.

13.2 To ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

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

APPENDICES

Appendix 1: Internal Audit Plan 2012/13

REFERENCE MATERIAL

CIPFA Code of Practice for Internal Audit in Local Government
Chartered Institute of Internal Auditors Standards & Protocols for Internal Auditing

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Annual report presented to March meetings of this Committee during last 3 years.

WIRRAL COUNCIL

INTERNAL AUDIT SERVICE

ANNUAL PLAN 2012/13

**Internal Audit Service
Treasury Building
Cleveland Street
Birkenhead
Wirral
CH41 6BU**

CONTENTS

	SECTION	PAGE
1.	Executive Summary	7
2.	Background	10
3.	Deployment of Internal Audit Resources	11
4.	Controls Over Cross Cutting Risks	13
5.	Service Specific Controls	14
	Adult Social Services	14
	Children and Young People	15
	Technical Services	15
	Regeneration	15
	Law, HR and Asset Management	16
	Finance	16
	Pensions	17
6.	Corporate or Common Controls	18
	Financial Control Systems	18
	ICT Systems and Controls	18
	Commissioning and Procurement	19
	Contracting	19
	Partnerships	19
	Constitution	20
	Human Resource Systems	20
	Controls to Manage Fraud Risk	20
7.	Other Areas Included Within the Audit Plan	22

1. EXECUTIVE SUMMARY

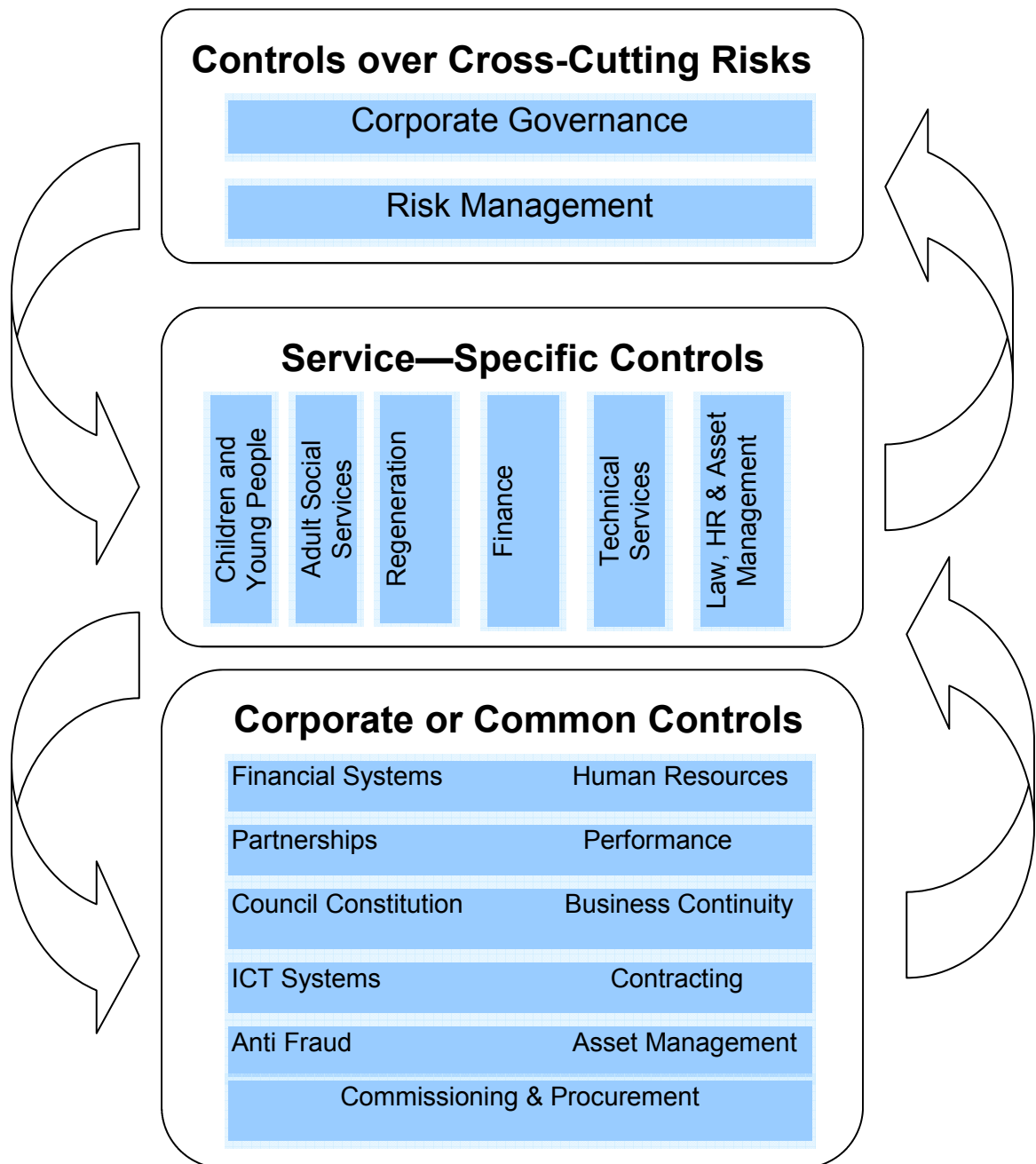
- 1.1 The Council provides a very wide and diverse range of services that includes the management of a significant pension fund and its senior management teams will be aware both of the risks to achieving their service objectives and the risks inherent in their work. Each of these risks is managed by a set of controls designed to reduce the risk to an acceptable level and intended to operate effectively and consistently in practice. Likewise there are a number of corporate objectives and activities that affect individual departments, that bring their own risks and which are similarly subject to control.
- 1.2 The Audit and Risk Management Committee, and ultimately the Council, needs assurance that these controls have been adequately designed and are operating effectively in practice. Annually the Chief Executive and the Leader of the Council jointly sign an Annual Governance Statement which refers to the effectiveness of both the system of internal audit and internal control.
- 1.3 The assurance needed to make this statement is available from a variety of sources including external regulators, but also from the Council's Internal Audit Service. The audit plan identifies those areas where assurance is required but not otherwise available.
- 1.4 This Annual Internal Audit Plan for Wirral Council is intended to provide the assurance that the Chief Executive and Leader of the Council need that the risks to the Council's objectives are being adequately identified and effectively controlled.
- 1.5 The principles on which it has been developed and the corporate issues in particular have been discussed with the Chief Executive, the Director of Finance, Chief Officers and their management teams, Members and the Audit Commission.
- 1.6 In preparing this plan due recognition has been taken of the current financial pressures on the Council and the recent ongoing changes in the operating environment, in particular those arising from funding constraints and increased risks in those areas and the critical findings from a number of external reviews recently conducted of Council services. Particular attention has been paid to the criticism levelled at the Council in relation to its existing governance arrangements and the need for dramatic improvements in these areas.
- 1.7 The Service is also currently working hard to establish more robust relations with Chief Officers and their management teams in an attempt to ensure that emerging risks within departments are brought to the attention of Internal Audit in a timely manner to allow specific audits to be conducted and

assurance provided to management and Members regarding the effectiveness of controls in these areas as appropriate.

- 1.8 At the time of writing this report the Internal Audit Service has an organisational structure of nineteen members of staff having seen a reduction of six members over the previous twelve months to reflect the changes that were made across the Council. The plan is therefore based on this available resource which is sufficient to provide the annual assurance opinion.
- 1.9 The plan recognises and aims to provide assurance over the following controls and the audit teams are structured to deliver this effectively:
- Cross-cutting controls: These controls manage the risks arising from the Council's over-arching business objectives that cut across all service areas and departments.
 - Service-specific controls: The controls designed to manage the risks arising in individual service areas or departments.
 - Corporate, or common, controls: These are the controls that under-pin the Council's work whatever service is being provided and in whatever service area or department.
- 1.10 The plan amounts to a total resource input to Wirral Council of 2787 audit days of which 2437 days are required to deliver those audits essential to provide the annual assurance opinion and support the delivery of the Annual Governance Statement.
- 1.11 This has enabled the service to identify and target audits to address all of the risks presented in the most efficient and effective manner. The service is fully committed to reviewing its own costs and service delivery on an ongoing basis to continue to provide the best value for money service possible in a very challenging environment.

1.12 The building blocks of our Audit Plan, are illustrated below.

The Council's Control Framework



2. BACKGROUND

- 2.1 The current legislative framework, as interpreted by the relevant professional bodies, sets out a requirement for the Internal Audit service to ensure that assurance is provided over the operation of the Council's key controls, and to gain an understanding of the various sources of assurance available to the Council.

The requirement for assurance over the operation of key controls

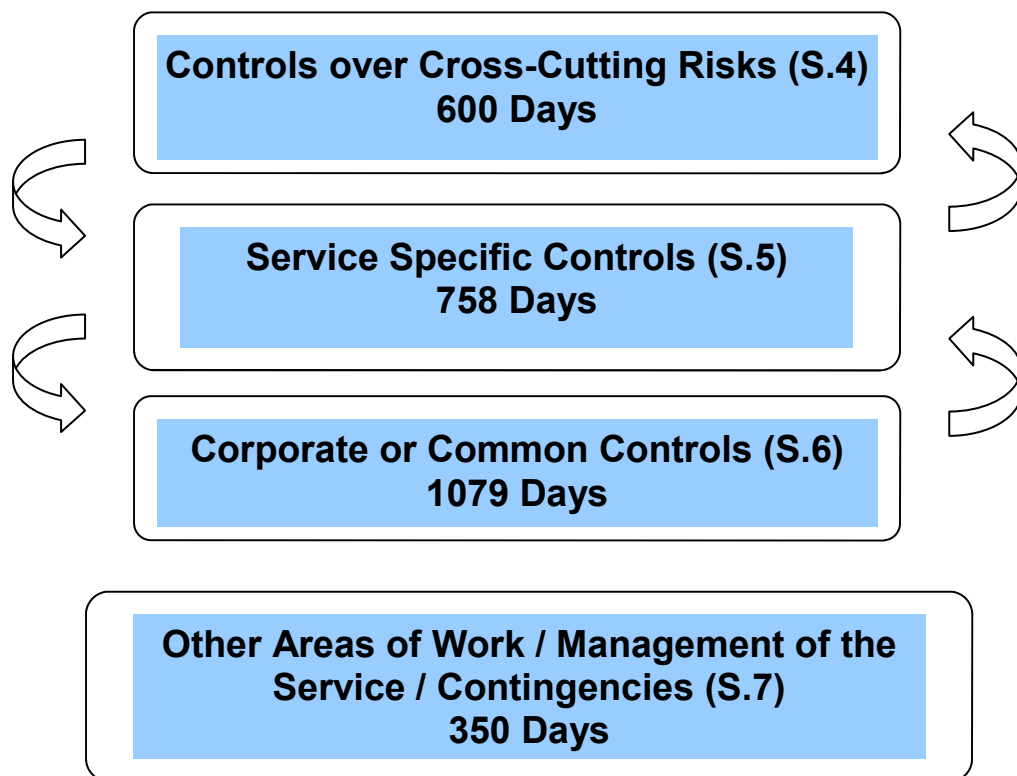
- 2.2 The plan is intended to provide assurance that key controls are identified and are operating effectively. The Audit and Risk Management Committee is required by its terms of reference to advise the Council on its strategic processes for risk management, internal control and governance.
- 2.3 Regulation 4 of the Accounts and Audit Regulations 2006 requires the council to conduct a review at least once a year of the effectiveness of its system of internal control and to prepare a statement of internal control in accordance with proper practices. CIPFA and SOLACE have jointly determined that the preparation and publication of an Annual Governance Statement, published with the Financial Statements, is necessary to meet this statutory requirement. The scope of the governance statement is wide, incorporating consideration of internal control and risk management as well as other aspects of governance.
- 2.4 The responsibility for implementing, maintaining and reviewing the system of internal control clearly rests with the Council, but the process by which the effectiveness of its system of internal control is reviewed includes obtaining assurances on the effectiveness of key controls. In practice, these assurances will be substantially drawn from the work of Internal Audit.

The framework of assurance

- 2.5 Regulation 6 of the Accounts and Audit Regulations 2006 also refers to the concept of the system of internal audit. This is defined by CIPFA's Audit Panel as the whole framework of available assurance that mirrors the framework of internal control, and is explicitly wider than the assurance available solely from the Internal Audit service.
- 2.6 The framework of assurance will derive from a variety of sources, but it is expected that the audit service will be in a position to take a holistic view of the assurance available.

3. DEPLOYMENT OF INTERNAL AUDIT RESOURCES

- 3.1 The Audit Plan is stated in terms of days input, and this has been estimated as accurately as possible. However neither the resources available nor the exact time that will be taken for any single piece of audit work is capable of exact estimation at this stage. The plan therefore represents only a best estimate of the audit resources and the ways in which they will be deployed.
- 3.2 The plan must be flexible and 'dynamic' by its very nature, to ensure that it can react and accommodate the identification of any unforeseen risks and the subsequent requirement for additional audits to be conducted in all areas during the year.
- 3.3 The planned overall deployment of audit resources on the Council's Internal Audit service is as follows:



- 3.4 A more detailed breakdown of the plan by control system is shown overleaf and each of the separate elements of the audit plan for the Authority is explained in more detail on the pages below.

CONTROLS ASSURANCE	Estimated Audit Days	
Controls Over Cross Cutting Risks		
Corporate Governance	400	600
Risk Management	150	
Other Related Work (See Section 4)	50	
Service Specific Controls		
Adult Social Services	150	758
Children and Young Peoples (Incl Schools)	230	
Technical Services	108	
Regeneration	70	
Law, HR and Asset Management	100	
Merseyside Pension Fund	100	
Corporate or Common Controls		
Financial Systems	400	1079
ICT Systems	300	
Anti-Fraud	299	
Commissioning and Procurement	20	
Human Resource	20	
Partnerships	10	
Constitution	10	
Contracting	20	
Total - Controls Assurance Opinion		
Other Areas of Work (incl Follow Ups)	200	
Management and Contingencies	150	350
Total Audit Plan		2787

4. CONTROLS OVER CROSS-CUTTING RISKS

- 4.1 There are a number of important areas that cut across all the work of the Council and that should always form part of the Audit Plan; governance and risk management in particular. Audits are scheduled to be completed in those areas that include;
- Increased ongoing input throughout the year to the Council's governance processes, working with managers to ensure that systems and procedures are effective and efficient. Included within this initiative will be detailed reviews and testing of existing arrangements and the formulation of actions required to improve current operations in line with best practice and the requirements of the findings of external reviews undertaken. Work in this area will include:

Corporate/Service Plans
Corporate Policy
Performance
Departmental Budgetary Control
Constitution/Localism
 - The annual governance exercise to be completed in compliance with the CIPFA/ SOLACE document "Delivering Good Governance in Local Government" (2007), encompassing obtaining assurances from Chief Officers and senior managers, review of some key elements of the governance structure, and the review of external reports. The results of the review are used to inform the production of the Annual Governance Statement for publication in the Council's Statement of Accounts.
 - A review of the implementation of recommendations identified in Audit Commission reports, especially the Annual Audit and Inspection letter.
 - A review of the Council's risk management arrangements is to be completed during the year in accordance with the CIPFA publication "It's a Risky Business" to evaluate the degree to which these systems are embedded into the culture of the organisation.
- 4.2 There are other areas that may also be regarded as critical and require periodic review, for example the Council's role as the accountable body for substantial government funding to other organisations in the area, and partnership working which is a recurring theme and remains a high risk.
- 4.3 More work to review the Council's arrangements to reduce its Carbon footprint is scheduled for 2012/13 to evaluate the likely effectiveness of the planned measures identified and comply with the legislative requirements.
- 4.4 We estimate that we need to spend **600** days in total reviewing controls over cross-cutting risks.

5. SERVICE SPECIFIC CONTROLS

- 5.1 Internal Audit have assessed the risks facing systems in operation within each department taking account of revised structures and some fundamental changes to the way in which services are to be delivered in these areas, as well as external criticism of governance systems in operation and devised a risk-based audit plan based on this. A judgment has been made within the audit team of the relative weightings of each risk identified (based on a combination of the significance, nature and impact of each risk, and its likelihood), and this has served as a benchmark against which the audit input to each area has been assessed. Our assessment has also been informed by detailed discussions with Chief Officers and Members, examination of risk registers, plans and similar documents developed by each department and by participation in the development of risk management processes including on-going liaison with the Corporate Risk Manager.
- 5.2 Audit resources have been set aside for each department and service area to address the need to liaise with the senior management teams on a regular basis, to report our work to them, and to follow up and re-assess our findings as the actions previously agreed with management are implemented.
- 5.3 Key elements of the audit plans for each department are set out below.

Adult Social Services

- 5.4 The department continues to operate in a challenging environment where it is under pressure to examine the services it provides and those it commissions to deliver positive outcomes for service users in an efficient and effective manner within constrained resources. Our work will focus on a number of initiatives underway in the department to respond to these key pressures. They include the following, however it must be noted that discussions are still taking place with senior officers from both within the department and across the Council regarding systems to be audited:
- Care Quality Commission – monitoring and governance around the DASS Improvement Plan.
 - Safeguarding Adults
 - Personalisation
 - Risk Management
 - Performance
 - Inter Authority Payments
 - Residential, Nursing and Domiciliary Accredited Providers
 - Service User Finances
 - Income
- 5.5 Our planned work for 2012/13 amounts to **150** days.

Children and Young People

5.6 The review of Schools is to be undertaken via two strategies. Firstly, by completing full audit reviews of the controls at a sample of schools assessed as “high risk” following an evaluation exercise utilising key risk factors. Secondly, important cross-cutting themes will be reviewed across a number of schools so as to enable more timely assurances to be provided on controls in key systems, such as Payroll and Personnel, and Budget and Treasury Management.

5.7 Other work that will be scheduled includes the following:

- Schools Financial Value Standards
- Schools Transition to Academy Status
- Leaving Care
- Safeguarding Children
- Foster Care
- Free School Meals

5.8 Our planned work for 2012/13 for the department amounts to **230** days.

Technical Services

5.9 Audit work currently scheduled within the department includes the following, however it must be noted that discussions are still ongoing with management across the Council regarding specific risks and the requirement for individual audits to be undertaken in those areas:

- Road Safety
- Health and Safety
- Business Continuity
- Emergency Planning
- Highways
- Performance
- Transport Planning
- Financial Procedures
- Leisure Services Income

5.10 We have allocated **108** days to carry out our planned work for 2012/13.

Regeneration

5.11 Audit work currently scheduled within the department includes the following, however discussions are still ongoing with management across the Council

regarding specific risks and the requirement for individual audits to be undertaken in those areas:

- European Social Fund
- Grants – Control and Coordination
- Grants – end to end process review
- Local Business Grants

5.12 At this stage **70** days have been allocated within the audit plan for this service.

Law, HR and Asset Management

5.13 Some of the key risks identified in this area of service delivery are predominantly associated with systems that are identified as being of a corporate or common nature. Work identified in the audit plan for 2012/13 to evaluate the efficiency and effectiveness of arrangements in place have been identified at Section 6 of this report and include such things as Absence Management and HR Self Service.

5.14 Audit work currently scheduled within the department includes the following, however discussions are still ongoing with management across the Council regarding specific risks and the requirement for individual audits to be undertaken in those areas:

- Payroll
- Conflicts/Declarations of Interest
- Performance Management
- Asset Management
- Carbon Reduction
- Council Policies and Procedures

5.15 Our planned coverage for 2012/13 amounts to **100** days.

Finance Department

5.16 Our work in this department during the year will continue to focus predominantly on audits of the key financial systems. More detail can be found regarding scheduled work in this area at Section 6 of this report. In addition to this, a number of audits are scheduled to evaluate the controls in operation across other services currently managed by the department that present a risk to the organisation, for example Information Management which includes Records Management and Freedom of Information systems.

5.17 Additional work in this area is identified:

- VAT Compliance
- Capital Investment Programme

- Accounts Write Offs
- One Stop Shops/Library Mergers.

Pensions

5.18 The Pension Fund presents significant risks to the organisation due to the very complex, high profile nature of the work undertaken and the significant monetary value of the fund. Our work in 2012/13 will continue to focus on three distinct areas:

- Governance of the Pension Fund;
- Management of the fund's assets; and
- Pension's Administration and Payroll – processes and systems.

5.19 Our planned coverage for 2012/13 amounts to **100** days.

6. CORPORATE CONTROLS

6.1 The Council's work is underpinned by controls that are operated in common across the whole organisation. We have discussed what other corporate or common controls exist to manage the Council's key risks with the Director of Finance, the Members and Chief Officers during the course of our planning process.

6.2 The audit plan therefore includes provision for **1079** days on corporate or common controls, broken down as follows:

Financial Control Systems

6.3 Financial control is a key element of the Council's overall control environment. Therefore audits of the core financial systems under-pinning the operations of the Council are included in the Audit Plan. To comply with the International Financial Reporting Standards (IFRS), we have identified the core financial systems and agreed them both with the Director of Finance and the Audit Commission. They include

- Main Financial Information systems,
- Payroll,
- Payments,
- General Ledger and Accounting Arrangements,
- Cash Collection and Income Control,
- Treasury Management,
- Housing Benefits,
- Revenue systems i.e. Council Tax, Business Rates, Sundry Debtors.

Reviews of all these systems have been designed to include specific work on the risks associated with non compliance with the International Auditing Standards and the centralisation of Revenue functions within the Finance Department.

6.4 We plan to continue to audit each system from the corporate centre to individual services and back to ensure that we address each system as a whole. This approach, agreed with the Audit Commission will allow them to place more reliance on our work both as part of their assessment of the Council's overall risk and control environment, and to obtain audit evidence over the systems by which the Council's financial reports are generated.

6.5 The plan includes **400** days to cover the Council's key financial systems, including work on centrally operated controls and those operated within departments, and work using computer assisted audit techniques to test the data processed through these systems.

ICT Systems and Controls

6.6 The plan includes **300** days on the key corporate ICT and information systems and, together with our work on the financial systems; these areas will

provide the core assurance required by the Director of Finance as the Section 151 Officer.

- 6.7 In the light of ongoing national government initiatives, such as the Government ICT Strategy and the Protection of Freedoms Bill, we will continue to advise on the controls being developed for the protection of personal and sensitive information that is transferred or shared with bodies both within and outside of the Council.
- 6.8 Changes in departmental structures and roles & responsibilities, resulting from the severance exercises may have exposed ICT systems to significantly increased risks in some areas. We will review the control environment to ensure that it remains robust and effective and that where controls are dramatically weakened appropriate actions including compensating controls are implemented to negate the threat presented.
- 6.9 Other work scheduled in this area to date includes:
- Information Assurance and Governance
 - Virtualisation
 - Information Assets
 - Departmental ICT Systems
 - Disaster Recovery
 - Firewall

Commissioning and Procurement

- 6.10 To provide services which meet the needs of the people of Wirral, and develop improved outcomes cost effectively, it is essential that the Council has effective procurement arrangements. We intend to review the effectiveness of the current arrangements operated within the central function and in departments, specifically identifying areas of good practice which can be shared across other service areas. We will also provide advice and guidance on the control environment to any teams established to develop and improve the service utilising the latest technology.

Contracting

- 6.11 The management and delivery of major works contracts present a significant risk to the Council and consequently we plan to undertake a significant amount of work in this area during the year. The focus of this work will be on the scrutiny of final amounts paid to contractors for a sample of projects evaluating the evidence trail for any significant variances from the original contracted total and for compliance with the Council's Constitution.

Partnerships

- 6.12 Work will be undertaken during the year to evaluate the governance of partnerships across the Council, examining contract agreements with partners including those of a third party arms length nature, looking specifically at the delivery of agreed outcomes, monitoring targets and reporting lines and all of the financial aspects.

Constitution

- 6.13 Further work will be undertaken to evaluate key elements of the Council's Constitution to ensure that they remain compliant with current best professional practice and fitness for purpose.

Human Resources Systems and Controls

- 6.14 One of the Council's priorities is to further reduce working days lost due to sickness absence and this continues to be closely monitored at the highest levels, especially in the current environment. With this in mind, we intend to provide assurance over the adequacy and effectiveness of the corporate absence management system. This will involve reviewing the consistency with which policy has been implemented throughout departments, and we will also consider the development of the electronic management system, paying particular attention to the accuracy and timeliness of management information reports which ultimately feed into key performance information for the Council.
- 6.15 Discussions are currently ongoing with Chief Officers regarding work that will be conducted in this area of operations; however a number of systems have been identified in relation to a number of key corporate initiatives that will require audit input. These include:
- HR Self Service
 - Workforce Planning
 - Severance

- 6.16 Our plan includes **30** days to address this work.

Controls to Manage the Risk of Fraud

- 6.17 During 2012/2013 significant progress was made with regard to the development of the Counter Fraud Team as a corporate resource to deter fraud.
- 6.18 A further exercise is to be completed to raise the awareness of Wirral Council employees to fraud. Utilising a CIPFA Fraud evaluation diagnostic, the exercise should continue to raise staff awareness to the threat of fraud, identify the existing policies and procedures which Wirral Council has in its armoury to fight fraud whilst also identifying training needs amongst those involved in the exercise.
- 6.19 Key areas included in the Audit Plan to address issues raised include the following initiatives that will be delivered during the year:
- Implementing Fraud Awareness Training to ensure that all Council staff are better prepared to identify potential frauds and are aware of what actions are required by them to reduce the risk of fraud; and following potential identification, the correct reporting procedures to follow,
 - Continuing to promote a counter fraud culture amongst all Council staff to prevent potential opportunities for fraud from arising. and ensuring that appropriate policies and procedures are either in place or developed to deter the would be fraudster. This will be undertaken through

attendance at team and management meetings, circulating fraud newsletters, utilising the Intranet, and providing ongoing best practice advice and guidance in a variety of different ways throughout the year.

- 6.20 Other work identified in the Counter Fraud section of the Audit Plan is concerned with detecting fraud, for example through the use of audits of the following systems where detailed testing and scrutiny will be conducted utilising Computer Aided Auditing Techniques to examine and test 100% of the output for potential frauds:
- Payroll
 - Creditors
 - Debtors
 - Pensions
 - Travel and Expenses
 - Gifts and Hospitality
 - Car Mileage
 - Corporate Credit Cards
 - Mobile Phone Systems
 - Non Executive Directors
 - Employee Vetting
- 6.21 The Counter Fraud Team is also responsible for managing the Audit Commission's National Fraud Initiative. This is effectively a large-scale programme of computer assisted audit techniques undertaken nationally, which generates a variety of indications of potential irregularities that are investigated and appropriate actions taken.
- 6.22 Legislation to combat fraud and corruption such as the Bribery and Money Laundering Acts have recently been introduced and Local Authorities are required to demonstrate compliance through the introduction of various policies, procedures and working practices not previously required. The Internal Audit service plans to undertake some work in this area during 2012/13 to evaluate progress made by the Council to comply with legislative requirements. We also intend to work with officers, providing training in key areas to ensure compliance with the law.
- 6.23 In addition, all potential frauds against the Council will be investigated by the team and following this appropriate advice and guidance provided to managers and officers to enable them to implement improved fraud prevention and detection systems.
- 6.24 We have allocated **300** days for this work.

7. OTHER AREAS INCLUDED WITHIN THE AUDIT PLAN

- 7.1 An allocation of **100** days has been made for contingencies to be utilised during the year to provide additional support to those areas of the organisation identified as presenting significant risks and having, due to circumstance, not been previously considered during the planning process.
- 7.2 Another **50** days have been set aside to cover other management and tasks in support of the Internal Audit service to the Council, such as:
- Liaison with departmental management teams, the Chief Executive and the Chair of the Audit and Risk Management Committee,
 - Liaison with the Audit Commission;
 - Attendance, support, and reporting to the Audit and Risk Management Committee as required;
 - Supporting Service Managers.
- 7.3 A further **200** days have been allocated to evaluate progress made to address issues identified during earlier audit reviews within all individual service delivery areas and report to Committee any significant issues identified.

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

13 MARCH 2012

SUBJECT:	ANNUAL GOVERNANCE STATEMENT (AGS) 2011/12
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR JEFF GREEN
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2003 (amended 2006 and 2011).
- 1.2 This report explains the requirement for the Authority to produce the Annual Governance Statement declaring the degree to which it meets the Governance Framework.
- 1.3 Attached at Appendix A is a draft Annual Governance Statement for 2011/12.

2.0 RECOMMENDATION

- 2.1 That subject to: any comments from this Committee; any material changes to the control environment and corporate governance arrangements of the Council between now and the end of the financial year (31 March 2012); the Annual Governance Statement for 2011/12 is agreed and appended to the Statement of Accounts 2011/12.

3.0 REASON FOR RECOMMENDATION

- 3.1 The production of the Annual Governance Statement is necessary in order to meet fully the statutory requirements of Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006 and 2011).

4.0 BACKGROUND AND KEY ISSUES

4.1 Regulatory Framework

- 4.1.1 Regulation 4 of the Accounts and Audit Regulations 2003 required councils to review the “effectiveness of their system of internal control” and to publish a Statement on Internal Control (SIC) with the Financial Statements of the Local Authority each year. It also requires the findings of the review to be considered by a Committee of the Council.

4.1.2 The Accounts and Audit Regulations 2003 were amended in 2006, and CIPFA/SOLACE produced the Delivering Good Governance in Local Government Framework (“the Framework”). This required the production and publication of an Annual Governance Statement by the Council to replace and subsume the Statement on Internal Control from 2008.

4.2 Governance

4.2.1 Governance is about how the Authority ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes and controls, and cultures and values, by which the Authority is directed and controlled and through which it accounts to, engages with, and, where appropriate leads the community (Source: CIPFA/SOLACE Delivering Good Governance in Local Government).

4.2.2 Effective governance arrangements ensure that:

- Authority policies are implemented in practice;
- Authority values and ethical standards are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Financial statements and other published information are accurate and reliable;
- Human, financial and other resources are managed efficiently and effectively;
- High-quality services are delivered efficiently and effectively.

4.2.3 The Framework identifies six core principles of good governance:

1. Focusing on the purpose of the Authority and on the outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of Members and officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust accountability.

4.2.4 Taking account of the above, local authorities are expected to undertake the following:

- Review their existing governance arrangements against the Framework
- Maintain an up to date local Code of Governance, including arrangements for ensuring its ongoing application and effectiveness
- Prepare an Annual Governance Statement to report publicly on the extent to which they comply with the principles.

4.3 Process

4.3.1 Within the Council there is an existing, well established process for the review of the control system and preparation of the AGS, managed by Internal Audit and reported to the Corporate Governance Group and the Audit and Risk Management Committee.

4.3.2 Whilst Internal Audit is responsible for undertaking the assurance work, it is important to recognise that this is not a document owned by the audit function but an Authority statement on the effectiveness of its governance processes.

4.3.3 The process includes:

- a. Reviewing key governance processes, covering such areas as: adequacy of performance management; key HR functions and policies; and risk management.
- b. Reviewing reports completed by external review agencies, so as to ensure that key findings are considered for inclusion in the Annual Governance Statement and that appropriate actions have been taken or are planned to address any issues highlighted.
- c. Requesting Chief Officers and Managers to review and comment upon their areas of responsibility so as to provide assurance that key governance processes are robust.

5.0 RELEVANT RISKS

5.1 Potential failure of the Council to comply with the statutory requirement of Regulation 4 of the Accounts and Audit Regulations 2003 (Amended 2006 and 2011).

5.2 Failure to manage risks identified may prejudice the achievement of corporate objectives.

6.0 OTHER OPTIONS CONSIDERED

6.1 No other options considered.

7.0 CONSULTATION

7.1 Members of the Corporate Governance Group and the Executive Team have been involved in the development of the Annual Governance Statement.

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.

FNCE/55/12

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

APPENDICES

Appendix A – Draft Annual Governance Statement 2011/12

REFERENCE MATERIAL

- CIPFA The Annual Governance Statement: Meeting the Requirements of the Accounts and Audit Regulations 2003, incorporating Accounts and Audit (Amendment) (England) Regulations 2006: A Rough Guide for Practitioners (2007) (the “Rough Guide”).
- CIPFA/SOLACE Delivering Good Governance in Local Government : Guidance Note and Framework (2007)
- Accounts and Audit Regulations (England) 2006.
- CIPFA Code of Practice for Internal Audit in Local Government 2006.
- CIPFA The Role of the Chief Financial Officer in Local Government 2010.
- CIPFA Application Note to Delivering Good Governance in Local Government: A Framework 2010.
- AKA Report

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
The Annual Governance Statement is reported to Audit and Risk Management Committee on an annual basis, prior to it being submitted to Cabinet for consideration and approval as part of the Statement of Accounts.	

1. Scope of Responsibility

- 1.1 Wirral Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Wirral Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Wirral Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Wirral Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the code is on our website at www.wirral.gov.uk. This statement explains how Wirral Council meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2006 (amended 2011) in relation to the publication of a statement on internal control.
- 1.4 Following an independent report, undertaken and produced by AKA (the trading name of Anna Klonowski Associates Ltd.) during the year, the Council reported and acknowledged that serious weaknesses within its corporate governance framework exist. As such action plans have been put in place and steps have been taken to begin addressing the recommendations outlined within the report. (This is highlighted within section 5.1.1 of this report)

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It can not eliminate all risk of not fully achieving policies, aims and objectives, and therefore provides a reasonable, rather than absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Wirral Council policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

3. The Governance Framework

3.1 The CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' lays down principles of governance best practice. Key elements of the systems and processes which comprise the Council's governance arrangements are described in the following paragraphs. Our assessment is based upon the CIPFA/SOLACE guidance.

3.2 Developing and Communicating our Purpose and Vision

- The development of the Authority's purpose and vision is undertaken through corporate and business planning, linked to wider community planning for Wirral.
- Four key themes make up and provide the foundation for the Corporate Plan:
Your FAMILY
Your NEIGHBOURHOOD
Your ECONOMY
Your COUNCIL
- The Leader of the Council has changed on a number of occasions during the financial year. Initially Councillor Jeff Green (Conservative) led the Council; however, following the local elections in May 2011, he was replaced by Councillor Steve Foulkes (Labour). The leadership then reverted to Councillor Jeff Green following a vote of no confidence in February 2012. It should be noted that no one party has a majority rule within Wirral.
- Following the recent change in leadership the proposed Draft Corporate Plan 2012/13 has been rejected and Council has instructed officers to continue to work to the goals and targets set out in the existing Corporate Plan. Council has also requested that Officers report back to Cabinet on any adjustments that have been made to Departmental plans predicated on the now rejected Draft Corporate Plan.
Council further instructed officers to prepare a report that sets out a process and timetable that will deliver an updated Plan within 6 months that:
 - Captures any work done to date, particularly focussing on comments provided by Overview and Scrutiny Committees and partner organisations.
 - Leads to the preparation of an updated draft plan by the middle of May.
 - Builds in a 6 week policy public consultation period.
 - Reports back to Council at the end of August.
 - Informs the Budget Planning process and enables publication of a draft Budget to December Council.

- Wirral's Local Strategic Partnership (LSP) Executive Board is in place to lead and develop the vision for the Borough of Wirral set out in the Sustainable Community Strategy.
The LSP Executive Board provides strategic guidance to partner organisations and relevant partnerships operating within Wirral's Strategic Partnership and works collaboratively to remove any barriers that hinder or otherwise prevent the vision for the Borough of Wirral being achieved.

3.3 Ensuring that users receive a high quality of service

- The Council's Customer Access Strategy, which was updated during 2011, provides the direction and focus for all services to work together in achieving cost-effective and excellent services for the customer through specific actions and projects. The overall objectives of the Strategy are to improve the quality of life of Wirral people, working with our partners to deliver the best services we can, in the most efficient and effective way. It directly supports the Corporate Plan's aim of engaging and empowering individuals and communities in the design and delivery of council services.
- The Council has an objective performance management framework. The system is driven by the Corporate Plan, which focuses attention on corporate priorities. This is cascaded through departmental service plans, individual employee key issue exchanges and action plans. It is clearly laid out in the annual service and financial planning and performance management cycle.
- All performance indicators and projects contained within departmental plans are reported to the relevant scrutiny committee.

3.4 Measuring performance and value for money

- The Council has in place a Medium Term Financial Strategy, updated annually to support the medium term aims of the Corporate Plan. This ensures the economical, efficient and effective use of resources, and secures continuous improvement in the way in which its functions are exercised.
- A clear budget timetable is in place with regular monitoring meetings and liaison with the external auditors regarding the publication of the Council's accounts.

3.5 Roles and Responsibilities

- Policy and decision making is facilitated via a Cabinet Structure with Cabinet Member portfolios.
- Roles and responsibilities of the Executive members and all councillors, along with remuneration details, are clearly defined in the Constitution.

- Roles and responsibilities of all senior officers, along with remuneration details, are documented in contracts of employment and job specifications.

3.6 Member/Officer Relations

- The responsibility of the Chief Executive for all aspects of operational management is clearly stated in the Constitution.
- Protocol on Member and Officer relations is clearly stated within the Codes and Protocols of the Constitution.
- The Constitution includes the delegation of functions to individual cabinet members.
- A full Scheme of Delegation is included in the Constitution.

3.7 Partnership Arrangements

- Clear terms of reference are available for specific partnerships setting out the roles and responsibilities of the partnership board along with its purpose.
- A Partnership Framework and Toolkit has been developed and approved, however, it is yet to be publicised throughout the Authority.
- The Council has reviewed and updated its local Code of Corporate Governance detailing how the Authority complies with the principles of good governance as part of the work programme agreed by Cabinet following the AKA report. The amended Code has been agreed by the Corporate Governance Committee and its adoption has been recommended to Council.

3.8 Standards of Conduct

- The Standards Committee has a number of roles and functions, which include promoting and maintaining high standards of conduct by councillors and employees.
- Steps are being taken to ensure appropriate action is taken to ensure the Council is in a position to discharge its duties and responsibilities in respect of Member standards as from 1 July 2012 arising under the Localism Act.
- There is a corporate conflict of interest form for completion by Members and Officers. Members' Conflict of Interest forms are available to the public online which adds to transparency.
- Financial Regulations and Contract Procedure Rules are contained within the Council Constitution.

3.9 Demonstrating the Values of Good Governance

- The transparency of the decision making process is served through the publication of agendas and minutes of all Council Committees, other than exempt items.
- The Chair of the Standards Committee is an independent member of the public. The number of independent members is three which meets the statutory requirement for 25% of the Committee to be independent.
- Council call-in procedure allows members to 'call-in' decisions made by committees of the Council for further consideration by the relevant review committee.

3.10 Transparency of the Decision Making Process

- The Cabinet takes the Council's key decisions, but these are then subject to scrutiny.
- The public has access to all meeting minutes with the exception of exempt items.
- An Audit and Risk Management Committee provides independent assurance on risk management and control and the effectiveness of the arrangements the Council has for these matters.
- A corporate complaints procedure is in place.
- Codes of Conduct for Members and employees are in place.

3.11 Quality of Reporting

- All committee reports require the following sections to be completed: Implications for voluntary, community and faith groups / Resource implications: Financial; IT; Staffing; and Assets / Legal implications / Equalities implications / Carbon reduction implications / Planning and community safety implications.
- For ease of reference details of the 'Subject History' (for the last 3 years) are also required.

3.12 Risk Management

- A Corporate Risk Register is in place, which is monitored and reviewed on an ongoing basis, and the Authority has in place a Risk and Insurance Team. The Executive Team also review the Register on a regular basis.
- The Council has systems for identifying and evaluating all significant corporate risks, developed and maintained with the participation of those involved in planning and delivering services.

- The Council's Risk Management Strategy was updated in 2011. This document explains the methodology for the management of risk throughout the Authority.
- A Confidential Reporting (Whistleblowing) Policy is in place along with a Grievance procedure for employees.

3.13 Use of legal powers to benefit citizens and communities

- Scheme of Delegation of functions to Officers, included within the Council Constitution, identifies the legal powers of officers.
- The Director of Law, HR & Asset Management is authorised to institute, defend or participate in any legal proceedings in any case where such action is necessary to give effect to decisions of the Council or in any case where he considers that such action is necessary to protect the Council's interests.

3.14 Development of members and officers

- All members receive an induction and attend a specifically organised event to introduce them to the Council and its departments.
- All employees are invited to a corporate and departmental induction.
- A 'Skills for Wirral' training and development programme is available tailored to both managers and employees.
There are also currently three 'e-learning' courses which are mandatory for all staff: Equality and Diversity; Stress Awareness; and Fraud Awareness. In addition to these, Attendance management e-learning is also mandatory for all managers.

3.15 Developing the capacity of people with governance responsibilities

- The Audit and Risk Management Committee undertakes an annual self assessment exercise, utilising CIPFA's checklist, in order to assess its role and effectiveness.
- The Key Issues Exchange (KIE) process for all Council employees helps to highlight the requirement to develop skills and improve performance. It should be noted that the proposed performance appraisal system is in the process of being reviewed.

3.16 Encouraging involvement in the membership of the authority

- The Council engages with communities through eleven Area Forums, providing an opportunity to shape services in their neighbourhood. Consultation has recently taken place to enable residents to influence and contribute to Neighbourhood Plans.

- There are a number of different ways in which young people can have their voices heard and make a difference to the communities in which they live:
Executive Youth Board
Youth Voice Conference and Youth Parliament
United Kingdom Youth Parliament (UKYP)
Youth Forums
- Wirral's Older People's Parliament provides a forum for older people to voice their opinions, inform the Council and influence its decisions. It is made up of 44 elected members, four from each of Wirral's eleven Area Forums.

3.17 Stakeholder Engagement and Scrutiny

- Wirral's Local Strategic Partnership (LSP) Executive Board is in place to lead and develop the vision for the Borough of Wirral set out in the Sustainable Community Strategy.
- In addition to the eleven area forums, which provide a means to engage with communities, exercises such as the 'You Choose' budget simulator have taken place to engage Wirral citizens. The exercise had the second highest number of responses in the country, and an outcome from which was confirmation there will be no increase in Council Tax Bills for the next financial year.

3.18 Public dialogue and accountability

- The Authority's commitment to openness can be demonstrated in, for example, the Constitution, the approach to the Freedom of Information Act, the Customer Access Strategy, the availability of committee minutes to the public apart from exempt areas, and the Area Forums that give local people a voice.
- Wirral Council's Equality Impact Assessment (EIA) toolkit has been updated to reflect the legal requirements under the Public Sector Equality Duty, which is part of the Equality Act 2010. As part of the Equality Duty 2010, which came into full force in April 2011, the Council has a legal requirement to give due regard to the impact of its policies and decisions on people who share protected characteristics (race, gender, disability, sexual orientation, age, religion / belief, gender re-assignment, marriage / civil partnership, pregnancy / maternity).
- The use of the electronic tendering portal has been firmly established across the authority and contracts are being advertised via this system.
- An Annual Performance and Financial report is produced following the end of the financial year.

3.19 Responsibility to staff

- The Consultation and Negotiation Policy dealing with the role of unions; One Brief; the Staff Suggestion Scheme; and the One Council magazine; all aim to promote open communication processes.
- The Chief Executive has met with a number of staff via departmental visits.

3.20 Role of the Chief Financial Officer

- The financial management arrangements in place comply with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The amended Wirral Code of Corporate Governance has been updated to reflect these arrangements and has been agreed by the Corporate Governance Committee and its adoption has been recommended to Council.

4. Review of Effectiveness

4.1 Introduction

Wirral Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report, and by comments made by the external auditors and other review agencies and inspectorates. Key controls in the governance review process are identified in the following paragraphs.

4.2 Corporate Review

The Council's Corporate Governance Group (CGG) has managed the development of the Annual Governance Statement, in consultation with the Council's Chief Internal Auditor. CGG is chaired by the Chief Executive, and comprises a range of key officers from across the Authority.

4.3 Statutory Officer Responsibilities

- 4.3.1 The Council Constitution sets out the responsibilities of both members and senior managers. Roles and responsibilities have been identified and allocated for the following three statutory posts:

Head of Paid Service:	Chief Executive
Chief Financial Officer:	Director of Finance
Monitoring Officer:	Director of Law, HR and Asset Management

- 4.3.2 The Council has designated the Director of Law, HR and Asset Management as the Monitoring Officer. The Monitoring Officer has a duty to monitor and

review the operation of the Constitution to ensure its aims and principles operate effectively and an annual report is submitted to Cabinet.

4.3.3 The Council has designated the Director of Finance as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The financial management of the Authority is conducted in accordance with the Financial Procedure Rules set out in the Constitution.

4.3.4 The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the CIPFA/Solace Delivering Good Governance Framework, has developed a local Code of Corporate Governance and therefore is working towards the National Good Governance Standard.

4.4 Audit and Risk Management Committee

4.4.1 The Council has an Audit and Risk Management Committee, which oversees various financial matters, the terms of reference for which comply with latest CIPFA guidelines.

4.4.2 ARMC plays a fundamental role in underpinning the governance of the Authority. The Chief Internal Auditor (CIA) reports independently to ARMC, and, in addition to considering the CIA's Annual Report, the committee produces its own Annual Report demonstrating how it (the ARMC) has fulfilled its terms of reference and improved the Council's governance and control environments.

4.5 Standards Committee

The Council has a Standards Committee, which deals with matters relating to the conduct of Councillors, employees, complaints and probity issues, the terms of reference for which comply with latest guidelines from the Standards Board for England.

4.6 Internal Control

The review of the effectiveness of the system of internal control reflects best practice guidance identified by the CIPFA Finance Advisory Network and is informed by:

- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny Committee reports.
- the work undertaken by Wirral Internal Audit during the year.
- the work undertaken by the external auditor reported in their Annual Audit and Inspection Letter.
- Other work undertaken by independent inspection bodies.

4.7 Internal Audit

4.7.1 The arrangements for the provision of internal audit are contained within the Financial Regulations included within the Constitution. The Director of

Finance is responsible for ensuring that there is an adequate and effective system of internal audit of the accounting and other systems of internal control as required by the Accounts and Audit Regulations 2006 (amended 2011). The internal audit provision is managed by the Chief Internal Auditor and, as verified by the Audit Commission, operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.

4.7.2 From the work undertaken in 2011/12 the Chief Internal Auditor was able to provide 'reasonable assurance' on the key areas of risk management, corporate governance and financial control, subject to the timely implementation of a number of actions to address outstanding issues of a governance nature.

4.8 External Audit

Wirral Internal Audit is subject to regular inspection by the external auditor. In its most recent review the Audit Commission's overall conclusion was that Internal Audit generally met the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Audit Commission through its inspectorate functions also reviews compliance with policies, procedures, laws and regulations within their remit.

5. Significant Governance Issues

5.1 Summary

Internal Audit has concluded that, based on the work undertaken, and subject to the timely implementation of a number of actions to address outstanding issues of a governance nature, overall throughout the Council there are sound systems of internal control in place although non-compliance is an issue. However, improvements in the internal control environment can always be made and reports have been produced and discussed with Chief Officers and Members during the year that recommend appropriate actions to be taken within an agreed timescale to address weaknesses and improve systems of control in key areas.

The following areas are highlighted:

5.1.1 Governance – Independent Report

A report by AKA (the trading name of Anna Klonowski Associates Ltd.), entitled '*Wirral Borough Council's Corporate Governance Arrangements: Refresh and Renew*', was presented to Cabinet on 22 September 2011, and identified examples of Corporate Governance failures/weaknesses:

- a) Inadequate systems to manage performance and spot failures.
- b) Being unable to understand and implement fees and charges properly.
- c) Not being able to commission, manage and, where necessary, dismiss failing contractors and suppliers.
- d) Shortfalls in the way the Council evaluates the impact of its policies both prior to execution and in response to evidence about the impact.

- e) A reluctance to listen to and support Wirral Council staff when they have tried to raise and resolve issues on the Council's behalf.
- f) The reluctance of some staff to speak out because of the perceived impact this might have on them and/or their career at Wirral.

It was stated that failure to address the issues detailed in The Corporate Governance Report had led to:

- a) A Public Interest Report,
- b) Two reports under the Public Interest Disclosure Act (PIDA),
- c) A "red flag" raised by the Audit Commission in relation to Adult Social Services Data,
- d) A Care Quality Commission (CQC) Report relating to issues raised by the "red flag",
- e) Concerns raised by the Council's external auditors, and
- f) A number of issues raised by the Director of Finance in the Council's own corporate governance statements.

It should also be noted that a further Audit Commission report is anticipated to be issued in relation to the PIDA report on the Highways and Engineering Services Procurement Exercise (HESPE)

AKA recommended a number of actions. In response, a Corporate Governance Committee (with executive powers) was established, a team created and a comprehensive work programme, to address a range of priority areas of improvement in relation to corporate governance was developed. It was anticipated that this group would operate on a short term basis (it was decommissioned following its meeting on 8 February 2012) and would provide the appropriate building blocks for a wider Improvement Plan.

The Council is working in partnership with the Local Government Association (LGA) and has established an Improvement Board (without executive powers), chaired independently by the LGA to continue and progress its work (the Board first met on 3 February 2012 and is due to operate in the longer term – two years). The initial work programme was based around a number of 'Key Lines Of Enquiry' (KLOEs) as follows:

KLOE: 1 - Alignment of Corporate Planning & Budget Process

To develop and implement a process which delivers a legal budget to meet Council Objectives by March 2012.

KLOE: 2 - Review Code of Corporate Governance

- To develop and implement a Code of Corporate Governance which is fit for purpose – enforceable, enforced, communicated, understood and which underpins the workings of a modern organisation – by April 2012.
- Ensure issues raised in the Annual Governance Statement are addressed within this process.
- From April 2012 develop and implement a review process.

KLOE: 3 - Review of relationship between devolved and centralised functions

To identify and implement a model which defines roles, responsibilities and accountabilities of functions which are provided corporately and functions which are devolved. The revised model, aiming at consistency and flexibility, will be in place by April 2012.

KLOE: 4 - Review of Internal Audit

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.

KLOE: 5 - Review of Policy

To identify a model for a Council Policy Unit and take the necessary steps for implementation by April 2012.

KLOE: 6 - Review of Committee Services

- To implement transparent decision making based on appropriate information, in a timely manner.
- To provide the most appropriate committee services support to the democratic process of the Council.

KLOE: 7 - Review of Performance

- Develop, implement and embed an effective, measurable corporate performance management process and culture which integrates service and financial outcomes, is consistent with corporate objectives, and which enables responsible Members and officers to be held to account.
- Identify and implement an effective corporate performance management framework which enables responsible Members and officers to be held to account.

KLOE: 8 - Review of Equalities

To ensure that the Council meets best practice in respect of equalities and diversity legislation, in all areas of activities including policy development, service delivery, community needs and recruitment.

KLOE: 9 - Fees & Charges

- To implement a comprehensive schedule of fees and charges for all appropriate Council services commensurate with law, the Council's Constitution, accepted best practice and Council objectives.
- To review the schedule on an annual basis.

KLOE: 10 - Member development and capacity

To ensure that elected Members:

- Understand the roles and responsibilities of Members and officers
- Are equipped to undertake their roles and responsibilities effectively; this includes as individual portfolio holders and as collective executive authority.

There were four additional areas identified in the Comprehensive Work Programme and these are to be the subject of further work from April 2012: KLOE 11 – Review of committee reports over the last 3 months. This is dependent upon work being undertaken around KLOE 6 (Review of Committee Services) and KLOE 2 (Review and refresh the ‘Code of Corporate Governance’) in order that the review may use the information and frameworks developed.

KLOE 12 – Review of Performance (Departmental). This is dependent on the development of KLOE 7 (Review of Performance - Corporate) and the Corporate Plan.

KLOE 13 – Change Team/Programme. This is dependent upon work currently being undertaken in KLOE 1 (Alignment of corporate planning and budget making process), KLOE 7 (Review of Performance - Corporate) and the development of the Corporate Plan.

KLOE 14 – How does the Council learn from past experience? This KLOE is dependent upon developing a better understanding of the new requirement for Self Regulation encompasses Self Assessment, Peer Challenge and Peer Review and links with KLOE 7 (Review of Performance).

5.1.2 Job Evaluation

The Council has partially completed the ‘Job Evaluation’ Review and the Council must ensure the review it is completed during the forthcoming financial year to fulfil the National Joint Council (NJC) Agreement and the local collective agreement agreed via ballot in July 2008. In 1997 the Single Status Agreement set out a framework, which included a National Joint Council (NJC) Job Evaluation scheme that would allow local authorities to ‘harmonise terms and conditions for manual workers and APT (Administrative, Professional and Technical) staff and develop a pay and grading structure that is fair, transparent and equal’.

5.1.3 Council Policies

It is imperative the ownership of all the Council’s core policies (e.g. Conflicts of Interest and Gifts and Hospitality) are confirmed and documented so as to ensure transparency, accountability and ease of resolution regarding any queries. This should also help to ensure policies are kept up to date, remain fit for purpose and are disseminated accordingly.

5.1.4 I-procurement System

The i-procurement system must be utilised and adherence to the Contract Procedure Rules ensured across the Council so as to assist in streamlining orders, securing the most economically advantageous contracts, whilst being undertaken in an open and transparent manner and reducing the possibility of legal challenge.

5.1.5 Council Constitution

A clear timetable must be established, and adhered to, for reviewing and updating the Constitution, so as to ensure the document is kept relevant and

up to date and thus provides the appropriate and necessary rules and guidance to officers and Members when required.

5.1.6 Performance Management System

It will be essential that the replacement performance management system is utilised across the Authority for all corporate and service plan indicators and projects to enable objective assessment of the Council's performance at a corporate level.

5.1.7 Information Management

Information assurance and information governance must continue to be strengthened across the Authority, ensuring that roles and responsibilities are clearly understood and performed consistently.

5.1.8 Risk Management Responsibilities

Clearly defined responsibilities for risk management at departmental level must be established, with ongoing assessment and monitoring co-ordinated through the Risk And Insurance Team.

5.1.9 Benchmarking

The use of benchmarking across Council services with peer groups should be undertaken - it is anticipated this will form part of the wider 'Review of Performance' (KLOE: 7).

5.1.10 Partnership Register

The Partnership Register requires updating to ensure it is relevant and fit for purpose, and must be reviewed on a continuous basis, with the effectiveness of the Partnership Framework and Toolkit appraised.

5.1.11 Whistleblowing Policy

The Whistleblowing Policy and the Grievance Policy should be subject to continuous review and communication across the Council and relevant partners.

5.1.12 Suspensions Details

Suspensions details should be incorporated within the proposed Employee Relations report every quarter, including timescales and current position.

5.1.13 Member/Officer Training

Policies and procedures for member and officer training and development must be prioritised ensuring needs assessments are undertaken and addressed where appropriate, thus helping to enhance the challenge and scrutiny functions.

6. Conclusion

We have considered assurance from a range of sources including the work of Audit and Risk Management Committee, Internal Audit and external agencies. Significant issues of Governance were reported during the year by an independent review, outlined above.

We propose over the coming year to take all necessary steps to ensure that all of the above matters are addressed as appropriate to strengthen our governance arrangements. A significant step is the creation of an Improvement Board in partnership with the LGA. Many improvement actions represent work already in progress. We are satisfied that these steps will address the need for improvements which were identified and will monitor their implementation.

Signed: _____ Date: _____

Chief Executive

Signed: _____ Date: _____

Leader of the Council

This page is intentionally left blank

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

13 MARCH 2012

SUBJECT:	AUDIT AND RISK MANAGEMENT COMMITTEE SELF ASSESSMENT
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR TOM HARNEY
KEY DECISION ?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 To comply with best professional practice the Audit and Risk Management Committee is required to complete an annual evaluation of its role and effectiveness as part of the systems of internal audit.
- 1.2 The CIPFA publication 'A Toolkit for Local Authority Audit Committees' recommends the use of a self assessment checklist to achieve this task. The Chair has completed the checklist which is attached at Appendix 1.
- 1.3 Attached at Appendix 2 is a draft Action Plan developed following the exercise and identifying recommendations to improve the existing arrangements and address any risks. Implementation will be monitored by Internal Audit and an update report on this provided to a future meeting of this Committee.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 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.
- 2.2 One of the amended regulations impacts on the process for preparing the Statement of Internal Control (SIC) which is subsumed within the Annual Governance Statement (AGS) and relates specifically to the the systems of internal audit in operation. This is:-
 - Regulations require bodies to regularly review their systems of internal audit, and for the findings to be considered by a committee of the body, or by the body as a whole.
- 2.3 Advice from CIPFA includes the assertion that the "systems of internal audit" can be considered to include the role and effectiveness of the Audit Committee.

- 2.4 To assist Councils in this evaluation exercise CIPFA has provided a self assessment checklist and recommends that this be completed annually.
- 2.5. The Self Assessment Checklist has been completed by the Chair of this Committee and a draft action plan identifying areas for improvement completed. This is included as a separate item on the agenda for this Committee.

3.0 RELEVANT RISKS

- 3.1 Possible failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options considered.

5.0 CONSULTATION

- 5.1 Members of this Committee have been consulted throughout the process to complete the annual assessment and their views are reflected in the document attached at Appendix 1.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

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

- 7.1 There are none arising from this report.

8.0 LEGAL IMPLICATIONS

- 8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

- 9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(a) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

- 10.1 There are none arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 11.1 There are none arising from this report.

12.0 RECOMMENDATION

- 12.1 That the self assessment checklist and the draft action plan be considered and approved.

13.0 REASON FOR RECOMMENDATION

13.1 To comply with best practice identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

REPORT AUTHOR: Mark P Niblock
Deputy Chief Internal Auditor
telephone: 0151 666 3432
email: davegarry@wirral.gov.uk

APPENDICES

Audit and Risk Management Self Assessment Checklist
Self Assessment Action Plan

REFERENCE MATERIAL

CIPFA Publication 'A Toolkit for Local Authority Audit Committees'

SUBJECT HISTORY (last 3 years)

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

This page is intentionally left blank

Audit and Risk Management Committee

Self-Assessment Checklist

ESTABLISHMENT OPERATION AND DUTIES					
Role and Remit					
Priority	Issue	Yes	No	N/a	Comments/action
1	Does the audit committee have written terms of reference?	X			
1	Do the terms of reference cover the core functions of the audit committee as identified in the CIPFA guidance?	X			Possibly more detailed training required for Members regarding compliance with TOR. Action Plan Rec: 1
1	Are the terms of reference approved by the council and reviewed periodically?	X			TOR are approved by Council, however they have not been reviewed for a number of years. Action Plan Rec: 2
1	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?		X		There is scope to increase the authority of the Committee by increasing the profile and standing. Action Plan Rec: 3 Potential membership issues that require attention. Action Plan Rec: 4
1	Can the audit committee access other committees and full council as necessary?	X			
1	Does the authority's statement on internal control include a description of the audit committee's establishment and activities?	X			
2	Does the audit committee periodically assess its own effectiveness?	X			

Priority	Issue	Yes	No	N/a	Comments/action
2	Does the audit committee make a formal annual report on its work and performance during the year to full council?	X			
Membership, induction and training					
1	Has the membership of the audit committee been formally agreed and a quorum set?	X			
1	Is the chair independent of the executive function?	X			
1	Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risks management, accounting concepts and standards, and the regulatory regime?	X			Basic training is provided to the Chair and all Members however more specific training is required for the Chair in these areas. Action Plan Rec: 1
1	Are new audit committee members provided with an appropriate induction?		X		New ARM Members require appropriate induction that is specific to the needs of ARM. Action Plan Rec: 5
1	Have all members' skills and experiences been assessed and training given for identified gaps?		X		Skills assessment is required for all Members of ARM and appropriate training should be designed and delivered to address identified gaps. Action Plan Rec: 6
1	Has each member declared his or her business interests?	X			
2	Are members sufficiently independent of the other key committees of the council?	X	X		Partial compliance - consider undertaking an exercise to review independence of all ARM Members. Action Plan Rec: 4
Meetings					
1	Does the audit committee meet regularly?	X			Compliance – however there may be scope to consider the adequacy of current schedule of meetings. Action Plan Rec: 7
1	Do the terms of reference set out the frequency of meetings?		X		TOR should identify frequency and schedule of meetings. Action Plan Rec: 2

Priority	Issue	Yes	No	N/a	Comments/action
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	X			Due to the timing of the current Members mail drop papers are not always received in time to allow adequate preparation. Consideration should be given to introducing a second mid week mail drop for Members. Action Plan Rec: 8
1	Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	X			Partial compliance – consideration should be given to reviewing the adequacy of the current system for effectiveness. Action Plan Rec: 7
1	Are members attending meetings on a regular basis and if not, is appropriate action taken?	X			Not all Members regularly attend Committee briefings. Action Plan Rec: 9
1	Are meetings free and open without political influences being displayed?	X			Most of the time, may require further consideration. Action Plan Rec: 4
1	Does the authority's S151 officer or deputy attend all meetings?	X			
1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	X			Officers largely attend when requested however consideration should be given to the effectiveness of the current system and arrangements strengthened as appropriate. Action Plan Rec: 10
INTERNAL CONTROL					
1	Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of Int audit?	X			
1	Does the committee have responsibility for review and approval of the SIC and does it consider it separately from accounts?	X			

Priority	Issue	Yes	No	N/a	Comments/action
1	Does the audit committee consider how meaningful the SIC (AGS) is ?	X			There may be scope to provide Members with more detailed training in this area so that they can make more informed judgement. Action Plan Rec: 1
1	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	X			There may be scope to provide Members with more detailed training in this area so that they can make more informed judgement. Action Plan Rec: 1
1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	X			
1	Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"	X			
1	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	X			ARM receive regular reports on this from IA, however there may be scope for more detailed training for Members in this area. Action Plan Rec: 1
2	Does the audit committee review the authority's strategic risk register at least annually?	X			ARM receive reports on this, however there may be scope for more extensive training for Members in this area. Action Plan Rec: 1
2	Does the audit committee monitor how the authority assesses its risk?	X			ARM do receive reports on this, however there may be scope to improve arrangements in this area including the introduction of briefings/presentations by CO's regarding the preparation of departmental risk registers etc Action Plan Rec: 11
2	Do the audit committee's terms of reference include oversight of the risk management process?	X			

Priority	Issue	Yes	No	N/a	Comments/action
FINANCIAL REPORTING AND REGULATORY MATTERS					
1	Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	X			
1	Does the audit committee consider specifically: <ul style="list-style-type: none"> • the suitability of accounting policies and treatments • major judgements made • large write-offs • changes in accounting treatment • the reasonableness of accounting estimates the narrative aspects of reporting?	X			ARM receive reports on this however there may be scope to develop Members knowledge and understanding in this area through more targeted training. Action Plan Rec: 1
1	Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from audit?	X			
1	Does the audit committee review management's letter of representation?	X			
2	Does the audit committee annually review the accounting policies of the authority?	X			ARM receives reports on this however there may be scope to develop Members knowledge and understanding in this area through more targeted training. Action Plan Rec: 1
2	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts.?	X			ARM receives detailed reports on this however there may be scope to develop Members knowledge and understanding in this area through more targeted training. Action Plan Rec: 1
2	Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?		X		A more robust mechanism is required to ensure that Members are kept aware of developments in this area. Action Plan Rec: 12

Priority	Issue	Yes	No	N/a	Comments/action
INTERNAL AUDIT					
1	Does the audit committee approve, annually and in details, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	X			Compliance – However there is scope for more awareness training to be provided for Members in this area. Action Plan Rec: 1
1	Does internal audit have an appropriate reporting line to the audit committee?	X			
1	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	X			
1	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	X			
1	Does the audit committee hold periodic private discussions with the Head of Internal Audit?	X			
1	Is there appropriate cooperation between the internal and external auditors?	X			
1	Does the audit committee review the adequacy of internal audit staffing and other resources?	X			
1	Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal audit in Local Government in the United Kingdom?	X			There may be scope to provide the Members with more training in this area allowing them to make more effective judgements regarding compliance. Action Plan Rec: 1

Priority	Issue	Yes	No	N/a	Comments/action
2	Are internal audit performance measures monitored by the audit committee?	X			
2	Has the audit committee considered the information it wishes to receive from internal audit?	X			
EXTERNAL AUDIT					
1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	X			
1	Does the audit committee hold periodic private discussions with the external auditor?	X			
1	Does the audit committee review the external auditor's annual report to those charged with governance?	X			
1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	X			
1	Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	X			
1	Does the audit committee assess the performance of external audit?		X		Performance not currently evaluated, consideration should be given to the introduction of performance measures. Action Plan Rec: 13
1	Does the audit committee consider and approve the external audit fee?	X			

Priority	Issue	Yes	No	N/a	Comments/action
ADMINISTRATION					
Agenda Management					
1	Does the audit committee have a designated secretary from Committee/Member Services?	X			
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?		X		The current system should be reviewed for effectiveness including the consideration of a second mid week mail drop for Members. Action Plan Rec: 8
2	Are outline agendas planned one year ahead to cover issues on cyclical basis?	X			Compliance - outline agendas are planned in advance, however the Chair is not currently involved in this process and has no control over ARM agendas. Action Plan Rec: 14
2	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	X			
Papers					
1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	X			
2	Does the audit committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?	X			
Actions arising					
1	Are minutes prepared and circulated promptly to the appropriate people?	X			
1	Is a report on matters arising made and minuted at the audit committee's next meeting?	X			

Priority	Issue	Yes	No	N/a	Comments/action
1	Do action points indicate who is to perform what any by when?	X			

Completed By: Councillor Jim Crabtree
Facilitated By: M P Niblock, D A Garry.
Date: 08/02/12

This page is intentionally left blank

DRAFT ACTION PLAN

AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT

Appendix 2

File Ref: ARM/13/02/12

Ref	Recommendations	Priority	Officer Responsible	Agreed	Planned Action Date	Client Comments	Date Verified (For Audit use only)
R.1	<p>Training should be provided to Members of the Audit and Risk Management to enable them to operate effectively and ensure continued compliance with Terms of Reference for the Committee. The training should include the following:</p> <ul style="list-style-type: none">• ARM Terms of Reference• Finance• Risk Management (Incl Risk Registers)• Accounting Standards and Policies• Accounting Estimates• Annual Accounts• Standards• Code of Practice for Internal Audit• Regulatory Regime• Annual Governance Statement• Statement on Internal Control• Internal Audit planning	High			-		

DRAFT ACTION PLAN

AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT

Appendix 2

File Ref: ARM/13/02/12

Ref	Recommendations	Priority	Officer Responsible	Agreed	Planned Action Date	Client Comments	Date Verified (For Audit use only)
R.2	<p>The Audit and Risk Management Committee Terms of Reference should be reviewed for continued compliance with the CIPFA guidance and current professional best practice and this exercise should be undertaken periodically.</p> <p>The Terms of Reference should set out the frequency of meetings of the Committee.</p>	Medium					
R.3	The authority, standing and profile of the Audit and Risk Management Committee should be reviewed to ensure that it is appropriate in the current environment.	High					
R.4	Membership of the Audit and Risk Management Committee should be evaluated to ensure that it remains fit for purpose; this should include an assessment of the independence of individual Members.	High					
R.5	A mechanism should be in place to ensure that all new Members of the Audit and Risk	High					

DRAFT ACTION PLAN

AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT

Appendix 2

File Ref: ARM/13/02/12

Ref	Recommendations	Priority	Officer Responsible	Agreed	Planned Action Date	Client Comments	Date Verified (For Audit use only)
	Management Committee are provided with an appropriate induction that is specific to this Committee.						
R.6	A system should be in operation to assess the skills and experience mix of all new Members of the Audit and Risk Management Committee during their induction and any identified gaps addressed through the provision of relevant training.	High					
R.7	An evaluation of the adequacy of the current schedule of Audit and Risk Management Committee meetings should be undertaken to assess its continued fitness for purpose. This should include consideration of the Council's business, governance and financial needs.	Medium					
R.8	Agenda papers for Audit and Risk Management Committee meetings should be	Medium					

DRAFT ACTION PLAN

AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT

Appendix 2

File Ref: ARM/13/02/12

Ref	Recommendations	Priority	Officer Responsible	Agreed	Planned Action Date	Client Comments	Date Verified (For Audit use only)
	<p>circulated in advance of meetings to allow adequate preparation by the Members.</p> <p>Consideration should be given to introducing a second weekly mail drop for Members to ensure that adequate preparation time is provided.</p>						
R.9	<p>All Members of the Audit and Risk Management Committee should be reminded to ensure that they attend all meetings and briefings of the Committee and when they are unavailable an appropriate deputy is nominated.</p>	Medium					
R.10	<p>Consideration should be given to reviewing the system that Members of the Audit and Risk</p>	High					

DRAFT ACTION PLAN

AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT

Appendix 2

File Ref: ARM/13/02/12

Ref	Recommendations	Priority	Officer Responsible	Agreed	Planned Action Date	Client Comments	Date Verified (For Audit use only)
	Management Committee utilise to request the attendance of appropriate officers at meetings.						
R.11	Members of the Audit and Risk Management Committee should consider how the Council identifies and evaluates its risks and the role of the Committee in this process. This might include requesting Chief Officers to personally present their departmental risk registers to Audit and Risk Management Committee periodically for consideration.	High					
R.12	A mechanism should be put in place to ensure that the Audit and Risk Management Committee Members are aware of topical legal and regulatory issues, for example by receiving relevant circulars.	Medium					
R.13	The Audit and Risk Management Committee should regularly review the performance of the	High					

DRAFT ACTION PLAN

AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT

Appendix 2

File Ref: ARM/13/02/12

Ref	Recommendations	Priority	Officer Responsible	Agreed	Planned Action Date	Client Comments	Date Verified (For Audit use only)
	External Auditors. Consideration should be given to the introduction of performance measures to facilitate this.						
R.14	The Chair of the Audit and Risk Management Committee should be involved in the preparation and planning of agendas for the Committee.	Medium					

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

13 MARCH 2012

SUBJECT:	AUDIT AND RISK MANAGEMENT COMMITTEE ANNUAL REPORT
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR TOM HARNEY
KEY DECISION ?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 To comply with best professional practice the Audit and Risk Management Committee is required to complete an annual report to Cabinet on the work undertaken by the Audit and Risk Management Committee.
- 1.2 Attached at Appendix A is the Draft Annual Report prepared by the Chair in consultation with Internal Audit.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 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.
- 2.2 One of the amended regulations impacts on the process for preparing the Statement of Internal Control (SIC) which is subsumed within the Annual Governance Statement (AGS) and relates specifically to the the systems of internal audit in operation. This is:-
- Regulation 6 requires bodies to regularly review their system of internal audit, and for the findings to be considered by a committee of the body, or by the body as a whole.
- 2.3 Advice from CIPFA includes the assertion that the “systems of internal audit” can be considered to include the role and effectiveness of the Audit Committee which therefore should be assessed and evaluated.
- 2.4 To assist Councils in this evaluation exercise CIPFA has provided a self assessment checklist and recommended that this be completed annually by the Committee. This has been completed by the Chair and an action plan identifying areas for improvement prepared. A report on this is included as a separate item on the agenda for this Committee.

2.5 A draft annual report for 2011/12 has been prepared by the Chair in consultation with Internal Audit and is attached at Appendix A for consideration and approval by the Members.

3.0 RELEVANT RISKS

3.1 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.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options considered.

5.0 CONSULTATION

5.1 Members of this Committee have been consulted throughout the process regarding the content of the annual report and their views are reflected in the final document attached.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising from this report.

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

7.1 There are none arising from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(a) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATION

12.1. That the draft Annual Report be approved and submitted to Cabinet.

13.0 REASON FOR RECOMMENDATION

13.1 To comply with best practice identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

REPORT AUTHOR: Mark P Niblock
Deputy Chief Internal Auditor
telephone: 0151 666 3432
email: markniblock@wirral.gov.uk

APPENDICES

Audit and Risk Management Committee Annual Report 2011/12

REFERENCE MATERIAL

CIPFA Publication 'A Toolkit for Local Authority Audit Committees'

SUBJECT HISTORY (last 3 years)

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

This page is intentionally left blank

**DRAFT
AUDIT AND RISK MANAGEMENT
COMMITTEE**

ANNUAL REPORT 2011/12

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

AUDIT AND RISK MANAGEMENT COMMITTEE: ANNUAL REPORT 2011/12

C O N T E N T S	Page
1. INTRODUCTION	3
2. SOME KEY INFORMATION	3
2.1. Audit and Risk Management Committee Membership	3
2.2. Key features of the Audit Committee and its operation	3
2.3. Meetings and attendance	4
3. CORE ACTIVITY 2011/12	4
3.1. Terms of Reference	4
3.2. Number & Type of Reports Considered by Committee	7
4. OTHER ACTIVITIES	7
5. OUTCOMES	7
6. PLANS FOR 2012/13	8
7. APPENDIX 1:	
ARM COMMITTEE – TERMS OF REFERENCE	9

1. INTRODUCTION

This Annual Report produced by Wirral Council's Audit and Risk Management Committee has been prepared in accordance with the CIPFA best practice publication 'A Toolkit for Local Authority Audit Committees'. The report demonstrates how the Audit and Risk Management Committee has fulfilled its terms of reference during a very difficult year and how it is fully committed to helping to improve the Council's governance and control environments during what should prove to be a very challenging year ahead, following the recent publication of external reports highly critical of the Council's governance arrangements.

2. SOME KEY INFORMATION

2.1. Audit and Risk Management Committee Membership

The Audit and Risk Management Committee has 8 Members:

Councillor Jim Crabtree - Chair
Councillor Darren Dodd - Vice-Chair
Councillor Alan Brighthouse - Spokesperson
Councillor Simon Mountney - Spokesperson
Councillor Ron Abbey
Councillor Jeff Green
Councillor James Keeley
Councillor Irene Williams

There is strong officer support to the Audit and Risk Management Committee, through the regular attendance of the Director and Deputy Director of Finance, The Director of Law, HR and Asset Management and the Chief and Deputy Chief Internal Auditor. Other officers attend as and when appropriate.

2.2. Key Features of the Audit Committee and its Operation

The Committee meets CIPFA's definition of best practice as illustrated below:

Best Practice	Expectation	Met	Comment
Independence	Independent from the executive and scrutiny	√	The Committee reports to the Council
Number of Members	3 to 5 members	√	The Committee has 8 Members
Number of meetings	Aligned to business needs	√	The frequency of meetings, 5 times a year complies with best practice however discussions are currently ongoing regarding whether this enables all Council business to be considered in a timely manner and consideration is being

			given to possibly increasing the frequency.
Co-option	To be considered relative to skills	√	Training is currently provided to increase Members' skills, an evaluation of the adequacy and effectiveness of this is currently being conducted and appropriate actions will be taken to address any shortcomings in due course.
Terms of Reference	Accord with suggested best practice	√	The Committee has adopted the CIPFA recommended model TOR and a review is currently being undertaken to ensure that they remain fit for purpose.
Skills and training	Members have sufficient skills for the job	√	General and specific training is provided to increase Members' skills, an evaluation of the adequacy and effectiveness of this is currently being conducted and appropriate actions will be taken to address any shortcomings in due course

2.3. Meetings and Attendance

The Audit Committee normally meets 5 times per year in January, March, June, September and November.

Attendance by Members and approved deputies was over 90%.

3. CORE ACTIVITY 2011/12

3.1. Terms of Reference

The Audit and Risk Management Committee's Terms of Reference are comprehensive, cover all main areas and are attached at Appendix 1 to this annual report. The Committee's work and outcomes in each of its areas of responsibility are summarised in the following subsections.

Internal Audit

The Audit and Risk Management Committee:

- Approved the Chief Internal Auditor's audit plan
- Considered regular reports produced by the Chief Internal Auditor, highlighting internal audit work completed, internal audit performance against key indicators and any significant issues arising during the period
- Considered the Chief Internal Auditor's Annual Report and assurance opinion on the Council's control environment

- Considered reviews of the effectiveness of the systems of internal audit
- Ensured internal and external audit plans were complementary and provided optimum use of the total audit resource
- Considered and approved revisions to Chief Internal Auditors Audit Plan
- Considered the Chief Internal Auditors Annual Report on the implementation of recommendations identified in Audit Commission reports.

We continue to provide support to the Internal Audit service to ensure management is responsive to recommendations made and agreed.

External Audit

The Audit and Risk Management Committee:

- Considered the external auditor's Audit Plan
- Considered progress against the plan presented by the external auditor
- Received and considered all external audit and inspection reports issued in the year and considered management's response to them, ensuring robust and thorough responses
- Reviewed the Council's progress on all external audit and inspection recommendations on a regular basis and asked managers to explain progress where appropriate, thereby holding them to account
- Received and considered all of the external auditors reports on the Merseyside Pension Fund
- Considered the external auditors Annual Report on Governance
- Considered a report on the future of local public audit.

We continue to provide support to external audit to ensure management is responsive to recommendations made and agreed.

Risk Management

The Audit and Risk Management Committee:

- Received details of the risk management system, how it works and arrangements in place for mitigating risks
- Considered reports on the departmental and corporate risk registers and promoted risk management across the Council
- Considered reports on Corporate Risk and Insurance Management
- Considered a report on the Corporate Risk Management Strategy and the Management of Risk and Opportunity.

We continue to provide support to promote effective Risk Management policy and procedures across the Council and ensure best practice is achieved.

Internal Control and Governance

The Audit and Risk Management Committee:

- Agreed the Council's Annual Governance Statement and action plans to improve identified weaknesses
- Considered and supported changes to the Council's Anti-Fraud and Corruption Strategy
- Reviewed the effectiveness of the Council's Anti-Fraud and Corruption arrangements
- Supported work undertaken as part of the Audit Commission's National Fraud Initiative
- Considered and supported the production of an Anti Bribery Policy and its promotion across the Council
- Considered a report on Fraud Prevention in the Council
- Considered and supported amendments to the Council's Money Laundering Policy.

The Annual Governance Statement is a key document which summarises the Council's governance arrangements and the effectiveness of the arrangements during the year.

Accounts

The Audit and Risk Management Committee:

- Agreed the Council's accounting policies
- Agreed the Annual Statement of Accounts
- Received and considered the external auditor's report on the accounts, and ensured that the Council responded to the auditor's comments
- Agreed the annual Merseyside Pension Funds accounts
- Agreed the Merseyside Pension Fund's Annual Governance Statement and action plans to improve identified weaknesses
- Received and reviewed the Insurance Fund Annual Report
- Considered the implications of the introduction of International Financial Reporting Standards (IFRS) within local government
- Considered financial reports on budget projections for 2012/15.

The Audit and Risk Management Committee received regular reports on the Council's Treasury Management arrangements in the context of the economic downturn.

Specific Issues

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

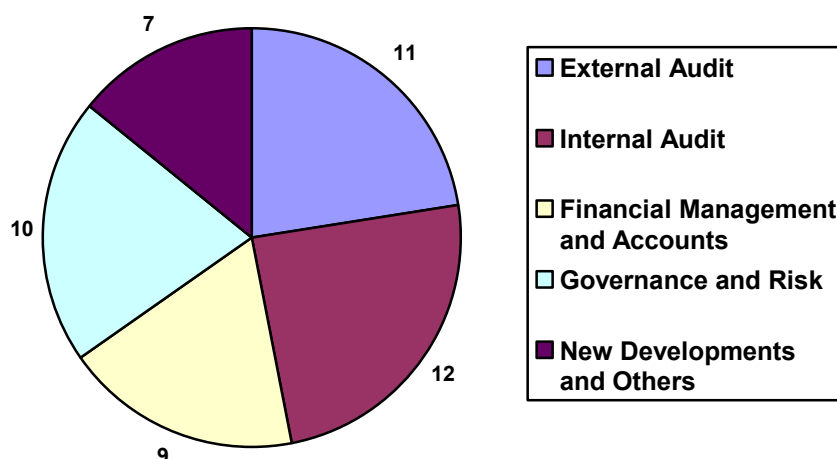
- Regulation of Investigatory Powers Act 2000
- Insurance arrangements and performance
- HESPE PIDA Follow Up
- Single Fraud Investigation Service
- Care Homes Contingency Planning.

To give a flavour of our business during the year, the following shows the

types and numbers of reports considered between April 2011 and February 2012:

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

The Audit and Risk Management Committee covered a wide range of business



4. OTHER ACTIVITIES

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

- i) Authorising amendments to the draft Annual Governance Statement.
- ii) Arranging special meetings and devoting significant resource to addressing the issues arising from the PIDA disclosures which were made.
- iii) Referring several matters to Cabinet for attention.
- iv) Asking Chief Officers to attend as appropriate and present reports on issues identified which affected governance.

5. OUTCOMES

The Audit Committee aims to focus on adding value through its activity. By concentrating on outcomes the Committee can identify the benefits of its work. In particular this year the Audit Committee:

- Oversaw work on the Statement of Accounts
- Encouraged and presided over a strengthening of the control environment, specifically by overseeing various targeted reviews and the production of the Annual Governance Statement
- Encouraged and presided over the development of the Council's Counter Fraud arrangements by overseeing the CIPFA Managing Fraud initiative

as acknowledged by the Audit Commission's recognition of good practice in a national publication.

In addition, individual Members and the Audit Committee collectively continued to develop and learn about our roles, and deliver these roles effectively.

6. PLANS FOR 2012/13

During 2011/12 the Audit and Risk Management Committee has consolidated the progress that has been made in previous years, and going forward will look to develop further and become a champion of good governance for the Council helping to address many of the reported issues in what promises to be a very challenging and difficult environment. Our priorities for 2012/13 are to continue to meet our duties as specified in the Constitution by developing and building on our current status. For 2012/13 we will:

:

- Continue to develop the Wirral Council Audit and Risk Management Committee to review governance issues following recent failings in this important area
- Continue to drive up standards and meet the demanding requirements of the external inspection and assessment regime
- Continue to review all governance arrangements to ensure the Council adopts the very latest best practice
- Continue to support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations,
- Ensure we maintain and further improve our standards in relation to the production of accounts
- Review the process for the appointment of auditors to replace the Audit Commission
- Continue to closely monitor the implementation of the International Financial Reporting Standards
- Continue to help the Council to manage the risk of fraud and corruption
- Continue to develop the Wirral Council Audit and Risk Management Committee to review risk and partnerships' issues and safeguard public sector interests
- Equip existing and any new Members to fulfil our responsibilities by providing more detailed and effective training on all key areas of responsibility including financial arrangements and risk management, governance and audit planning.

Councillor Jim Crabtree (Chair)
Wirral Council Audit and Risk Management Committee
February 2012

7. APPENDIX 1

AUDIT AND RISK MANAGEMENT COMMITTEE

TERMS OF REFERENCE

1. To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
2. The Committee has the following duties, powers and authorities:
 - 2.1. approval of the Council's statement of accounts;
 - 2.2. the responsibilities of the Council under section 151 of the Local Government Act 1972 to make proper provision for its financial affairs;
 - 2.3. to consider and make recommendations to Council or Cabinet as appropriate on;
 - 2.3.1. the annual Audit Report and the Management Letter of the external auditor;
 - 2.3.2. any other statutory report of the external auditor;
 - 2.3.3. any internal audit report that may be referred to the committee by the Chief Executive, the Director of Finance or the Head of Legal and Member Services (as Monitoring Officer);
 - 2.3.4. summaries of specific internal audit reports as requested;
 - 2.3.5. the effectiveness and adequacy of the response by the Council, the Cabinet, any committee or sub-committee of the Council or of any officer to any internal or external audit report or management letter;
 - 2.3.6. the systems of control and the arrangements for the prevention of fraud and corruption within the Council;
 - 2.3.7. any other matter relevant to the audit of the Council's accounts and financial records or its systems for the control and safeguarding of all the Council's assets;
 - 2.3.8. a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale; and
 - 2.3.9. the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the

level of assurance it can give over the Council's corporate governance arrangements;

- 2.4. to approve (but not direct) the strategy, plan and performance of the Council's internal audit service;
 - 2.5. to oversee the production of the Authority's Statement on Internal Control and recommend its adoption;
 - 2.6. to maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and to make recommendations to Council or Cabinet, as appropriate;
 - 2.7. to monitor the Council's policies on "Raising Concerns at Work", to the anti-fraud and corruption strategy and the complaints procedure;
 - 2.8. to liaise with the Audit Commission over the appointment of the Council's external auditors.
3. The Chair of the Audit and Risk Management Committee shall act as the Council's Risk Management Champion.
 4. Executive Members will not normally be members of the Audit and Risk Management Committee

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

13 MARCH 2012

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

1.0 EXECUTIVE SUMMARY

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

2.0 BACKGROUND AND KEY ISSUES

Insurance Management progress

- 2.1 There continues to be an active involvement with the ongoing civil law reform process. The Government has recently published a response to the delayed Solving Disputes Consultation, which is one of many parallel threads making up the reform process. Whilst there remains a commitment to the general principle of civil law reform this document contains little detail as to how the aims will be implemented in practice. As the proposals may have a significant long term impact on the costs of liability claims officers will continue to press Ministry of Justice officials and industry contacts to ensure that the interests of local authorities are considered. The implementation dates for all threads have now been deferred to April 2013 and further slippage is likely.
- 2.2 The liability claims statistics have been completed for Quarter 3 (quarter ending 31 December 2011). The relatively mild winter has had a positive impact on highway claims numbers and whilst an increase over 2010/11 claim numbers is expected the increase will now be relatively modest. Technical Services Department continues to provide the Team with the basis for a sound defence for over 90% of all highways claims submitted, and projected claims costs continue to be within budget. This performance compares favourably with peer local authorities and it is important that this is maintained as a reduction of just 5% in repudiation rates would equate to a 50% increase in highway liability claims costs. In total 517 new general public liability claims were reported in 2011 of which 446 claims related to the highway.

- 2.3 The bulk of the claims workload continues to relate to non standard Employers (EL) and Public Liability (PL) matters. Vibration claims from Parks and Open Spaces employees continue to prove problematic with 16 such claims received in the last 12 months. A significant increase has also been seen in noise induced hearing loss (NIHL) claims most of which relate to exposure in the 1990's for which no documentation in respect of working practices or employment records can be located. In the last 12 months 11 NIHL claims have been received. The trend in EL claims shows an increase with 26 claims received in the year to 1 March 2010, 44 to 1 March 2011 and 64 claims to 1 March 2012. Whilst claims have been received in these periods they relate to allegations of negligence that span many previous years. Although specialist procedures have been implemented to manage this increase it has impacted on the capacity of the team.
- 2.4 Officers recently met with representatives of 'its my claim.com' to review the contract performance over the initial 12 month pilot period. The web-site generated two claims and, as the Council had no liability for either, there was no saving from 'its my claim.com'. The results of the pilot did not justify the renewal of this contract.
- 2.5 Two large theft claims have been notified since the previous report. A break-in at the Children's Assessment Centre at the former St Laurence's Primary School on 13 December 2011 resulted in the loss of tablet computers and a break-in at Leasowe Recreation Centre on 21 February 2012 resulted in the safe and takings being stolen. A meeting with the Head of Sport & Recreation has agreed additional security measures for all Centres.
- 2.6 The Council brokers JLT Public Sector Risks have appointed a new manager to service the account from April 2013 and performance will be reviewed before taking any decision over the future of the contract.
- 2.7 Renewal terms for the Liability, Professional Indemnity, Motor, Engineering, Computer and Foster Care insurance contracts are expected in March 2012. No significant changes are anticipated and the actual figures will be reported to the next meeting of this Committee.
- 2.8 As part of the on-going work with schools converting to Academy status assistance has been provided to Hilbre High School in compiling information needed to obtain quotations for an individual insurance package. To deliver economies in the procurement process work is underway with insurers to bring a common insurance renewal date to all converted Academies.
- 2.9 Every two years an external actuarial report is commissioned to review the sum required to fund liability claims within the limits of the self-insured liability. Given the account is relatively stable it is proposed that an in house liability funding review be conducted this year. This will save approximately £7,000.

- 2.10 Following an enquiry from Sefton Council assistance is being provided to improve insurance arrangements. Initial discussions have focussed on procurement issues as Sefton is in a period of management transition and with a view to establishing areas for collaborative working that may be beneficial to both organisations

Risk Management Progress

- 2.11 In connection with the review of the risk management framework and processes the Risk & Insurance Officer has been working with the Strategic Change Programme Office to ascertain if the programme control system can be enhanced to capture the risks to the delivery of the objectives as set out in the Corporate Plan and also the Departmental Service Plans.
- 2.12 Each department has identified the principal risks to the delivery of its Departmental Service Plan as part of the corporate planning process.
- 2.13 The Executive Team has evaluated the revised Corporate Risks and the updated Corporate Risk Register submitted to Cabinet on 2 February 2012 is included on the agenda of this Committee.
- 2.14 The 2012/13 work plan for the Risk & Insurance Team is being developed and will be reported to the next meeting of this Committee.

Insurance Management – Issues for Next Period

- 2.15 Officers will continue with work in connection with the process of reform to civil litigation costs.
- 2.16 Liability claims statistics for the final quarter of 2011/12 will be compiled.
- 2.17 The management of liability claims is expected to continue demanding a very substantial part of the capacity within the Risk & Insurance Team.
- 2.18 Work will begin to collate the information required in connection with the renewal of the Property, Business Interruption, Money and Fidelity Guarantee insurance contracts on 30 June 2012.
- 2.19 Competitive quotations will be sought for Hilbre High School Academy insurance package and when the conversion date for Woodchurch High School is known the insurance package will be implemented.
- 2.20 Liability claims data as at 31 March 2012 will be extracted in order to undertake the in house funding review.
- 2.21 Additional discussions will be held with Sefton Council to further explore joint working.

Risk Management – Issues for Next Period

- 2.22 Further preparatory work will be done for the review of the risk framework and processes.
- 2.23 The Executive Team will undertake the quarter 4 review of the Corporate Risk Register as part of the corporate performance monitoring process.
- 2.24 The Risk & Insurance Team will conduct an analysis of the departmental risk registers and provide each department with feedback to support continuous improvement.

3.0 RELEVANT RISKS

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

4.0 OTHER OPTIONS CONSIDERED

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

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising directly from this report.

7.0 RESOURCE IMPLICATIONS

- 7.1 The Academy Schools initiative undertaken by the Risk & Insurance Team is continuing to generate income which offsets insurance administration costs.
- 7.2 Although under pressure the Team has sufficient resource to deal with the insurance responsibilities. However the additional work required as a result of the planned improvements to risk management arrangements could not be delivered within existing staff resources.

8.0 LEGAL IMPLICATIONS

- 8.1 There are none arising directly from this report.

9.0 EQUALITIES IMPLICATIONS

- 9.1 There are none arising directly from this report.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 RECOMMENDATION

12.1 That the Corporate Risk and Insurance Management report be noted.

13.0 REASON FOR RECOMMENDATION

13.1 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.

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

REFERENCE MATERIAL / SUBJECT HISTORY

Council Meeting	Date
Audit & Risk Management – Corporate Risk & Insurance Management	22 November 2010
Audit & Risk Management – Corporate Risk & Insurance Management	17 January 2011
Audit & Risk Management – Corporate Risk & Insurance Management	28 March 2011
Audit & Risk Management – Corporate Risk & Insurance Management	30 June 2011
Audit & Risk Management – Corporate Risk & Insurance Management	28 September 2011
Audit & Risk Management – Corporate Risk & Insurance Management	29 November 2011
Audit & Risk Management – Corporate Risk & Insurance Management	1 February 2012

This page is intentionally left blank

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

13 MARCH 2012

SUBJECT:	CORPORATE RISK REGISTER
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR JEFF GREEN
KEY DECISION?	YES

1.0 EXECUTIVE SUMMARY

- 1.1 This report describes the process followed in analysing the issues contained within the draft Corporate Risk Register which was presented to Cabinet on 13 October 2011. The fully populated document was agreed by Cabinet on 2 February 2012 and is appended.

2.0 RECOMMENDATION

- 2.1 That Members consider the updated corporate risk register.

3.0 REASON FOR RECOMMENDATION

- 3.1 The risk register and the monitoring process enable officers to focus resources on the most significant threats to delivery of the corporate objectives.

4.0 BACKGROUND AND KEY ISSUES

- 4.1. The Corporate Risk 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. On 13 October 2011 Cabinet received a report detailing the process followed by the Executive Team in reviewing the corporate risks, and approved the draft list of issues.
- 4.3. The report indicated that the next stage would be to evaluate the risks and score them in accordance with the matrix contained in the Corporate Risk Management Strategy.

- 4.4. Those tasks have been undertaken by the Executive Team. In doing so they also considered the principal existing controls and what further action might be necessary in order to mitigate the risks to an acceptable level.
- 4.5 Cabinet on 2 February 2012 agreed the full document which is appended to this report.
- 4.6 Departments used the register in preparing their Service Plans for 2012/13.
- 4.7 The Risk & Insurance Team will be working with Departments to identify appropriate Key Risk Indicators to enable more informed assessments of the effectiveness of the controls for each risk to be undertaken.
- 4.8 As part of the arrangements for the governance, delivery and monitoring of the Corporate Plan the Executive Team will review at regular intervals the effectiveness of the existing controls and the progress in implementing additional actions and will consider any new risks of potential corporate significance. Those reviews will inform the Risk Monitoring element of the quarterly Corporate Performance and Financial Reviews.

5.0 RELEVANT RISKS

- 5.1 The issues contained in the appendix are considered by Chief Officers to present the most significant risks to achievement of the goals contained in the Corporate Plan. As such failure to manage them effectively could have severe implications for delivery of the Plan.

6.0 OTHER OPTIONS CONSIDERED

- 6.1. None.

7.0 CONSULTATION

- 7.1 The Cabinet, the Audit and Risk Management Committee, the Executive Team and each Department have all been consulted in the preparation of the Corporate Risk Register.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are no direct implications

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

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

10.0 LEGAL IMPLICATIONS

- 10.1 There are no direct implications.

11.0 EQUALITIES IMPLICATIONS

11.1 There are no direct equalities implications.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are no carbon usage implications.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

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

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

APPENDICES

Corporate Risk Register

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet - Corporate Risk Register	2 February 2012
Cabinet - Corporate Risk Register	13 October 2011
Cabinet Corporate Risk Register	3 September 2009

WIRRAL COUNCIL - CORPORATE RISK REGISTER - EXECUTIVE TEAM DECEMBER 2011

Risk Description	Lead Officer	Existing Key Controls	L	I	T	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 	2	5	10	<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 	2	5	10	<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

Risk Description	Lead Officer	Existing Key Controls	L	I	T	Further Control Actions Planned
If safeguarding arrangements are inadequate vulnerable adults could be exposed to greater risk of abuse or exploitation.	Director of Adult Social Services Graham Hodkinson	<ul style="list-style-type: none"> • Whole system review of safeguarding completed & recommendations have been implemented including revised safeguarding procedures; • Training rolled out across partnership agencies; • Regular monitoring reports to DASS Strategic Leadership Team; Operational staff and Safeguarding Adults Partnership Board; • Safeguarding service self assessment undertaken as part of Peer Challenge; • 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; • Joint Head of Safeguarding (CYPD and DASS) post established; • Additional safeguarding posts created and filled. 	2	5	10	<ul style="list-style-type: none"> • Victim experiences recorded and used to inform service effectiveness; • Case-file auditing process used to quality-assure the decision-making process; • Audits of data recording and data reporting systems are planned to ensure the effectiveness of the processes; • Benchmarking activities with other Safeguarding Board areas are to be undertaken to assess overall system effectiveness.
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 compiled 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. 	1	5	5	<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 • Undertake reviews of large scale incidents or emergencies to capture learning points and improve the councils response e.g. Leasowe/Moreton Gas disruption, Heswall water disruption, etc.

Risk Description	Lead Officer	Existing Key Controls	L	I	T	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 service failure, 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"> • Comprehensive consultation process to engage local residents in identifying their local priorities and helping to shape local services by informing the Council's planning, budgetary and decision making processes • Development of Neighbourhood Plans based on consultation findings and engagement with Ward Councillors and increased transparency of area forum funding • Increased transparency of • Central coordination of consultation and engagement activities • Proactive approach to media and local communities with regards to changes that will impact on service delivery • Proactive approach to media and local communities to effectively promote and advertise local services 	3	5	15	<ul style="list-style-type: none"> • Ongoing annual programme of consultation with local residents • Integration of the Council's marketing and Community Engagement activities including the ongoing development of the Council's area forums
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 • Corporate Governance Cabinet Committee (CGC) established 	4	4	16	<ul style="list-style-type: none"> • Action plan for key areas agreed by CGC in October 2011 with actions identified for implementation before April 2012. Process for monitoring progress established. • Revised Code of Corporate Governance to be considered by Council February 2012, with enhanced compliance and review procedures. • Review of Internal Audit (reporting March 2012) will include recommendations for enhancing profile and authority of Internal Audit • Enhanced Corporate Performance Management Framework including monitoring, review and reporting to be implemented from April 2012 • Review of Legal and Member Services to identify additional resources required to strengthen Corporate Governance

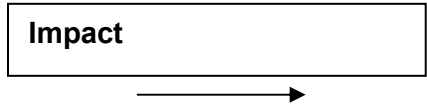
Risk Description	Lead Officer	Existing Key Controls	L	I	T	Further Control Actions Planned
If we do not use the available resources to meet the priorities set out in the Corporate Plan the services we provide might not be appropriate	Director of Finance / Deputy Chief Executive Ian Coleman	<ul style="list-style-type: none"> • Medium Term Financial Capital HR and IT strategies linked and reflect priorities in Corporate Plan. • Links between service & financial plans. • Investment is based on business cases for projects. • Financial management by planning, monitoring and reporting • Programme of financial management training. • Impacts of the future financial position identified and appropriate responses developed Budget resolution links directly to corporate priorities	3	4	12	<ul style="list-style-type: none"> • Review the effectiveness and appropriateness of the strategies • Strengthen the links between service and financial planning • Plan service delivery so as to not exceed available resources - includes implementing KLOE 1 – Corporate Plan / Budget Setting alignment • Maintain reserves and provisions • Apply the provisions in the Constitution • Workforce planning • Performance appraisal and performance management framework
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.	Acting Director of Regeneration, Housing and Planning Kevin Adderley	<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 • Council's Child Poverty Strategy • Wirral Apprentice Programme • Business Support initiatives in place • Broadband investment • Influence over other Govt Departments investment (e.g DWP Work Programme) • Monitoring of Economic Indicators 	3	3	9	<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 • Corporate Response to Welfare Reform Bill

Risk Description	Lead Officer	Existing Key Controls	L	I	T	Further Control Actions Planned
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 	3	3	9	<ul style="list-style-type: none"> • Deliver improved and systematic management communication and engagement • Develop Organisational Development programme to develop culture, linked to performance management
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 • Partial implementation of Job Evaluation • Implementation of people management policies • Priorities in Corporate Plan communicated to staff. • Corporate KIE process • Trainee and Apprenticeships development • Enhanced communication strategy • Skills for Wirral Programme • Skills for Wirral Leadership programme 	3	3	9	<ul style="list-style-type: none"> • Conclude Local Pay Review • Performance Management framework with Appraisal implemented, with supporting development and communications • Concluded people management policy review

Risk Description	Lead Officer	Existing Key Controls	L	I	T	Further Control Actions Planned
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"> All solicitors are members of The Law Society. The Director of LHRAM and the Head of Legal & Member Services are members of the Association of Council Secretaries and Solicitors, a national consultative body. All solicitors undertake a minimum of 16 hours CPD each year. The Council is a member of the North West Legal Consortium. The Council subscribes to Westlaw, an on-line legal research tool. 	3	5	15	<ul style="list-style-type: none"> Review of resources within Legal Services as part of the Council's Corporate Governance Review in order to identify and acquire additional solicitors required
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	Head of Communications and Community Engagement Emma Degg	<ul style="list-style-type: none"> Needs analysis and evidence base including the Joint Strategic Needs Assessment (JSNA) to inform corporate / business planning Understanding needs of Wirral's communities through consultation and community engagement activities, e.g. Area Forums, Older Peoples Parliament and Youth Parliament Corporate / business planning linked with the budget setting process Equality considerations are accounted for through equality impact assessments Single Equality Scheme sets out statutory requirements and duties relating to Wirral's diverse communities 	2	5	10	<ul style="list-style-type: none"> Implementing the outcomes of the Corporate Governance KLOE 1 – Corporate Plan / Budget Setting alignment Implementing the outcomes of the Corporate Governance KLOE 5 – Review of Policy Implementing the outcomes of KLOE 7 - Equalities

Risk Description	Lead Officer	Existing Key Controls	L	I	T	Further Control Actions Planned
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.	Chief Executive Jim Wilkie	<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 	3	3	9	<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
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 compiled as to their arrangements Procurement Strategy and the agreed procurement process Contract and performance management arrangements Linkages to Business Continuity 	3	3	9	<ul style="list-style-type: none"> See linkages to Business Continuity above Introduce a requirement on departments to ensure that: <ol style="list-style-type: none"> all partner agencies and/or voluntary, community or faith sector organisations have suitable and sufficient business continuity arrangements – a check should be made on a two yearly basis all external suppliers/contractors provide a position statement in regard to their individual business continuity plans on a two yearly basis an annual financial check is incorporated as part of the regular contract performance management arrangements

WIRRAL COUNCIL - RISK MANAGEMENT STRATEGY - RISK SCORING MODEL



	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

This page is intentionally left blank

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

13 MARCH 2012

SUBJECT	MEMBERS TRAINING
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR TOM HARNEY
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1. The CIPFA guidance Audit Committees – Practical Guidance for Local Authorities recommends that the Members of an Audit Committee should receive specific training in their role and responsibilities as Members of that Committee. This report recommends suitable training for 2012-13.

2.0 BACKGROUND AND KEY ISSUES

2.1. Since 2006 the training requirements have been comprehensively achieved at minimum cost by appointing one of the Members of the working party who wrote Audit Committees – Practical Guidance for Local Authorities to undertake the training. The course has been supplied over two sessions at a cost of £2,500.

2.2. The Practical Guidance for Local Authorities recommends that induction training should be provided for all Audit Committee Members and cover:-

- the role of the Committee
- the terms of reference
- the time input required of Members
- an overview of Council activities
- the financial and risk environment

2.3. Further regular and specific Audit Committee training should also be provided in:

- financial reporting
- governance
- understanding financial statements
- the regularity framework
- the role of internal and external audit
- the importance of risk management

2.4. The training provided to date has generally been viewed by the Members of the Committee as very useful. Therefore I recommend that the existing trainer, Anna Klonowski, is retained for Members training in 2012-13.

2.5. I recommend that a training session should be arranged for early in the new municipal year before the first scheduled meeting of this Committee in June 2012.

3.0 RELEVANT RISKS

3.1. If Members do not undertake training then the Council will fail to meet best practice.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options were considered.

5.0 CONSULTATION

5.1 No consultation has been undertaken.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are no direct implications arising from this report.

7.0 RESOURCE IMPLICATIONS

7.1 The cost of Members training can be met from the budget.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising directly from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 There are none arising directly from this report.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 RECOMMENDATION

12.1. That Members agree a suitable date for the provision of a training course prior to the June meeting of this Committee.

13.0 REASON FOR RECOMMENDATION

13.1. To agree Members training for 2012-13.

FNCE/43/12

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

APPENDICES

None

REFERENCE MATERIAL

Audit Committees - Practical Guidance for Local Authorities - CIPFA -
December 2005

SUBJECT HISTORY

Council Meeting	Date
Members Training	26 September 2011
Members Training	6 June 2011
Audit & Risk Management Committee	28 March 2011
Members Training	14 September 2010
Audit & Risk Management Committee	30 June 2010
Members Training	7 June 2010
Audit & Risk Management Committee	24 March 2010
Audit & Risk Management Committee	25 November 2009
Members Training	29 September 2009
Audit & Risk Management Committee	29 June 2009

This page is intentionally left blank