



Audit and Risk Management Committee

Date:	Wednesday, 17 February 2016
Time:	6.00 pm
Venue:	Committee Room 1 - Wallasey Town Hall

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AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members are asked to consider whether they have any disclosable pecuniary interests and/or any other relevant interest in connection with any item(s) on this agenda and, if so, to declare them and state the nature of the interest.

2. MINUTES (Pages 1 - 10)

To approve the accuracy of the minutes of the meeting held on 24 November 2015.

**3. INTERNAL AUDIT UPDATE
(Pages 11 - 24)**

**4. CORPORATE RISK REGISTER
(Pages 25 - 28)**

**5. MANAGEMENT OF INSURANCE AND CORPORATE RISK
(Pages 29 - 34)**

**6. INSURANCE FUND BUDGET 2016/2017
(Pages 35 - 44)**

**7. EXTERNAL AUDIT - COMMITTEE UPDATE
(Pages 45 - 60)**

8. **EXTERNAL AUDIT - GRANTS CERTIFICATION LETTER**
(Pages 61 - 64)
9. **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**
(Pages 65 - 68)
10. **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**
(PART 1)
11. **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.

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 24 November 2015

Present:

Councillor J Crabtree (Chair)

Councillors	RL Abbey	D Elderton
	C Blakeley	P Gilchrist
	A Davies	J Hale
	P Doughty	M Patrick

30 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked to consider whether they had any disclosable pecuniary interests and/or any other relevant interest in connection with any item(s) on this agenda and, if so, to declare them and state what they were.

Councillor A Davies expressed a personal interest in Agenda Item 3, para 2.3a (Care Act 2014) by virtue of her role as Elected Member Carers Champion.

31 MINUTES

Resolved: That the minutes of the meetings held on 22 September and 28 September 2015, be approved.

32 INTERNAL AUDIT UPDATE

The Chief Internal Auditor introduced his report that identified and evaluated the performance of the Internal Audit Section and included items of note arising from the actual work undertaken during the period 1 September to 31 October 2015. The report focused upon:

- any items of note arising from audit work conducted;
- any issues arising that require actions to be taken by Members;
- performance information relating to the Internal Audit Service; and
- developments being undertaken to improve the effectiveness of the Internal Audit Service.

Members' attention was drawn specifically to a number of items of note that had been identified, which included:

- Care Act 2014
- Sport and Recreation(Leisure Centres)
- Foster Care Services

The Chief Internal Auditor reported that an audit had been undertaken of the implementation of the Care Act 2014. He informed that the Act replaces or repeals a number of pieces of legislation and guidance with most of the changes taking effect from this year. His report acknowledged the considerable amount of work that had been undertaken to date and identified a number of areas for further work to be undertaken by the department. The overall opinion was that risks identified during the review presented a 'moderate' risk to the organisation.

The Chief Internal Auditor informed that, at the request of Sports and Recreation senior management, an audit was undertaken to evaluate the efficiency and effectiveness of income procedures and controls in operation at the Council's Leisure Centres. He reported that actions were currently being implemented by management and that follow up audit work was scheduled for the next quarter to evaluate progress and the effectiveness of the actions taken and that the findings will be reported to Members.

The Committee heard that an audit had been conducted to determine whether controls in operation within key risk areas of the Fostering service are robust, providing reasonable assurance that the associated financial transactions were valid, focussing on:

- Payments to approved Foster Carers
- Sharing information between relevant parties

The Chief Internal Auditor reported that the audit identified a significant number of actions to improve operations and strengthen internal controls, mainly in relation to information sharing and systems access that were currently being implemented by senior management.

Resolved: That the report be noted.

Having earlier expressed a personal interest in this item para 2.3a (Care Act 2014), by virtue of her role as Elected Member Carers Champion, Councillor A Davies remained in the room whilst the audit review on the subject and associated risks were reported to the Committee.

33 **INTERNAL AUDIT COUNTER FRAUD UPDATE**

The Chief Internal Auditor introduced his report that updated Members on the activities of the Counter Fraud Team within Internal Audit. The report covered the financial year 2014/15 and current year to date.

The Chief Internal Auditor informed that the remit of the team is to:

- Prepare relevant best practice policy and procedure;
- Facilitate cultural changes by raising awareness of fraud risks;
- Proactively manage risks by undertaking targeted work in key areas; and

- Investigate serious financial frauds committed against the Council.

The Audit and Risk Management Committee noted the various activities undertaken by the Counter Fraud Team during the year to combat fraud locally and details of a major counter fraud publicity campaign co-ordinated by Wirral across the Mersey region, to coincide with the International Fraud Awareness week.

The Chief Internal Auditor appraised Members on a recent media report concerning the sophisticated methods employed by fraudsters to obtain funds from an NHS Trust and Councils.

In response to a Member's question on the subject of money laundering the Chief Internal Auditor informed the Committee on the mandatory online training available to the Council's workforce. He reported that recent figures indicate that between 60-70% of staff have now undertaken the training, with arrangements currently under review for those have restricted access to the training module.

Councillor R Abbey, Vice-Chair commended the team on their work, noting that Wirral was held in high esteem for its efforts in the protection of the public purse.

The Chair echoed Councillor Abbey's comments, thanking the Officer for his report.

Resolved: That the report be noted.

34 CORPORATE RISK REGISTER

The Risk and Insurance Officer presented the report of the Chief Executive, which advised that under the terms of the Council's Constitution, one of the functions of the Audit and Risk Management Committee was to provide independent assurance that the Council's Risk Management Framework was effective.

The report informed that a key output from the framework was the Corporate Risk Register and to support this Committee's work in considering the effectiveness of the framework, a report was now presented on a regular basis detailing the key risks facing the authority and how they were being managed.

The Risk and Insurance Officer highlighted a number of key areas covered in the report, namely:

- The potential impact of the National Living Wage, first discussed at the quarter 1 review. It was noted that given that the Council is a living wage employer this was not an issue in relation to the Council's own staff, however the Strategic Leadership Team (SLT) recognised that it could be a significant matter for contracted services. It was further

noted that at a corporate level it was viewed as a further pressure for the existing budget risk and not significant enough to be added to the corporate risk register as a topic in its own right.

- The new Council web-site had been successfully launched on 6 October 2015 and as a result SLT had decided that the existing corporate risk relating to the security and effectiveness of the web-site (DA3) should be removed from the register.
- A refresh of the corporate risk register was to be undertaken to take account of the Council Plan and Delivery Plan. A refreshed list of corporate risks was expected to be agreed by the end of January 2016.

Members raised concerns regarding the use of consultants which was linked to the 'red' risk whereby the scale and pace of change could exceed organisational capacity (PE1). The Head of Financial Services and Section 151 Officer informed that key senior interims had been engaged on a temporary basis to support the Wirral Plan, develop the transformational framework and provide the capacity. He advised that this approach enabled this short-term resource to start immediately being paid at the market rates determined by the recruitment agency.

A Member raised concerns regarding flood-risk in the borough, West Kirby in particular. The Risk and Insurance Officer highlighted the risk (EN2) as contained in the status of additional controls as appended to the report detailing the additional actions being taken to mitigate the risk, and progress to date. The Committee noted that an update on the subject would be reported to Members in the future.

Resolved: That the report be noted.

35 **MANAGEMENT OF INSURANCE AND CORPORATE RISK**

The Risk and Insurance Officer introduced the report of the Acting S.151 Officer that set out the key actions to be taken in relation to corporate risk and insurance management during 2015/16.

The Risk and Insurance Officer summarised the report, detailing key actions that focussed on two significant areas of activity, namely:

- the provision of advice and support to Members and officers in developing the corporate risk management framework and processes; and
- risk financing which incorporates insurance procurement, management of the Council's Insurance Fund and claims management.

The Risk and Insurance Officer informed the Committee that, on the matter of 'Risk Appetite', the mechanism to consider and express the Council's appetite for the risks presented by the Wirral Plan and Delivery Plan had been

approved by the Strategic Leadership Team and that an initial data gathering exercise was currently underway, the outcome of which would be reported in January.

The Committee was informed that the Risk & Insurance function continually looked for opportunities to generate income by undertaking work for other organisations. Examples included the services provided to Academy schools in the area and a peer review for Sefton MBC. Members noted that Warrington Borough Council had recently invited expressions of interest from other authorities for a partnership arrangement for the delivery of their insurance services. The Risk and Insurance Officer informed that following discussions with Warrington this would not be pursued as both their strategic and operational approach could adversely impact on the delivery of Wirral's own services.

The Risk and Insurance Officer informed that the Council had participated in a national CIPFA/Alarm risk management benchmarking exercise. Whilst the Council had achieved scores which are higher than the exercise conducted last year there remained areas for improvement. He reported that actions aimed at addressing these areas will be incorporated into the review of the Council's Risk Management Policy which will be presented to the Committee in March 2016.

Resolved: That the report be noted.

36

PROPOSED REVISED CONTRACT PROCEDURE RULES

The Head of Financial Services and Section 151 Officer introduced the report of the Head of Procurement that set out proposed revised Contract Procedure Rules. Members were told that the existing Contract Procedure Rules (CPRs) had been approved by Audit and Risk Management Committee on the 25 November 2013 and implemented on the 1 December 2013 and were subject to review every 2 years.

The Head of Financial Services and Section 151 Officer informed that the Head of Procurement had been unable to present his report, having recently suffered a heart attack whilst on business for the Council. Members expressed their best wishes for a speedy recovery.

The Head of Financial Services and Section 151 Officer reported that proposals to revise the CPRs had been based on the following principles:

- it had been two years since the CPRs were revised and adopted. During that time changes in legislation have included the new Public Procurement Regulations 2015, adoption of the Transparency Code 2014 for payment of invoices and a requirement to publish all contract activity over £5000;
- the CPRs implemented in December 2013 were primarily an adoption of Cheshire West and Chester CPR, on the basis that both authorities were

at that time progressing towards a shared service. Significant changes in legislation and Council structures had made it necessary for both Councils to revise their CPRs;

- the need to take account of current and potential future developments, for example, the Wirral Plan: Vision 2020, joint commissioning with other authorities and organisations, shared services within the Liverpool City Region and other councils, and the Council's role as commissioner of services with a variety of private, voluntary, community and faith organisations; and
- the need to integrate existing functions with new functions and responsibilities.

Committee were advised that the draft proposals had regard to legislative changes, changes within the Council and reflected examples of best practice from other authorities. The draft proposal took account of comments made from senior officers of the Council who were directly involved in the process of delivering contracts.

Members questioned the Officer on a number of points including particular contracts where the rules may not apply, best value, and actions / procedures for dealing with abnormally low quotes and/or tenders.

The Head of Financial Services and Section 151 Officer referred Members to an addendum to the report, requesting that the Committee agree to the inclusion of the wording that "The Chief Executive or the Section 151 Officer may authorise other Council officers to discharge the functions to be performed by officers named in these Rules / Regulations if the named officer is not available (for whatever reason) or the post they occupy is no longer on the Council's establishment."

Resolved: That the revised Contract Procedure Rules (as amended) be agreed.

37 **USE OF OFFICER DECISION NOTICES PERMITTED UNDER THE COUNCIL CONTRACT PROCEDURE RULES**

The Head of Financial Services and Section 151 Officer introduced the report of the Head of Procurement that informed the Committee of the range and number of contracts awarded which had been subject to Contracts Procedure Rules (CPRs) E111 - Extension/Variation, or Waiver and Rules E117 to E123 – Waiving the Rules, as required under the CPR.

The Committee noted the Report Appendix that detailed the cases subject to the Extension/Variation or Waiver rules for the period 1 April 2015 to 30 September 2015 - that required all contracts meeting the following criteria to be reported to Audit and Risk Management Committee, namely:

- a) a contract awarded where the total value of which exceeds £500,000;

- b) a variation or extension to a contract approved by the Director of Resources (S151 Officer) and by others as per the Appendix;
- c) a waiver or breach of the Contract Procedure Rules in relation to a contract which exceeds £50,000 in value.

Resolved: That the report be noted.

38 FINANCIAL REGULATIONS

The Head of Financial Services and Section 151 Officer introduced his report that set out proposed revised Financial Regulations, in draft form, for consideration and approval by Audit and Risk Management Committee. He informed that the existing Financial Regulations had been approved in 2013 and it was good practice to periodically review, and where necessary update the Regulations.

The Head of Financial Services and Section 151 Officer referred Members to an addendum to the report, requesting that the Committee agree to the inclusion of the wording that “The Chief Executive or the Section 151 Officer may authorise other Council officers to discharge the functions to be performed by officers named in these Rules / Regulations if the named officer is not available (for whatever reason) or the post they occupy is no longer on the Council’s establishment.”

The Committee was informed that in addition to the Contract Procedure Rules (Minute 36 above), the Financial Regulations agreed two years ago also required further changes. Terminology had been updated to reflect the current structure of the council, legislative changes and latest best practice. References to the separate document Guidelines for Financial Systems had been removed as the regulations in operation since 2013 were now more comprehensive and had removed the need for separate guidelines outside of the Regulations. The Head of Financial Services reported on the most significant changes, namely:

- (i) Revenue and Capital Carry Forwards: The Regulations had been updated to limit the carrying forward of revenue budgets to circumstances where there was a specific requirement that would require initial approval from the Director of Resources (and/or section 151 Officer) and ratification by Members. Capital carry forwards would only be allowed where justification due to re-profiling of expenditure or other valid reasons had been clearly demonstrated. These changes reflect the environment of financial constraint the authority is and will be operating in to ensure resource allocation is maximised against priorities.
- (ii) Virements: the regulations had been updated to provide a clearer definition of what constitutes a virement. The regulations had also been updated and streamlined to outline the circumstances where officers can

approve virements without member authority and here member approval was required.

- (iii) Reserves: the regulations had been updated to formalise the existing practice of reserves being reviewed at least annually for appropriateness. This also reflected the environment of financial constraint the authority is and will be operating in to ensure resource allocation is maximised against priorities.
- (iv) Internal Audit. The Regulations had been updated to reflect the Public Sector Internal Auditing Standards and the Local Audit Accountability Act 2014. This included updating to the guidance on the Prevention of Fraud and Corruption.

Resolved: That the Financial Regulations as detailed at the report appendix be agreed.

39 **EXTERNAL AUDIT - AUDIT COMMITTEE UPDATE**

Mr Chris Whittingham of Grant Thornton UK LLP, the Council's external auditors, presented a report on progress in the delivering their responsibilities as the Council's external auditors. The report also included a summary of emerging national issues and developments of relevance to the Committee.

The Committee were informed that the external auditors were required to issue a detailed accounts audit plan to the Council setting out their proposed approach in order to give an opinion on the Council's 2015/16 financial statements.

Mr Whittingham reported on the potential requirements in the future relating to the value for money conclusion. This would be clarified following the consultation exercise by the National Audit Office who were now responsible for the Audit Code.

Mr Whittingham provided a brief update on a number of subjects which formed part of the his report, that included:

- Making devolution work: a practical guide for leaders
- Inward Investment: the business location index
- Audit Committee effectiveness reviews
- Supporting Members in Governance
- George Osborne's plans for local government to gain new powers and retain local taxes
- Delivery of local plans for new homes 2017
- Improving the efficiency of council tax collection

Resolved: That the report be noted.

EXTERNAL AUDIT - ANNUAL LETTER

Mr Chris Whittingham of Grant Thornton UK LLP, the Council's external auditors, then presented the Annual Audit Letter for Wirral Council, which summarised the key findings arising from the work undertaken for the year ended 31 March 2015. This included:

- Financial statements audit - in which no significant issues were identified.
- An unqualified Value for Money conclusion for 2014/15 had been issued on 29 September, 2015.
- Review of the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. The external auditor reported that the Council's pack was consistent with the audited financial statements.
- Certification of housing benefit grant claim – the external auditor's work on the certification of the grant claim within the scope of the Audit Commission regime is ongoing. The detailed findings of the auditor's work will be reported to the Audit and Risk Management Committee upon its completion.

Members noted the fee for 2014/15 was £213,150, excluding VAT which was in line with the external auditor's planned fee for the year – having been set by the Audit Commission prior to its disbandment.

Resolved: That the report be noted.

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WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

17 FEBRUARY 2016

SUBJECT:	INTERNAL AUDIT UPDATE
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
KEY DECISION ? <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i>	NO

REPORT SUMMARY

This report identifies and evaluates the performance of the Internal Audit Service and includes details of any issues arising from the actual work undertaken during the period 1st November to 20th January 2016. There are three 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 3.2.

RECOMMENDATION

Members note the report.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

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

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND AND AUDIT OUTPUT

- 3.1. Internal Audit operate an effective reporting mechanism for Members of the Audit and Risk Management Committee that summarises audit work completed and identifies issues raised on timely bi-monthly basis. This report supports these arrangements by focussing on the following:

- Any items of note arising from audit work conducted,
- Any issues arising that require actions to be taken by Members,
- Performance information relating to the Internal Audit Service,
- Developments being undertaken to improve the effectiveness of the Internal Audit Service.

The information contained within this report is for the period 1st November 2015 to 20th January 2016.

3.2. Items of Note

3.2.a Merseyside Pension Fund: Contract Procedure Rules

An audit has been undertaken at the request of the Strategic Director (Transformation & Resources), of the procurement of Infrastructure Advisory Services to Merseyside Pension Fund (MPF). The objective of the audit was to determine whether the process undertaken for entering into the current agreement complied with the current Contract Procedure Rules (CPRs).

The conclusion drawn from the work carried out is that the acquisition of infrastructure advisory services did not comply with any aspect of the CPRs relevant to the award of this type of contract.

A 'High' priority recommendation was agreed with the Head of Service which included the following actions:

- A determination as to whether the officer responsible breached the Officer Code of Conduct;
- A full review of the circumstances and a report outlining the reasons for the non-compliance including steps taken to prevent recurrence.

In response, the Head of Service has:

- Instigated a full disciplinary investigation following advice from Human Resources which is currently on going;
- Agreed to produce a report for stakeholders upon conclusion identifying reasons for the breach and actions taken subsequently;
- In conjunction with the Strategic Director, agreed for Internal Audit to undertake additional assurance work across all contracts let by the Fund to ensure that this is an isolated case and not indicative of a larger problem. This work is currently ongoing.

3.2.b. Better Care Fund

An audit review was conducted of the Better Care Fund (BCF). This is a government scheme which requires Local Authorities to work with their local Clinical Commissioning Group (CCG) to devise, submit and implement plans to work more closely together, so as to improve patient experience and outcomes. The scheme introduces a pooled budget funding regime which also incorporates a reward element, dependent upon the achievement of agreed targets in reducing non-elective hospital admissions. The Wirral BCF submission was “approved with support” in October 2014 and implementation began in April 2015.

The audit review followed up on the “Areas for Further Work” detailed in the audit report of January 2015, (which gave advice and recommendations on areas requiring attention prior to the commencement of the scheme), and sought to obtain evidence that satisfactory progress had been made in respect of these areas.

It was found that there was significant progress in respect of all the areas identified, with implementation continuing in a number of areas. Advice was provided on how risk management of the project could be strengthened, and this was received positively. It was also pleasing to note that the main BCF target of reducing non-elective admissions by 3.5% has been exceeded in Quarter One and Quarter Two by 2.1% and 3.2% respectively, and that the focus on the achievement of the target reduction in admissions continues to be closely monitored.

3.2.c. Edsential

Internal Audit has been appointed the provider of internal audit services to Edsential for an initial period of two years, under the buy-back arrangements in place for the company. Significant work has been undertaken to produce an Internal Audit Plan for this period, which addresses the main risks facing the Company, so as to provide assurance to the Edsential Board that these are being managed effectively. This Plan was approved by the Edsential

Board on 26 January 2016, and delivery of the audit work detailed within will commence in this quarter. The outcomes of any audit work undertaken are wholly the property of Edsential Ltd and will be reported solely to their Board.

This is a valuable opportunity for the Internal Audit Service to demonstrate its expertise in the audit of alternative delivery models and local authority companies that should serve it well in the future.

3.3 Outstanding Audit Recommendations

- 3.3.a Attached at Appendix 1 is a table identifying information relating to those audits where recommended actions included in audit reports for the 2015/16 year to date have not currently been implemented.
- 3.3.b Where items are addressed by officers those entries will be removed from the report on a rolling basis.
- 3.3.c All of the reports identifying outstanding actions are RAG rated as 'amber' indicating that progress is being made to address identified issues. A number of these relate to audits undertaken within ITS and were the subject of a separate report to this Committee in September 2015 by the Chief Information Officer outlining actions being taken to improve and develop existing arrangements and providing Members with necessary assurances that appropriate actions were being taken by officers to address risks in these areas.

3.4 Internal Audit Performance Indicators

- 3.4.a The Service constantly evaluates and measures the effectiveness of its performance in terms of both quality and productivity by means of a number of performance indicators in key areas as identified below. These include delivery of the annual Internal Audit Plan and ensuring that all of the audits identified in the plan are completed on schedule. This is particularly important at the present time as the requirement for Internal Audit involvement in a number of important corporate initiatives has increased dramatically.

IA Performance Indicator	Target	Actual
Percentage delivery of Internal Audit Plan 2014/15.	69	66
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms for the reporting period indicating satisfaction with the Internal Audit service. (Number of forms returned for the period indicated in brackets)	90	99 (20)
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	100

3.4.b There are currently no significant issues arising.

3.5 Internal Audit Developments

3.5.a Continuous Improvement

This is important to the overall efficiency and effectiveness of the Internal Audit Service and as such a Continuous Internal Audit Improvement and Development Plan has been formulated that incorporates new and developing areas of best practice from across the profession, ensuring that the service continues to constantly challenge how efficient and effective it is at delivering its service to all of its stakeholders and making any relevant changes and improvements as required. Some of the actions currently ongoing include:

- Implementation of a new Quality Assurance and Improvement Programme (approved by ARMC – September 2015);
- Development and implementation of a more streamlined and dynamic planning process for 2016/17 to allow for the ongoing in-year inclusion of emerging organisational change risks ;
- Collaborative counter fraud exercises across Mersey region;
- Successful regional Counter Fraud Publicity Campaign (16th November 2015);
- Improving corporate counter fraud awareness across the Council;
- Developing and improving reporting arrangements for stakeholders;
- Further development of the Mersey region Counter Fraud group led by Wirral Internal Audit;
- Implementation of actions arising from the new Public Sector Internal Audit Standards (PSIAS)self-assessment exercise;
- Completion of the first pilot PSIAS quality assurance peer review at Blackburn with Darwin Council by Wirral's Chief Internal Auditor;
- Development of an audit process for providing services to trading companies and similar organisations.

4.0 FINANCIAL

4.1 There are none arising from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS

6.1 There is none arising from this report.

7.0 RELEVANT RISKS

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

7.2 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.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising from this report.

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APPENDICES

Appendix 1: Audit Recommendations Status Report

REFERENCE MATERIAL

Internal Audit Plan 2015/16

SUBJECT HISTORY (last 3 years)

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

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS
PERIOD: 01 APRIL 2014 TO 31 JANUARY 2016

<u>Summary</u>	Total	R	A
1. Completed Audits	24	0	24
2. Follow Up Audits Completed	10	0	10
3. Advice And Guidance / Consultancy	2	0	2

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS

PERIOD: 01 APRIL 2014 TO 31 JANUARY 2016

1. Completed Audits - RED or AMBER flag

Audit / Date	Directorate [Service]	Organisational Risk	Areas for Development / Improvement and comments	Total Recs (H)	Timescale / Strategic Director	Follow Up Scheduled	Outcome	RAG Status
Performance Planning and Management 31/10/2014	Chief Executive [Policy, Performance and Public Health]	Moderate	Five recommendations were made which do not present a significant risk to the organisation.	5 (0)	February 2015 Director of Policy, Performance and Public Health	Feb 16	So as to utilise resources effectively - the follow up audit is underway being incorporated within the annual full audit review (it is anticipated this will be completed and reported in Feb 2016). In addition, the recommendations in the original report did not present a significant risk to the organisation; and responsibility for corporate business planning and performance management has changed during the course of the year.	A
Community Patrol 27/01/2015	Regeneration & Environment (R&E) [Housing and Community Safety]	Minor	Five recommendations were made which do not present a significant risk to the organisation.	5 (0)	May 2015 Strategic Director Regeneration and Environment	Feb 16	Recommendations agreed with the Head of Regeneration. Follow up rescheduled to allow changes to embed.	A
Risk Management 28/01/2015	Transformation & Resources (T&R) [Resources]	Moderate	Ten recommendations were made which do not present a significant risk to the organisation.	10 (0)	April 2015 Strategic Director Transformation and Resources	Feb 16	So as to utilise resources effectively - the follow up audit is underway being incorporated within the annual full audit review (it is anticipated this will be completed and reported in Feb/Mar 2016). Input was given to a Risk Management Benchmarking exercise earlier in the year which provided an opportunity to gauge developments in this area.	A
Organisational Culture 09/06/2015	T&R [Human Resources & OD]	Major	- Ensure commitment and compliance to Performance Appraisal and Development. - Put in place a clear, effective and efficient mandatory training programme that is delivering the expected benefits to staff and to the organisation. - Report upon and address the staff Survey Action Plan, and consider a future staff Survey as part of an indicator of organisational culture.	4 (3)	September 2015 Strategic Director Transformation and Resources	Apr 16	So as to utilise resources effectively - the follow up audit will be undertaken during March /April 2016 being incorporated within the Annual Governance Statement (2015/16) Review. Updates regarding the issues highlighted within the report have been provided to the Corporate Governance Group. These have indicated that steps are being taken and progressed. A short term culture action plan has been agreed by SLT - focussing on key activities that can be delivered by April 2016 (with a longer term action plan to be developed to support the implementation of a new operating model).	A
Direct Payments 26/06/2015	Families & Wellbeing (F&W) [DASS]	Major	Ensure clear policies and procedures are in place, up-to-date and adhered to in practice, specifically regarding - when and who is responsible for conducting, reporting and acting upon the reviews/assessments required as part of the direct payments process; - the robustness of contract monitoring. - ensuring individual Direct Payment contracts are signed appropriately. - the robustness information is entered in the Liquidlogic system.	5 (1)	October 2015 Strategic Director Families and Wellbeing	Feb 16	The recommendations have been accepted and implementation is being progressed.	A
Confidential Reporting (Whistleblowing) 15/07/2015	T&R [Resources]	Moderate	Three recommendations were made which do not present a significant risk to the organisation.	3 (0)	November 2015 Strategic Director Transformation and Resources	Feb 16	The recommendations have been accepted and implementation is being progressed.	A

Audit / Date	Directorate [Service]	Organisational Risk	Areas for Development / Improvement and comments	Total Recs (H)	Timescale / Strategic Director	Follow Up Scheduled	Outcome	RAG Status
CRCEES 03/08/2015	Universal & Infrastructure [Design Consultancy]	Minor	One recommendation was made which does not present a significant risk to the organisation.	1 (0)	December 2015 Head of Universal and Infrastructure Services	Feb 16	Follow Up underway	A
Transport Unit 21/08/2015	T&R [Design Consultancy - Maintenance function] F&W [CYPD Transport - Taxi and Home to school transport functions]	Moderate	Policies and procedures should be added to so as to ensure responsibilities are fully detailed. Policies should be finalised, approved by the appropriate person(s) and circulated to all relevant staff.	7 (1)	December 2015 Strategic Director Transformation and Resources Head of Branch - Planning and Resources	Feb 16	The recommendations have been accepted. Follow up in progress	A
NDR Reliefs and Exemptions 08/09/2015	T&R [Transaction Centre]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	March 2016 Strategic Director Transformation and Resources	Mar 16	The recommendations have been accepted and implementation is being progressed.	A
Corporate Governance - Legal and Member Services 24/09/2015	T&R [Legal and Member Services]	Moderate	Two medium priority recommendations were made, which relate to the completion of actions agreed previously. Work is in progress and it is expected that these items will be completed in a timely manner.	2 (0)	December 2015 Strategic Director Transformation and Resources	Apr 16	Two recommendations were accepted and implementation is being progressed.	A
Official Form Declarations (Internal) 30/09/2015	T&R [Human Resources & OD]	Minor	One recommendation was made which does not present a significant risk to the organisation.	1 (0)	January 2016 Strategic Director Transformation and Resources	Jun 16	The recommendation has been accepted with implementation expected over the next 12 months as part of the upgrading of HR policies and procedures. Progress will be sought during March 2016 with a full follow up audit undertaken in June 2016.	A
Foster Care 02/10/2015	F&W [CYPD]	Moderate	In order to ensure the secure sharing of information , the requirements of the service should be determined and appropriate measures put in place, including the agreement of information sharing protocols and staff/foster carer awareness via training.	15 (2)	January 2016 Strategic Director Families and Wellbeing	Feb 16	The recommendations were accepted and implementation is being progressed.	A
MPF Pensions Payroll 16/10/2015	T&R [Merseyside Pension Fund]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	February 2016 Strategic Director Transformation and Resources	Feb 16	The recommendations were accepted and implementation is being progressed.	A
Sport and Recreation (Leisure Centres) - Income 26/10/2015	F&W [Sport & Recreation]	Major	The high priority recommendations relate to the need to ensure: - All fees and charges have been approved and are being applied consistently across leisure centres. - Procedures (including clearly defined roles and responsibilities) in relation to the recording, reconciling and banking of income must be documented and adhered to in practice. - the process for monitoring eligibility for the "Invigor8 Corporate" and the "Invigor8 Teen" memberships are robust. - A robust process is in place to monitor income from vending machines.	12 (5)	April 2016 Strategic Director Families and Wellbeing	Feb 16	The recommendations have been accepted and implementation is being progressed. The action plan (highlighting the plan for implementation; expected implementation date; and name of responsible officer) has already been completed. Follow up work completed recently regarding golf courses revealed that audit recommendations regarding cash reconciliations, monitoring and collections have been implemented.	A
Management of Leavers 24/11/2015	T&R [Human Resources & OD]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	March 2016 Strategic Director Transformation and Resources	Mar 16	The recommendations have been accepted.	A

Audit / Date	Directorate [Service]	Organisational Risk	Areas for Development / Improvement and comments	Total Recs (H)	Timescale / Strategic Director	Follow Up Scheduled	Outcome	RAG Status
Wirral Evolutions Day Services 18/11/2015	F&W [Wirral Evolutions]	Moderate	Six recommendations regarding enhanced financial control and consistency of financial practice, high level issue regarding consistency of approach and dealings with voluntary funds.	6 (1)	March 2016 Senior Manager - Delivery	Mar 16	The recommendations have been accepted.	A
Officers' Expenses 26/11/2015	R&E [Directorate-wide]	Minor	Five recommendations were made which do not present a significant risk to the organisation.	5 (0)	TBC Assistant Chief Executive	Mar 16	Final report issued, awaiting return of action plan.	A
WASBT 27/11/2015	T&R [Corporate & Community Safety]	Minor	One recommendation was made which does not present a significant risk to the organisation.	1 (0)	March 2016 Strategic Director Transformation and Resources	Mar 16	The recommendation has been accepted.	A
Transaction Centre - Petty Cash Operation 30/11/2015	T&R [Business Processes]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	January 2016 Strategic Director Transformation and Resources	Mar 16	The recommendations have been accepted.	A
MPF Investment Contracts 30/11/2015	T&R [Merseyside Pension Fund]	Major	One high priority recommendation in respect to the required actions following an identified breach of the CPRs. i.e. The Head of the Pension Fund should; - Consider whether the failure to comply with the CPRs is a breach of the Officer Code of Conduct. - Compile a report outlining the reasons for the non-compliance and the steps taken to prevent recurrence.	1 (1)	January 2016 Strategic Director Transformation and Resources	Feb 16	The recommendation has been accepted and the agreed actions are currently being undertaken. Internal Audit are also undertaking additional assurance work across all contracts let by MPF to ensure this is an isolated case and not indicative of a larger problem.	A
Gifts, Hospitality and Conflicts of Interest 18/12/2015	Neighbourhoods & Engagement [Directorate-wide]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	April 2016 Strategic Director Transformation and Resources	Apr 16	The recommendations have been accepted.	A
Capital Investment Programme 23/12/2015	T&R [Financial Services]	Minor	Three recommendations were made which do not present a significant risk to the organisation.	3 (0)	April 2016 Strategic Director Transformation and Resources	Apr 16	The recommendations have been accepted.	A
MFP-Member Records LGPS Annual Return 19/01/2016	T&R [MPF]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	May 2016 Strategic Director Transformation and Resources	May 16	The recommendations have been accepted.	A
Accounts Payable 22/01/2016	T&R [Transaction Centre]	Moderate	Two high priority recommendations regarding a review of user access, and review of invoices for legal services which may have resulted in a payment being made more than once.	5 (2)	May 2016 Strategic Director Transformation and Resources	May 16	The recommendations were accepted and implementation is being progressed.	A

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS

PERIOD: 01 APRIL 2014 TO 31 JANUARY 2016

2. Follow Up Audits Completed - RED or AMBER flag

Audit / Follow-Up Date / Original Report date	Directorate [Service]	Organisational Risk	Areas for Development / Improvement and comments	Original Total Recs (H)	Timescale / Strategic Director	Further Follow Up Scheduled	Outcome	RAG Status
Corporate Procurement 10/06/2015 Feb 2014	Transformation & Resources (T&R) [Corporate Procurement]	Major	Ensure: - Completion of the No PO No Pay process - Regular updating of Contracts Register - Finalisation of formal contracts	6 (4)	September 2015 Strategic Director Transformation and Resources	Apr 16	Follow up audit reviews have been conducted during 2014/15 and 2015/16. It was found that progress had been made with the implementation of some of the recommendations, specifically the liaison between Procurement, Legal, and Project Officers regarding the completion of contracts, and the current implementation of P-cards across the Council. Procurement arrangements across the Council are being reviewed and updated Contract Procedure Rules will be effective from April 2016. As such, the outstanding recommendations will be reviewed as part of audit work to be conducted during 2016/17.	A
Procurement of Commissioned Care (Domiciliary Care and Reablement Services) 26/08/2015 August 2014	Families & Wellbeing [DASS]	Moderate	The audit resulted in 2 High, 3 Medium and 2 Low recommendations. Arrangements must be put in place by the department to ensure that for all future procurement exercises it conducts, it is satisfied that the 'signing' element of the procurement process will be in accordance with Contract Procedure Rules. A final list of Tier 3 providers must be compiled ensuring a contract is in place for each organisation (liaising with Legal in the process). This list should then be disseminated and utilised by the Contracts Team and the Care Arranging Team. Procurement and Legal should be notified to ensure the Contracts Register is updated accordingly. The contract arrangements for those organisations who are not a Tier 1, 2 or 3 provider, but who are providing a service to Adult Social Services funded clients, must be clarified and resolved with Legal and Member Services.	7 (2)	October 2014 Strategic Director Families and Wellbeing	Apr 16	A follow-up audit review was conducted during 2015/16. It was found that significant progress has been made. The two high priority recommendations have been assessed as being implemented. Two other recommendations have been assessed as implemented and the remaining three (1 x Medium Priority and 2 x Low Priority) have been assessed as partly implemented. It is expected that full implementation will be achieved following the final roll-out of functions within Liquidlogic. Where applicable, assurances have been provided to confirm that lessons have been learned that will benefit future procurement exercises. The outstanding recommendations will be reviewed as part of audit work to be conducted during 2016/17.	A
Resource Link – Access Controls 04/09/2015 Oct 2014	T&R [Human Resources and OD]	Moderate	The Information Asset Owner can improve controls to prevent inappropriate access to information through the production of an Access Control Policy, to be assured that user access to information is in line with business need, and by ensuring that the measures stated in the ACP are applied to the system and user settings, e.g. by enforcing password rules, switching on the audit trail for System Administration activity, and regularly reviewing user access.	14 (7)	December 2015 Strategic Director Transformation and Resources	Feb 16	The client has stated they will follow up on the recommendations mid-September. (A combination of annual leave and sickness has delayed a discussion of the implementation of the recommendations by the auditee and his colleagues.) The implementation of the recommendations will continue to be assessed by Internal Audit in Q4.	A
Mobile Phone Security 04/09/2015 Nov 2014	T&R [Resources]	Moderate	Ensure that technological controls are consistently applied on mobile devices to ensure the security of information received, stored and sent according to its information classification, by implementing a Mobile Device Management solution which satisfies the requirements of the Public Services Network code of connection.	9 (8)	December 2015 Strategic Director Transformation and Resources	Feb 16	The Chief Information Officer attended ARMC in September 2015 to update Members.	A
ICT Business Continuity 04/09/2015 Dec 2014	Universal & Infrastructure / Authority-Wide	Moderate	Ensure that all Directorates include ICT business continuity requirements in their risk registers and CESG to approve the critical services list so that business continuity plans can be put in place using the new template.	4 (4)	December 2015 Strategic Directors	Feb 16	The Chief Information Officer attended ARMC in September 2015 to update Members.	A

Audit / Follow-Up Date / Original Report date	Directorate [Service]	Organisational Risk	Areas for Development / Improvement and comments	Original Total Recs (H)	Timescale / Strategic Director	Further Follow Up Scheduled	Outcome	RAG Status
ICT Hardware Asset Register 04/09/2015 Feb 2014	T&R [Resources]	No opinion required at the time the audit was carried out.	Original audit resulted in 6 high and 1 medium priority recommendations.	7 (6)	December 2015 Strategic Director Transformation and Resources	Feb 16	The Chief Information Officer attended ARMC in September 2015 to update Members.	A
Payment Card Industry - Data Security Standard 04/09/2015 July 2014	Authority-Wide	No opinion required at the time the audit was carried out.	Original review highlighted that the Council is currently not compliant with the standard, but appropriate measures, decisions and actions have or will be taken to ensure compliance in due course. 1 High priority recommendation. is outstanding: 1) Determine and implement the most appropriate installation in the Customer Services Centre, ie running Paye.net in a virtualised environment, running two machines on each desk with a KVM (keyboard, video and mouse) switch, running machines in separate secure environment via RDP (remote desktop protocol).	3 (1)	December 2015 Strategic Director Transformation and Resources	Feb 16	The Chief Information Officer attended ARMC in September 2015 to update Members.	A
Data Loss Prevention 04/09/2015 Oct 2014	Authority-Wide	Major	A DLP policy for the management of information assets should be produced, agreed by the Information Governance Board, and made available to all staff. This will ensure the correct management of information via the delivery of a technical solution by IT Services and the development and enforcement of appropriate working practices by Information Asset Owners.	3 (3)	December 2015 Information Governance Board	Feb 16	The Chief Information Officer attended ARMC in September 2015 to update Members.	A
IT Services Disaster Recovery 04/09/2015 Jan 2015	T&R [Resources]	Major	IT Services' Disaster Recovery Plan should be documented, where the prioritisation of recovery tasks stated in the plan should reflect the documented requirements of business critical services.	4 (4)	May 2015 Strategic Director Transformation and Resources	Feb 16	The implementation of the recommendations will continue to be assessed by Internal Audit. The Chief Information Officer attended ARMC in September 2015 to update Members.	A
Grievances 15/10/2015 October 2015	T&R [Human Resources and OD]	Minor	Two recommendations were made which did not present a significant risk to the organisation.	2 (0)	March 2016 Strategic Director Transformation and Resources	Mar 16	One recommendation has been implemented and one recommendation partially implemented with full implementation expected by March 2016 on completion of the training programme for Dignity at Work, Grievances and Whistleblowing	A

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS**PERIOD: 01 APRIL 2014 TO 31 JANUARY 2016****3. Advice And Guidance / Consultancy - RED or AMBER flag**

Audit Area / Date	Directorate [Service]	Internal Audit input / improvement activity	Outcome and timescale (if appropriate)	RAG Status
Organisational Change 03/09/2015	Authority-Wide	Confirmation that the Council is making clear progress in its readiness to deal with ongoing and future changes whether via legislation, policy and service commitment or financial availability, and to provide ideas and comments around policy and processes to assist in ensuring the organisation is in a position to continually manage and deliver change effectively.	Evidence exists that the Council is moving into a position of improved responsiveness to the risks, challenges and opportunities presented by organisational change. 12 Issues For Consideration have been presented and reported to Strategic Management and where appropriate to local needs and conditions action will be taken to ensure the organisation remains effective in dealing with ongoing and future change in a positive and efficient manner.	A
Library IT system 14/01/2016	T&R [Business Processes] [Resources]	Review of current provision of Library IT system, and proposals for improvement.	Feedback provided to the Strategic Director Transformation and Resources, with initial actions to be considered by the Chief Information Officer. Further work will be carried out in March 2016	A

KEY:

Organisational Risk	
MAJOR	The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to major risk.
MODERATE	The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to moderate risk.
MINOR	The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to minor risk.
NEGLIGIBLE	There were no weaknesses identified during the review.

RAG status		
G	Audits	Actions agreed and implemented.
	Follow Ups	Actions implemented.
A	Audits	Actions agreed and officers committed to implement within agreed timescale.
	Follow Ups	Actions in process of being implemented within agreed timescale with some implemented.
R	Audits	Actions agreed
	Follow Ups	Little or no progress made to implement actions within agreed timescale.

Recommendation Priority Rating	
HIGH	A matter that is fundamental to the control environment for the specific area under review. The matter may cause a system objective not to be met. This needs to be addressed as a matter of urgency (suggested timescale: within one month).
MEDIUM	A matter that is significant to the control environment for the specific area under review. The matter may threaten the achievement of a system objective.
LOW	A matter that requires attention and would improve the control environment for the specific area under review. The matter may impact on the achievement of a system objective.



AUDIT & RISK MANAGEMENT COMMITTEE

17TH FEBRUARY 2016

REPORT TITLE	CORPORATE RISK REGISTER
REPORT OF	CHIEF EXECUTIVE

REPORT SUMMARY

Under the terms of the Council's Constitution one of the functions of the Audit & Risk Management Committee is to provide independent assurance that the Council's risk management framework is effective.

A key output from the Council's risk management framework is the Corporate Risk Register. To support this Committee's work in considering the effectiveness of the framework a report is presented on a regular basis detailing the key risks facing the authority and how these are being managed

RECOMMENDATIONS

1. That the refreshed set of corporate risks be reported to this committee.
2. That further reports on the Corporate Risk Register be brought to future meetings of this Committee.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Having an understanding of the Council's principal risks and their controls supports the Committee's responsibility in relation to the adequacy of the Council's risk management framework.
- 1.2 The provision of regular reports to this Committee on the Corporate Risk Register is a requirement of the Council's Corporate Risk Management Policy

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not applicable to this report

3.0 BACKGROUND INFORMATION

- 3.1 The Corporate Risk Register summarises those areas of uncertainty which have the greatest potential to prevent or frustrate delivery of the Council's plans and confirms how the authority is seeking to tackle them. At a strategic level these risks help to inform future priorities and interventions. The actions required to mitigate the risks also influence the content of Directorate plans and the allocation of resources. In that way they are a key component of the corporate planning process and so success in managing these risks is a key factor in overall corporate performance.

3.2 Existing Corporate Risks

- 3.2.1 Following the Quarter 2 review undertaken by the Strategic Leadership Team (SLT) and which was reported to this Committee on 24 November 2015, the register contained 31 risks.

3.3 Refresh of the Corporate Risk Register

- 3.3.1 The Council and its partners have adopted the Wirral Plan: A 2020 Vision. This sets out a refreshed set of priorities and a different tactical approach to the delivery of outcomes. Given such major changes the most significant threats to the delivery of the Plan could differ substantially from those which we have faced previously.
- 3.3.2 I have approved a mechanism proposed by the Risk and Insurance Manager through which information would be collated to inform a discussion amongst the Strategic Leadership Team (SLT) as to the matters which should feature in the refreshed register and be subject to regular monitoring.

- 3.3.3 The first element of the exercise comprised a series of interviews with political and executive leaders. This was completed in December.
- 3.3.4 There were two parts to each discussion. The first covered major influences on the success of the Plan both from within the partnership and in the wider operating environment. The second considered potential changes over the life of the Plan and the impact that they could have.

3.4 Next Steps

- 3.4.1 A report will be prepared for SLT covering the output from the exercise and providing a national perspective on the critical risks facing the local authority sector. This will be discussed and a refreshed set of corporate risks agreed.
- 3.4.2 Information as to the controls in place which help to mitigate the risks will be collated. SLT will use this to evaluate the significance of each risk. Drawing on the output from the recent risk appetite survey the team will also consider whether additional action is warranted to mitigate the risk further.
- 3.4.3 The outcome of this process and the revised risk register will be provided to future meetings of this committee.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Whilst there are no direct implications effective management of the corporate risks will help to mitigate negative impacts on the Council's financial resources.

5.0 LEGAL IMPLICATIONS

- 5.1 There are none arising directly from this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 Whilst there are no direct implications effective management of the corporate risks will help to mitigate negative impacts on the Council's ICT, human resources and other assets.

7.0 RELEVANT RISKS

- 7.1 The issues contained in the register are considered by the Strategic Leadership Team to present the most significant risks to achievement of the Council's objectives and priorities. As such failure to manage them effectively could have severe implications for delivery of the Wirral Plan.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report.

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APPENDICES

None

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	
Corporate Risk Register	24 November 2015
Corporate Risk Register	22 September 2015
Corporate Risk Register	8 June 2015
Corporate Risk Register	18 March 2015



AUDIT & RISK MANAGEMENT COMMITTEE

17TH FEBRUARY 2016

REPORT TITLE	MANAGEMENT OF INSURANCE AND CORPORATE RISK
REPORT OF	ACTING S151 OFFICER

REPORT SUMMARY

This report sets out the key actions to be taken in relation to corporate risk and insurance management during 2015/16. Progress made since November 2015 in relation to key actions planned for 2015/16 are also included.

RECOMMENDATIONS

1. That the content of this report be noted.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

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

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not applicable to this report

3.0 BACKGROUND INFORMATION

- 3.1 Risk and insurance management comprises two significant areas of activity:
- The provision of advice and support to Members and officers in developing the corporate risk management framework and processes.
 - Risk financing which incorporates insurance procurement, management of the Council's Insurance Fund and claims management.
- 3.2 In addition to day-to-day operations the insurance service is responsible for major procurement exercises and improvement activities. This report focuses on the latter. The key actions to be implemented during 2015/16 were included in the report to this Committee on 18 March 2015. Progress made since my last report in respect of those actions is summarised in the paragraphs below.

3.2.1 Crime Insurance

The Risk & Insurance team is exploring with the Council's brokers the cost and benefits of replacing the existing Fidelity Guarantee insurance policy with a Crime policy. This would not only cover employee dishonesty but also third party computer and funds transfer fraud, invoice fraud and cheque or credit card forgery. The outcome will be reported to a future meeting.

3.2.2 Risk Appetite

Data was gathered from members of the Strategic Leadership Team and Cabinet in December by means of an on-line survey. This is currently being evaluated and will inform a discussion to be held in the coming weeks aimed at reaching an agreed position on the nature and scale of risks which the Council is prepared to accept in order to deliver the Wirral Plan.

3.2.3 Corporate Insurance Budget

Work on the forecasting of corporate insurance costs for 2016/17 and their distribution across directorates and schools was completed in December. The Insurance Budget is the subject of a separate report to this Committee.

3.2.4 Corporate Risk Management Policy

Work has begun on the annual revision of the Policy. This will take account of changes in the structure and governance of the Council and areas for improvement of the risk management framework highlighted in the 2015 CIPFA/Alarm risk management benchmarking exercise. The draft document will be presented to a future meeting of this committee.

3.2.5 Corporate Risk Register

The Corporate Risk Register is the subject of a separate report to this meeting.

3.2.6 Alignment of Risk Management and Performance Management

The Risk and Insurance Manager has had further discussions with the Policy, Performance & Scrutiny team aimed at making risk and performance management arrangements more mutually supportive and delivering integrated reporting for the Wirral Plan.

3.2.7 Traded Service for Schools and Academies

The Risk and Insurance service offer for schools is being published in the Edsential brochure for 2016/17. Costings for individual schools have been calculated and reported to them. Most Academies are expected to join the Risk Protection Arrangement (RPA) being promoted by the Department for Education when the long term agreements on their existing insurance programmes end in September. My officers are working with Academies on a revised service specification to reflect the requirements of membership of the RPA.

3.2.8 Independent Insurance Scheme of Arrangement

The Council procured liability insurance from Independent Insurance between 1981 and 1984. In 2001 the company became insolvent and stopped paying claims. Since that point the Council has been paying 100% of claims attributable to these years from its uninsured liability fund. The administrators of Independent are now finally winding up the company and I currently expect to receive a dividend of approximately 14% of paid claims together with a contribution towards estimated future exposures. A detailed audit of the relevant files has been conducted and potential identified for a recovery of around £20,000 from the company administrators. Final agreement on figures and payment is expected within 2016/17. All future payments attributable to this exposure period will be uninsured.

3.2.9 Reserving Policy Changes

Current casualty insurers have been lobbying for some time to amend the basis on which files are handled and financial reserves for claims are calculated. They are under pressure from regulators to adopt a standard reserving philosophy across all areas of the business. This has been resisted to date as the proposed blanket reserving policy does not fit with the individual nature of the Wirral liability account. Our exceptionally high repudiation rate makes the adoption of a reserving policy that is based on industry averages inappropriate. The insurers have now insisted that this policy is adopted and therefore all future casualty claims reserves provided

by the insurers will be skewed. Although the individual claims reserves may be inflated this will not have direct funding implications as officers will apply appropriate local account knowledge to year end funding calculations. This reserve increase may however have an impact when this exposure is remarketed as the claims experience issued by the holding insurers will be inflated. We will point out our concerns with this data within the marketing documentation but we have no guarantee that these views will be taken into account by the respective underwriters.

3.2.10 Supplier audit programme

The ongoing supplier performance monitoring program exposed uncommon quality and service level adherence concerns with a longstanding member of the legal panel. This resulted in officers expanding the usual sampling to undertake a comprehensive review of all work in progress with the firm. This full review exposed a number of further service shortfalls, some of which could have resulted in claims leakage. These issues have been taken appropriately seriously by the firm concerned, who have acted to address the underperformance by implementing personnel and process changes, discounting / waiving applicable fees and the provision of improved management information. The net result is no identifiable loss to Wirral. Although the review and resolution process was time consuming. This firm will remain subject to increased monitoring arrangements for next few months and further concerns could ultimately lead to removal from the panel.

3.2.11 Claims Handling Changes

Discussions with existing insurers in relation to in house handling of liability claims restarted. This was driven by efforts to reduce expenditure on external claims handling fees but also as a reaction to the changing claims environment. The rate of self-represented claimants is increasing. This trend is expected to accelerate if recent proposals from the Government to increase the small claims limit to £5000 come to fruition. On this basis officers are proceeding with a limited self-handling pilot proposal, to deal with all low value, self-represented non-injury Public Liability claims in house within the 2016/17 financial year. This is expected to equate to around 149 claims and will produce a contractual saving of around £17,500. It is expected that these claims will be managed within existing Risk & Insurance Team resources. This limited insourcing proposal allows the trial of procedures, with limited risk and investment. This will inform consideration of the option of full potential insourcing as an element of the 2017 Casualty insurance tender.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Adoption of the limited self-handling of Liability claims referred to in paragraph 3.2.11 will result in a saving of £17,500 in 2016/17.
- 4.2 Changes to the service offered to Academies referred to in paragraph 3.2.7 could result in lower income. This has been taken into account in producing the Insurance Fund Budget for 2016/17.

5.0 LEGAL IMPLICATIONS

- 5.1 There are none arising directly from this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 The adoption of limited self-handling of Liability claims will result in some additional work for the Risk and Insurance team.

7.0 RELEVANT RISKS

- 7.1 The continuing improvement of the risk management framework and the implementation of more effective processes will help to improve the ability to handle risk across the organisation.
- 7.2 As indicated in paragraph 3.2.9 adoption of the new approach to calculating reserves on Liability claims could have some impact on responses to the Casualty insurance tender to be held in 2016/17.
- 7.3. The move to limited self-handling of Liability claims referred to in paragraph 3.2.11 brings with it a number of operational risks. These include failure to implement systems and processes in time, maintaining continuity of the activity and exposure of the team to aggression from disgruntled claimants. Action is being taken to mitigate these risks to an acceptable level.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

- 9.1 There are none arising directly from this report.

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APPENDICES

None

REFERENCE MATERIAL

Correspondence with insurers, brokers and legal services providers

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	
Corporate Risk & Insurance Management	24 November 2015
Corporate Risk & Insurance Management	22 September 2015
Corporate Risk & Insurance Management	8 June 2015
Corporate Risk & Insurance Management	18 March 2015

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AUDIT & RISK MANAGEMENT COMMITTEE

17TH FEBRUARY 2016

REPORT TITLE	INSURANCE FUND BUDGET 2016/17
REPORT OF	ACTING S151 OFFICER

REPORT SUMMARY

This report sets out the elements which make up the Insurance Fund, the cost of running the Risk & Insurance Section and the Budget for 2016/17. It also outlines proposed changes to the corporate insurance programme.

The Budget for 2016/17 is £95,000 less than the agreed Budget for 2015/16.

The Insurance Fund Budget affects all Wards within the Borough.

RECOMMENDATION/S

1. That the Insurance Fund Budget 2016/17 be agreed.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The setting of the Insurance Fund Budget is necessary to adequately fund insurable risk and ensure the equitable allocation of insurance costs.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options were considered

3.0 BACKGROUND INFORMATION

Introduction

- 3.1. Under the provisions of the Local Government and Housing Act 1989 Local Authorities are allowed to set aside financial provisions to cover self-insured losses.
- 3.2 By self-insuring an Authority avoids paying insurers' administration profit margins and Insurance Premium Tax on predictable levels of claims. Furthermore only rarely do external insurers return any proportion of premium irrespective of the profits generated by a policy.
- 3.3. Wirral Borough Council has 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.
- 3.4. Self-funding is a fundamental element of the Council's approach to managing risk. It provides a greater incentive to deal with risk more effectively as the Council benefits directly from any reduction in claims.

Risk Management

- 3.5 To achieve overall best value in funding insurable losses a carefully considered mixture of external and self-insurance is needed.
- 3.6 The Authority wholly self-insures those risks that have the capacity to generate relatively low value losses. In respect of risks that have the potential to produce catastrophic losses, the Council undertakes to meet the cost of all claims in any given year up to an agreed figure. Insurers meet all costs above this sum subject to contract terms and insurer solvency.
- 3.7 External insurance premiums are met by the Insurance Fund and are recharged to Schools and General Fund services together with self-insurance premiums according to formulae which take into account their relative risk exposure and their share of the claims experience.

Self-Funded Risks

- 3.8 Detailed below are the principal risks which the Council currently self-insures together with the probable maximum sum (subject to contractual indemnity) the Council might have to pay for losses in any given financial year. The sums relating to Combined Liability and Fidelity Guarantee are expected to change in 2016/17. The liability deductible will rise by an agreed inflationary factor whereas the Fidelity Guarantee policy is likely to be replaced entirely with a wider Crime contract that would be subject to an increased deductible.

Type of Insurance	Aggregate Deductible 2015/16	Aggregate Deductible 2016/17
Combined Liability	£3,500,000	£3,598,000
Material Damage & Business Interruption (Fire)	£ 500,000	£ 500,000
Material Damage & Business Interruption (Storm/Flood/Burst Pipes)	£1,000,000	£1,000,000
Comprehensive Motor	£ 200,000	£ 200,000
Fidelity Guarantee (Crime)	£ 25,000	£ 50,000 (est.)
Loss/Damage to Equipment	Unlimited	Unlimited
Glazing (Schools)	Unlimited	Unlimited

Insurance Contracts

- 3.9. The premiums charged in recent years in respect of the three principal risks covered by the Insurance Fund are detailed below. Premiums for all external insurance contracts will be affected by the rise in Insurance Premium Tax from 6% to 9.5% which came into effect on 1 November 2015. The overall impact of this increase has been mitigated by the extent of the self-insurance programme and the decision to underwrite further classes of risk entirely in house.

a. COMBINED LIABILITY

The Council took up an optional 2 year extension to this contract from 1 April 2015. For 2016/17 (the final year of the extension) my officers negotiated with insurers a modest increase in their premium that reflects the general current pressures within the industry.

Continued sound management of the liability account has enabled me to further reduce the Insurance Fund contribution by £100,000 from £1,575,000 to £1,475,000 for 2016/17. This means that despite the external contract increase overall the budget for Liability will be slightly lower than in 2015/16. This contribution is now at its lowest level for 20 years and down from a peak (2005/06) of £6m per annum.

Claims handling costs will rise by just under 3% as the contract allows for an annual Average Earnings Index increase in respect of this element. A move towards increased in house claims handling, enabled by recent government announcements in respect of further civil litigation reform, will reduce such external contractor costs in future years.

The table below shows how costs have changed in recent years.

Year	Premium	
	External Insurance*	Insurance Fund
	£000	£000
2011/12	149	1,500
2012/13	155	1,550
2013/14	175	1,550
2014/15	204	1,615
2015/16	229	1,575
2016/17	247	1,475

* Exclusive of claims handling charges.

b. **MATERIAL DAMAGE AND BUSINESS INTERRUPTION**

The Material Damage policy was tendered in 2013/14 at which point cover was removed for damage arising from storm flood and burst pipes for all properties other than schools and leased premises. It was also agreed to change the cover for damage from terrorism risks to a 'first loss' basis. These reductions in cover explain the fall in External Insurance premiums from 2014/15 onwards shown in the table below.

The Long Term Agreement means that the lower premium rates will continue for 2016/17. A forecast rise in rebuilding costs is expected to place some upward pressure on external premiums. This will be more than offset by property disposals and by the Roman Catholic Diocese of Shrewsbury taking responsibility for the insurance of its Voluntary Aided schools in the borough. As these changes reduce the Insurance Fund's exposure I am reducing the contribution to the Fund by £50,000. There are no claims handling charges for these classes of insurance as they are managed within existing team resources. Overall material damage costs for 2016/17 are expected to be around £55,000 below 2015/16 levels.

Year	Premium	
	External Insurance	Insurance Fund
	£000	£000
2011/12	329	300
2012/13	312	300
2013/14	311	300
2014/15	259	300
2015/16	271	300
2016/17	266	250

c. **COMPREHENSIVE MOTOR**

This contract is subject to a Long Term Agreement until 31 March 2017. As such no change in premium per vehicle is anticipated. However changes in the size of the fleet and the rise in Insurance Premium Tax have led to an increase in the external insurance premium. No change to the level of the Insurance Fund contribution is forecast.

Year	Premium	
	External Insurance**	Insurance Fund
	£000	£000
2011/12	35	70
2012/13	33	70
2013/14	30	70
2014/15	35	70
2015/16	35	80
2016/17	40	80

** Exclusive of claims handling charges.

Other Risks

3.10 In addition to the three main classes of insurance the Authority also procures external insurance for a number of smaller risks. As part of efforts to maximise the value from the Council's expenditure on its insurance programme my officers have considered the range of risks to be insured and whether it is appropriate to self-insure more of these. The following changes are proposed and have been incorporated into the insurance budget for 2016/17:

- Loss of or damage to Marine craft will now be fully self-insured. Only cover for Marine liability will be purchased from an external insurer.
- Cover for loss or theft of Money will now also be entirely self-insured.
- Cover for Personal Accident will be reduced to assaults on Council staff and Members. (Incidents for which the Council has a liability will continue to be covered by the Employers Liability insurance policy).

- The existing Fidelity Guarantee policy will be replaced with a Crime policy. In addition to the employee dishonesty risk covered by Fidelity Guarantee insurance a Crime policy would cover third party computer and funds transfer fraud, invoice fraud and cheque or credit card forgery albeit with an increased deductible.

As previously noted, the above changes will reduce the Council's exposure to Insurance Premium Tax.

- 3.11 A range of other risks including loss of equipment and damage to glazing are already fully self-insured. These generate modest losses and as a result the associated internal premium is also relatively small.

Administration

- 3.12 In addition to promoting the effective management of risk within the Authority the Risk and Insurance Section places and administers all external insurance policies manages the Insurance Fund provides an internal and external consultancy service and oversees the handling of all claims. The balance of work has altered with greater emphasis now being placed on risk management activity and increased support for schools. The management of individual liability insurance claims remains a significant element.
- 3.13 The costs of the Risk & Insurance Section are charged to the Insurance Fund and recharged in the form of a percentage overhead on insurance premiums.
- 3.14 Below is a breakdown of the estimated administration expenditure and income:-

	Budget 2015/16	Budget 2016/17
	£	£
<u>Spend</u>		
Staffing & overhead recharges	214,000	248,000
Insurance Brokers	10,000	10,000
Other professional fees	5,000	11,000
Figtree claims database	10,000	10,000
Total	239,000	279,000
<u>Income</u>		
Consultancy – schools	112,000	108,000
Consultancy - Academy schools	40,000	17,000
General Fund	87,000	154,000
Total	239,000	279,000

The increase in expenditure results principally from a rise in fixed superannuation and overhead costs to be charged to the service.

Insurance Fund Budget 2016/17

- 3.15 The Insurance Fund Budget is shown in the Appendix. The table below compares the Budget for 2016/17 with the Budget for 2015/16.

	Budget 2015/16	Budget 2016/17
	£	£
Schools	1,010,000	970,000
General Fund	2,030,000	1,998,000
Academies	40,000	17,000
Total	3,080,000	2,985,000

- 3.16 The 2016/17 Budget of £2,985,000 represents a reduction of £95,000 (3%) compared with the Budget for 2015/16. The forecast of reduced income from Academies reflects the possibility that these schools might seek cover against losses under the Risk Protection Arrangement offered by the Department for Education when their existing Long Term Agreements expire.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The 2016/17 Insurance Fund Budget of £2,985,000 is a reduction of £95,000 (3%) on the Budget for 2015/16.

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 Whilst there are no direct staffing implications the work for Academy Schools and ongoing improvements to the Council's risk management framework and processes continue to place pressure on the capacity of the Risk & Insurance Section.

7.0 RELEVANT RISKS

- 7.1 The Long Term Agreements (LTAs) which apply to all of the Council's major insurance contracts act to reduce the likelihood of any significant changes to the extent of cover or to external premiums. No insurance procurement exercises are scheduled to take place that will affect costs for 2016/17. This provides a greater degree of certainty that actual costs will be within those budgeted.
- 7.2 Insurance Fund contributions form the largest element of the total. As these are directly related to claims costs they could rise in the event of a series of major losses. The impact of that risk is mitigated by maintaining a prudent level of reserves. Even if there were a series of losses greater than the reserves the cost would be incurred over several financial years. This would give the Council time to rebuild reserves.

- 7.3 If further schools decided to convert to Academy status this could create a shortfall in income for the Insurance Fund. By way of mitigation the Risk & Insurance section takes steps to gain early notice of any potential conversions. Service Level Agreements also make schools liable for all risk and insurance costs for a given financial year unless they indicate by the preceding September that services will not be required. This source of uncertainty also represents a potential opportunity in that it is possible that income may exceed the budgeted figures.
- 7.4 The Council's response to its budgetary challenges could have implications for the future level of claims. Reductions in maintenance budgets and staffing levels could impact on the frequency and severity of claims.
- 7.5 As indicated in paragraph 3.16 the existing Long Term Agreements which apply to the insurance programmes for Academies expire in August 2016. From this point the number of academies which take up the consultancy service provided by the Risk & Insurance team could reduce because of competition from the Department for Education's Risk Protection Arrangement. This could mean that the income from this service falls below that assumed in the budget.
- 7.6 The reserve held for property risks means that the Fund could currently withstand two consecutive years containing individual large losses. However, given the scale of self-insurance in respect of this risk, it would be necessary to increase the Insurance Fund contribution for this exposure in this scenario.
- 7.7 The civil justice system remains unstable. Behaviours and claims volume changes associated with the Jackson process reforms discussed in previous reports have still not matured however the government has recently announced further radical revisions. Whilst these changes are generally expected to have a positive impact on claims funding requirements, unanticipated developments may still occur that could result in increased funding pressures. Behaviour changes arising from the reforms can already be seen within the industry. Claimant solicitors have moved focus away from public liability and into more profitable areas such employers liability disease work. Further similar developments may negatively impact on future budgets.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 No specific consultation has been undertaken in relation to the Insurance Budget.

9.0 EQUALITY IMPLICATIONS

- 9.1 There are no equality implications arising directly from this report.

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APPENDICES

Comparison of the Insurance Budgets for 2015/16 and 2016/17

REFERENCE MATERIAL

Risk & Insurance Section Database

Zurich Municipal and Teceris Claims Management claims records.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet - Insurance Fund Budget 2012/13	24 November 2011
Cabinet - Insurance Fund Budget 2013/14	29 November 2012
Audit & Risk Management – Insurance Fund Budget 2014/15	28 January 2014
Audit & Risk Management – Insurance Fund Budget 2015/16	27 January 2015

WIRRAL COUNCIL

INSURANCE FUND BUDGET

Budget 2015/16

Budget 2016/17

Expenditure

Class of Insurance	External Premiums £	Insurance Fund Contributions £	Total £	External Premiums £	Insurance Fund Contributions £	Total £
Liabilities	325,000	1,575,000	1,900,000	348,000	1,475,000	1,823,000
Fire	271,000	300,000	571,000	265,000	250,000	515,000
Motor	40,000	80,000	120,000	43,000	80,000	123,000
Other	197,000	53,000	250,000	186,000	59,000	245,000
Management Account			239,000			279,000
Total Expenditure			<u>3,080,000</u>			<u>2,985,000</u>

Income

Academies – Consultancy	(40,000)	(17,000)
Schools - Consultancy	(112,000)	(108,000)
Schools - Premiums	(898,000)	(862,000)
General Fund – Premiums and Administration	(2,030,000)	(1,998,000)
Total Income	<u>(3,080,000)</u>	<u>(2,985,000)</u>

Audit Committee Update

Wirral Council

Year ended 31 March 2016

February 2016

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Agenda Item 7

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit and Risk Management Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Making devolution work: A practical guide for local leaders
- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015
- Knowing the ropes: Audit Committee effectiveness review
- Reforging local Government: financial health and governance review 2015

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at February 2016

Work	Planned date	Complete ?	Comments
2015-16 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.	March 2016	On track	We will bring the audit plan to the accounts and audit committee following completion of our interim visit.
Interim accounts audit Our interim fieldwork visit includes: <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January to March 2016	On track	We have commenced our interim testing and met with senior finance staff to discuss key issues.
2015-16 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July to August 2016	On track	We will report the proposed opinion, value for money conclusion and findings from our final accounts audit to the Audit and Risk Management Committee.

Progress at February 2016

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2015/16 VfM conclusion has recently been subject to consultation from the National Audit Office. The audit guidance on the auditor's work on value for money arrangements was published on 9 November 2015.</p> <p>Auditors are required to reach their statutory conclusion on arrangements to secure VFM based on the following overall evaluation criterion: <i>In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</i></p> <p>To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties. 	By August 2016	On track	<p>The guidance and supporting information includes:</p> <ul style="list-style-type: none"> • the legal and professional framework; • definitions of what constitute 'proper arrangements'; • guidance on the approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified; • evaluation criteria to be applied; • reporting requirements. <p>The guidance is available at https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/</p> <p>Now that the finalised auditor guidance is available, we will carry out an initial risk assessment to determine our approach and report this in our Audit Plan.</p> <p>Our work will be reported in the Audit Findings Report presented to the September meeting of the Audit and Risk Management Committee.</p>

Progress at February 2016

Work	Planned date	Complete?	Comments
Other Grants work We have completed work to provide a reasonable assurance report on the Teachers Pensions Return	November 2015	Yes	We issued an unqualified reasonable assurance report on the return. Without qualifying our conclusion we were required to report on one issue.

Reforging local government: Summary findings of financial health checks and governance reviews

Grant Thornton market insight

The recent autumn statement represents the biggest change in local government finance in 35 years. The Chancellor announced that in 2019/20 councils will spend the same in cash terms as they do today and that "better financial management and further efficiency" will be required to achieve the projected 29% savings. Based on our latest review of financial resilience at English local authorities, this presents a serious challenge to many councils that have already become lean. Our research suggests that:

- The majority of councils will continue to weather the financial storm, but to do so will now require difficult decisions to be made about services
- Most councils project significant funding gaps over the next three to five years, but the lack of detailed plans to address these deficits in the medium-term represents a key risk
- Whitehall needs to go further and faster in allowing localities to drive growth and public service reform including proper fiscal devolution that supports businesses and communities
- Local government needs a deeper understanding of their local partners to deliver the transformational changes that are needed and do more to break down silos
- Elected members have an increasingly important role in ensuring good governance is not just about compliance with regulations, but also about effective management of change and risk
- Councils need to improve the level of consultation with the public when prioritising services and make sure that their views help shape council development plans.



Our report is available at <http://www.grantthornton.co.uk/en/insights/reforging-local-government/>, or in hard copy from your Engagement Lead or Engagement Manager.

CFO Insights– driving performance improvement

Grant Thornton and CIPFA Market insight

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.

We are happy to organise a demonstration of the tool if you want to know more.

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CIPFA reports and publications

Local Government Issues

Audit Panels

In December 2015 the Chartered Institute of Public Finance and Accountancy (CIPFA) published its guidance on the establishment of auditor panels.

Under the Local Audit and Accountability Act 2014 'relevant authorities' are able to appoint their own local auditors via an auditor panel. The Secretary of State for Communities and Local Government has decided to implement a phased introduction of the new local audit framework, with all health bodies and smaller local government bodies moving to the new framework as planned on 1st April 2017 and larger local government bodies a year later, on 1st April 2018. In practice, this means that smaller local authorities must have appointed their local auditors by 31st December 2016 and larger principal authorities by 31st December 2017.

The guidance sets out the options available to local authorities in England for establishing an auditor panel; what form such a panel can take; the operation and functions of the panel; and the main task of the panel – that is, advising the authority in connection with the appointment of the local auditor

Better Care Fund

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Healthcare Financial Management Association (HFMA) have issued a joint report examining the progress that has been made six months into the implementation of the government's £5.3bn Better Care Fund (BCF) arrangements. While the report points out that the fund has already begun to produce improved working relationships between NHS bodies and local public services, it highlights that more needs to be done to ensure the success of the BCF. The report is based on the results of a CIPFA and HFMA joint finance staff survey of NHS bodies and local authorities representing almost a third of BCF sites, and is available from the CIPFA website - <http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/better-care-fund-struggling-with-red-tape>.

Accounts - public rights of inspection and challenge

Local Government issues: National Audit Office

Council accounts: a guide to your rights

The NAO has published an updated version of Council accounts: a guide to your rights on its website. The guide has been updated to reflect the new requirements of the Local Audit and Accountability Act 2014, and applies to 2015-16 accounts. The document provides information on how people can ask questions and raise objections about the accounts of their local authority.

<https://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights/>

Arrangements for the exercise of public rights:

The Accounts and Audit Regulations 2015 set out new arrangements for the exercise of public rights from 2015/16 onwards. A key implication of the Act is that the final approval of the statement of the accounts by an authority prior to publication cannot take place *until after the conclusion of the period for the exercise of public rights*. As the thirty working day period for the exercise of public rights must include the first ten working days of July, authorities will not be able to approve their audited accounts or publish before 15th July 2016.

Smaller authorities must also wait until the conclusion of the thirty working day period for the exercise of public rights before publishing their accounts and the auditor's report.

IFRS 13 'Fair value measurement'

Accounting and audit issues

The 2015/16 Accounting Code applies IFRS 13 'Fair Value Measurement' for the first time. The standard sets out in a single framework for measuring fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

There is no public sector adaptation to IFRS13 but the Treasury and therefore the Code has adapted IAS 16 Property, Plant and Equipment so that operational assets (providing service potential) are no longer held at fair value but current value. As such IFRS 13 does not apply to operational assets. This new definition of current value means that the measurement requirements for operational property, plant and equipment providing service potential have not changed from the prior year.

However, surplus assets will need to be measured under the new definition of fair value, reflecting the highest and best use from the market participant perspective.

Other areas affected by the new standard include investment property, available for sale financial assets and those items where fair values are disclosed - for example, long term loans and PFI liabilities. IFRS 13 also introduces extensive disclosure requirements.

Local authorities need to:

- identify/ review their classification of surplus assets and investment properties
- discuss IFRS 13 with their property valuers and treasury advisers to ensure that fair values provided are produced in line with the new standard
- update accounting policies and disclosures to reflect the new standard.

Challenge question

- Has your CFO reviewed the surplus assets and investment property categories to ensure what is included is correctly classified?
- Has your CFO ensured property valuers and treasury advisers are aware of the fair value definitions under IFRS 13?
- Have the accounting policies and disclosures in your accounts been updated to reflect the IFRS 13 requirements?

Highways Network Asset

Accounting and audit issues

CIPFA announced at the recent Local Government Accounting Conferences some key messages with regards to changes in accounting for the Highways Network Asset from 2016/17. These included:

- Transport Infrastructure Assets will now be referred to as single asset, the Highways Network Asset (HNA)
- this will be measured at Depreciated Replacement Cost (DRC) using the Modern Equivalent Asset (MEA) basis of valuation from 1 April 2016 and will be applied prospectively rather than requiring a full retrospective restatement
- the new requirements only apply to authorities with assets meeting the definition of a single HNA asset

CIPFA's expects that the transport infrastructure assets held by district councils/ non-highways authorities will be scoped out of the new requirements as assets are unlikely to form a single interconnected network. However, district councils will need to consider the nature of their transport infrastructure assets to assure themselves and evidence that their transport infrastructure assets are not part of an interconnected network.

The 2016/17 Accounting Code which will include further details on these announcements is expected to be published in Spring 2016. Grant Thornton has produced a short briefing on these announcements which is available from your Engagement Lead and Engagement Manager and will provide further briefings as further details become available.

Challenge question

- Is your authority aware of the recent announcements?
- Has the CFO considered whether your authority is within the scope of the 2016/17 accounting requirements for HNA?
- Where relevant, does your authority have an Implementation Plan to meet the revised timetable?
- Has the Audit Committee been briefed on progress against the plan?

Better Care Fund

Accounting and audit issues

The Better Care Fund was launched on 1 April 2015 to ‘...drive closer integration and improve outcomes for patients and service users and carers’. The intention was to set up the fund as a pooled budget with NHS organisations and local authorities contributing into a single pot that is used to commission or deliver health and social care services.

In practice, different Better Care Fund agreements have different and sometimes complex arrangements. As a result determining the correct accounting can be difficult and there is no one size fits all approach. NHS and local government partners need to agree on accounting for such arrangements to ensure that not only are there no material errors in their own accounts but also that there are no material errors on consolidation into Whole of Government Accounts.

NHS and local government partners therefore need to consider the specific terms of their agreements and considering where the control and risks lie in line with the definition of control in IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements. Individual authorities also need to consider whether they are acting as a principal or an agent. Judgement may be required, and may therefore need to be disclosed as a critical judgement in the accounts.

Although the local government timetable is moving forward, the NHS timetable is still significantly earlier so local authorities will need to include dates in their closedown plan to give NHS colleagues the information they need to prepare their accounts in good time for these deadlines.

Challenge question

- Has your CFO considered and agreed with partners the accounting requirements for the Better Care Fund and has this treatment?

Website re-launch

Grant Thornton

We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

You can access the page using the link below -
<http://www.grantthornton.co.uk/en/insights/?tags=local-government&q=sustainable+communities>

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3 February 2015

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Dear Tom

Certification work for Wirral Council for the year ended 31 March 2015

We are required to certify certain claims and returns submitted by Wirral Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) has taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified one claim and return under PSAA arrangements for the financial year 2014/15 relating to expenditure of £139.8 million. Further details of the claim certified are set out at Appendix A.

The claim has been qualified for several years and was again subject to qualification in 2014/15. Overall, we are satisfied that the arrangements the Council has in place to compile the Housing Benefit claim remain appropriate as the claim is high value and complex. However, the Council should implement further appropriate actions to secure improved performance, for the issues we identified in 2014/15.

The main issues identified include:

- The software supplier provides instructions for the compilation of the claim. These instructions include the initiation, and investigation of established batch reports. We identified that a number of cases requiring investigation and clearing from one such report which had not been addressed prior to the submission of the claim. The Council should ensure that all compilation procedures are followed prior to initial claim submission to avoid the need for retrospective adjustments.
- As reported in the previous year, there were a number of cases incorrectly classified between 'normal' and 'exceeding cap' expenditure on Non-HRA board & lodgings and Non-HRA leased properties. However, the volume of errors had decreased from 2013/14.

- We again identified problems with backdating errors and errors in relation to the application of the appropriate LHA rate.
- There were a number of other errors included within the qualification letter as a result of incorrect calculations applied to claimants income, household composition or weekly rent liability based on our review of supporting documentation.

The indicative fee for 2014/15 for the Council is based on the final 2012/13 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification under the Audit Commission regime (such as the national non-domestic rates return, teachers pensions return and pooling housing capital receipts return) have been removed. The indicative scale fee set by the Audit Commission for the Council for 2014/15 is £31,800. This is set out in more detail at Appendix B.

Yours sincerely

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2014/15

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	£139,822,877	Yes	£5,808	Yes	Number of issues identified and included in qualification letter as set out above.

Appendix B: Fees for 2014/15 certification work

Claim or return	2012/13 fee (£)	2014/15 indicative fee (£)	2014/15 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£42,600	£31,800	£31,800	-	Fees for schemes no longer requiring certification under the Audit Commission regime (such as the national non-domestic rates return, teachers pensions return and pooling housing capital receipts return) have been removed from the fee.
Total	£42,600	£31,800	£31,800	£0	-

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

17 FEBRUARY 2016

SUBJECT:	<i>REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)</i>
WARD/S AFFECTED:	<i>ALL</i>
REPORT OF:	<i>HEAD OF LEGAL AND MEMBER SERVICES</i>
KEY DECISION?	<i>NO</i>

1.0 EXECUTIVE SUMMARY

- 1.1 This report summarises the use of covert surveillance by the Council between 1 September 2015 and 31 January 2016.
- 1.2 This report was requested in the work plan for the Committee.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Regulation of Investigatory Powers Act 2000 (RIPA) governs how public bodies use surveillance methods. The Council may use covert surveillance for the purpose of preventing or detecting crime or preventing disorder.
- 2.2 The origin of RIPA lies in the Human Rights Act 1998 which places restrictions on the extent to which public bodies may interfere with a person's right to respect for his or her home and private life and correspondence during the course of an investigation into suspected criminal activities. The provisions of RIPA ensure (in summary) that any such interferences are in accordance with the law and are necessary and proportionate (i.e. the seriousness of the suspected crime or disorder must outweigh any possible interferences with the personal privacy of the persons being investigated and of persons who associate with them).
- 2.3 The Council's Constitution authorises Directors to designate Heads of Service and Service Managers to authorise the use of covert surveillance in accordance with the procedures prescribed by RIPA. Since 1 November 2012 such authorisations require the further approval of a magistrate.
- 2.4 The Office of Surveillance Commissioners (OSC) is responsible for overseeing the operation of RIPA. The OSC inspected the Council on 8 June 2012. The outcome of that inspection was reported to the Committee on 19 September 2012. The Committee approved amendments to the Council's Policy and Guidance Document made in response to the Report which were adopted by the Cabinet on 18 October 2012. There was a further inspection by the OSC on 13 May 2015. The outcome was reported to the Committee on 22 September 2015 when the Committee approved an updated Policy and Guidance Document which took account of the recommendations of the OSC.

3.0 THE USE OF RIPA BY THE COUNCIL

- 3.1 Since 1 September 2015 the Council has used covert surveillance with the intention of detecting evidence of criminal behaviour as set out below.
- 3.2 On 26 August and 15 December 2015 magistrates approved authorisations to use covert surveillance to detect suspected flytipping on 3 sites in Wirral.

4.0 CHANGES IN LEGISLATION

- 4.1 The Protection of Freedoms Act 2012 came into force on 1 November 2012 and made the following changes to the law;
- A Magistrate's approval is required for a local authority's use of RIPA. It is in addition to the authorisation needed from a senior officer and the more general oversight by elected councillors.
 - Use of RIPA to authorise directed surveillance is confined to cases where the offence under investigation carries a custodial sentence of six months imprisonment or more except in relation to underage sales of alcohol and tobacco, where this sentencing threshold will not apply.

5.0 SUCCESSFUL PROSECUTIONS ARISING FROM COVERT SURVEILLANCE APPROVED BY A MAGISTRATE

- 5.1 On 22 October 2015 a member of the public pleaded guilty to an offence committed on 12 January 2014 of unlawful flytipping in Buccleuch Street, Birkenhead. He was sentenced to a fine of £500 and ordered to pay £1,500 in contribution towards the Council's costs.
- 5.2 On 26 August 2015 a member of the public pleaded guilty to depositing furniture on Brimstage Lane, Brimstage and received a custodial sentence of 4 weeks imprisonment.
- 5.3 On 28 August 2015 and 4 November 2015 cautions with costs (including clean up costs) were administered to members of the public who had illegally deposited household waste in Ditton Lane, Moreton.
- 5.4 On 24 October 2015 a caution with costs was given to a member of the public who had deposited garden waste in Noctorum Lane, Bidston.

6.0 RELEVANT RISKS

- 6.1 These have been discussed in previous reports.

- 6.2 There is a risk that some investigations of anti-social behaviour will not be able use covert surveillance because the suspected criminal behaviour does not carry a custodial sentence of 6 months or more.
- 6.3 The Anti-Social Behaviour Team are however intent on applying to the Court for approval of covert surveillance in suitable cases of suspected harassment of individuals which would amount to an offence under the Protection from Harassment Act 1997 (which can attract a sentence of 6 months or more imprisonment).

7.0 OTHER OPTIONS CONSIDERED

- 7.1 None.

8.0 CONSULTATION

- 8.1 None.

9.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 9.1 None.

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

- 10.1 None at present.

11.0 LEGAL IMPLICATIONS

- 11.1 The Protection of Freedoms Act 2012 which restricts local authorities use of covert surveillance came into force on 1 November 2012.

12.0 EQUALITIES IMPLICATIONS

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

No because there is no proposal which is relevant to equality.

13.0 CARBON REDUCTION IMPLICATIONS

- 13.1 None.

14.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 14.1 See paragraphs 4 and 6.

15.0 RECOMMENDATION/S

15.1 That the Committee note the contents of this report on the use of covert surveillance.

16.0 REASON/S FOR RECOMMENDATION/S

16.1 The Home Office Code of Practice on covert surveillance requires every Council to report quarterly on its use of RIPA.

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REFERENCE MATERIAL

Authorisations for directed surveillance - exempt from publication because they relate to individuals and may be the subject of continuing investigations into alleged criminal behaviour.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Reports to the Audit & Risk Management Committee	1 February 2012 14 June 2012 19 September 2012 10 June 2013 18 September 2013 28 January 2014 18 March 2014 17 September 2014 27 January 2015 8 June 2015 22 September 2015
Report to the Cabinet	18 October 2012