



Audit and Risk Management Committee

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| Date: | Tuesday, 22 November 2016 |
| Time: | 6.00 pm |
| Venue: | Committee Room 1 - Wallasey Town Hall |

Contact Officer: Patrick Sebastian
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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 - 12)

To approve the accuracy of the minutes of the meeting held on 26 September 2016.

3. INTERNAL AUDIT UPDATE (Pages 13 - 26)

4. INTERNAL AUDIT ANNUAL COUNTER FRAUD UPDATE (Pages 27 - 34)

5. ANNUAL GOVERNANCE STATEMENT - SIGNIFICANT GOVERNANCE ISSUES UPDATE (Pages 35 - 38)

6. ARRANGEMENTS FOR THE APPOINTMENT OF EXTERNAL AUDITORS (Pages 39 - 48)

7. CORPORATE RISK REGISTER (Pages 49 - 64)

8. MANAGEMENT OF INSURANCE AND CORPORATE RISK (Pages 65 - 70)

- 9. CODE OF CORPORATE GOVERNANCE (Pages 71 - 104)**
- 10. STATEMENT OF ACCOUNTS 2015/16 UPDATE (Pages 105 - 116)**
- 11. EXTERNAL AUDIT - ANNUAL AUDIT AND INSPECTION LETTER
(Pages 117 - 130)**
- 12. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)
(Pages 131 - 152)**
- 13. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR
(PART 1)**
- 14. EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE
PUBLIC**

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

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 26 September 2016

Present:

Councillor AER Jones (Chair)

Councillors

A Davies
RL Abbey
D Elderton

P Gilchrist
C Muspratt
L Rowlands

Deputies:

Councillors

K Hodson (In place of J Hale)
M Sullivan (in place of P Doughty)

14 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.

No such declarations were made.

15 MINUTES

Resolved – That the minutes of the meeting held on 22 September 2016, be approved.

16 INTERNAL AUDIT UPDATE

The Chief Internal Auditor introduced his update report that identified and evaluated the performance of the Internal Audit Service and detailed issues arising from work undertaken during the period 1 June to 31 August 2016. He informed that the report highlighted items to note, issues arising that require actions to be taken by Members, performance information and developments being undertaken to improve the effectiveness of the Internal Audit Service.

Members were informed that there were two items of note concerning audit work undertaken as highlighted in section 3.2. of the report. The Chief Internal Auditor informed Members that following an audit undertaken during 2015/16 into the procurement of infrastructure advisory services to Merseyside Pension Fund (MPF), as was reported to this Committee in Feb 2016, further assurance work was completed across all MPF contracts to ensure compliance with the Contract Procedure Rules (CPRs) and MPF as reported to this Committee in June 2016.

It was further reported that a significant amount of work had been undertaken by the Internal Audit Service to support the production of the Annual Governance Statement

The Chief Internal Auditor then reported upon outstanding audit recommendations and referred to Appendix 1 of the report (a table identifying information relating to those audits where recommended actions included in audit reports for 2015/16 and the current year to date have not yet been fully implemented.) It was explained that reports identifying outstanding actions are currently RAG rated as 'amber', and a number of these related to audits undertaken within IT Services. Members heard how these actions are currently being overseen by the Information Governance Board chaired by the Strategic Director for Transformation and Resources.

Members heard how a continuous Internal Audit Improvement and Development Plan had been formulated to incorporate 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.

In response to a question asked by a Member, the Chief Internal Auditor assured the Committee that issues surrounding Corporate Procurement is the subject of high profile monitoring.

Members were informed that achievement of the audit plan is slightly behind schedule for this time of year due to a number of vacant posts within the section that have proven difficult to fill. However, a new Member of staff is due to start this week.

In response to a question asked by a Member regarding ICT disaster recovery, it was explained that this remains to be a significant issue and is being managed by the Corporate Governance Group.

A discussion was had amongst Members about the need for an escalation process through the Audit and Risk Management Committee to refer matters of concern to the Cabinet. It was suggested that an amendment be added to the recommendation as follows:-

"A standard Agenda item be added to future meetings of the Audit and Risk Management Committee to escalate areas of concern to the Cabinet."

The motion was put and carried (9:0)

Resolved: That

- 1) the report be noted; and**

- 2) a standard Agenda item be added to future meetings of the Audit and Risk Management Committee to escalate areas of concern to the Cabinet. (see Minute 19).

17 **ARMC SELF ASSESSMENT**

The Chief Internal Auditor explained to Members that in order to comply with best professional practice, the Audit and Risk Management Committee are required to complete an annual evaluation of its role and effectiveness as part of the systems of internal audit.

Members heard how the CIPFA publication 'A Toolkit for Local Authority Audit Committees' recommends the use of self- assessment checklist to achieve this task and that the Chair had completed the checklist (Appendix 1 of the report)

A discussion was had amongst Members regarding the need for refresher training. It was agreed by Officers that this would be progressed and would also include sessions relating to the Statement of Accounts and Insurance and Risk Management.

Resolved: That the self – assessment checklist be approved

18 **ARRANGEMENTS FOR THE APPOINTMENT OF EXTERNAL AUDITORS**

A report by the Strategic Director for Transformation and Resources summarised the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements, at the conclusion of the 2017/18 audits. It was explained that the Council would need to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017.

Options available to Members were set out in the report and summarised as follows:

Option 1 To make a stand – alone appointment – The Council would be required to set up an Auditor Panel. Members of the Panel must be wholly or a majority independent members as defined by the Act.

Option 2 Set up a Joint Auditor/Local Joint Procurement – The Act enables the Council to join with other authorities to establish a joint auditor Panel. This will also need to be constituted of wholly or a majority of independent appointees (Members).

Option 3 Opt –in to a sector led body – In response to the consultation on the new arrangements the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms, nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

Councillors expressed support for Option 2.

Resolved - That Members note the report detailing the various options available and endorse the Council's proposed approach of supporting the Local Government Association (LGA) in setting up a national Sector Led Body for the appointment of external auditors.

19 **ANNUAL GOVERNANCE STATEMENT 2015-16**

The Strategic Director for Transformation & Resources presented the final draft of the Annual Governance Statement and an action plan for 2015-16.

The Head of Financial Services advised that the Annual Governance Statement 2015-16 covered the period from April 2015 to March 2016 and therefore the significant governance issues identified are those which relate to this period.

Members heard how the Council had improved its governance arrangements over recent years and that one significant governance issue remained. This related to compliance with certain Council processes and procedures, including performance appraisals, absence management, contract procedure rules and essential training.

An addendum to the report was then circulated to Members to outline an issue which had been identified since the publication of the report. This referred to the report from Ofsted on 20 September 2016 which rated Children's Services in Wirral as inadequate. It was reported that an Improvement Board had been established to lead the process including identification and delivery of an Improvement Plan.

A Member expressed concerns regarding corporate procurement remaining to be a high priority and sought reassurance from Officers that work is ongoing to combat this matter. Further concerns were raised by a Member with reference to Performance Appraisals which remained as part of the remaining significant governance issue.

In response to concerns, the Strategic Director for Transformation and Resources addressed the Committee to highlight that, to date 91% of Performance Appraisals for managers had been completed, whilst 57% of all

non-managerial staff had been completed. The deadline for completion had been set as 30 September 2016. Members heard how this was an improvement on figures published for the previous year.

Members expressed concerns regarding the significance of the addendum and there was dissatisfaction over the content of the Statement. Legal Advice was sought and it was explained that the Council is under an obligation to publish their Annual Governance Statement by 30 September.

Members sought an adjournment (7:35pm) so that Party Spokespersons could discuss how they wished to proceed. The meeting reconvened at 8:00pm.

The Committee then heard a statement produced by Party Spokespersons as follows:

“Subsequently, the Committee became aware of information and developments which placed the report in a context which caused Members concern and unease.

The comments in the additional paper supplied regarding the Ofsted inspection, be added and endorsed, it being regretted that this matter was not brought to light earlier.

A system of regular updates on matters of concern be introduced to satisfy the concerns of Members”.

On a motion by Councillor Davies and duly seconded it was agreed that the recommendation be voted upon under two parts, as set out in the report then the amendment as specified.

On a motion by Councillor Davies and duly seconded it was:

Resolved (6:2 (one abstention) That the final draft of the Annual Governance Statement and action plan be approved and presented to Cabinet in November 2016.

It was then moved by Councillor Davies and duly seconded and:

Resolved (9:0) That the statement produced by the Party Spokespersons be endorsed and a system of regular updates on matters of concern be introduced. This would provide Members with the opportunity to highlight other areas of concern (see minute 16).

20 CORPORATE RISK REGISTER: Q1 2016/17 UPDATE

The Risk and Insurance Manager provided Members with an update on the implementation of key additional actions to control corporate risks, emerging risk topics were also highlighted. A summary was also included regarding arrangements for the development of risk registers for Pledge Strategies, new Delivery Units and the revised Transformation Programme.

Members heard how following the adoption of the Wirral Plan, the Strategic Leadership Team conducted an exercise in late 2015/16 to identify the most relevant risks to its delivery. It was reported that this had resulted in the production of a revised Corporate Risk Register which was noted by this Committee on 14 June 2016.

The Risk and Insurance Manager then informed Members how all mitigating actions appear to be progressing as planned, with the exception of:

- The development of extra care housing (Risk 5: Integration of Health and Social Care)
- The sale of surplus assets (Risk 10: Resources and Infrastructure)

The Report informed Members about emerging risk areas and explained that since the new Corporate Risk Register was finalised on 31 May there had been some significant changes both within the Council and in the wider environment that could create uncertainty for delivery of the Council's objectives. Members heard, how, on 23 June the UK voted to leave the European Union, resulting in uncertainty and the potential to create additional challenges to delivery of the Wirral Plan in the longer term. It was identified that the following could be particularly affected: Financial Resilience (risk 1) Devolution (risk 4) and Economic Activity (risk 9). Furthermore, the report explained how in July Ofsted undertook an investigation of the Council's Children's Services. The outcome has now been published and could have implications for the following existing corporate risks: Financial Resilience (risk 1) and Safeguarding (risk 7).

The Risk and Insurance Manager advised that to ensure that the Council and the wider Wirral Partnership develops a comprehensive understanding of the risks to delivery of the Wirral Plan three further sets of Risk Registers will be developed over the coming months as follows:

- Individual Wirral Plan pledge strategies
- Plans for the new Business Services functions and Delivery Units
- Programmes within the revised Transformation Programme

Members heard how there had been consultation with the Policy, Performance & Scrutiny Team and the Change Team over arrangements for

the development of the Registers and guidance and support will be available to those responsible for producing them.

Resolved - That

(1) Members note the report on progress in managing the corporate risks: and

(2) further reports on the Corporate Risk Register be brought to future meetings of this Committee.

21 MANAGEMENT OF INSURANCE AND CORPORATE RISK

The Risk and Insurance Manager introduced a report to inform Members about progress made since the previous report considered in June 2016 in relation to key actions planned for 2016/17.

The Report provided Members with an update on the work around risk management and insurance which sought to support the Risk Management framework and maintain the successful management of the Insurance Fund.

It was explained to Members that risk and insurance management comprises two significant areas of activity as follows:

- 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.

The Risk and Insurance Manager summarised progress to date under the categories of:

- Crime Insurance
- Corporate Risk Management Policy
- Corporate Risk Register
- Alignment of Risk Management and Performance Management
- Traded Service for Schools and Academies
- Policy Renewals – June 2016
- Tender for Casualty and Computer Insurance.
- Request for Quotations – Broking Service.
- Claims Handling Changes.

Members were informed of relevant risks including potential for a large number of schools converting to Academies and implications for the Insurance Fund. It was explained that, if this were to occur, this could reduce the Authority's buying power and the degree to which it could self – insure.

Members were advised that Officers continue to remain vigilant to potential conversions and will make changes to the authority's arrangements to ensure that potential negative impacts are gradual and limited wherever possible.

A Councillor praised the Risk and Insurance Manager for the content of his report.

Resolved – That the report be noted.

22 **CORPORATE RISK MANAGEMENT POLICY**

The Risk and Insurance Manager outlined a report to confirm to Members the process behind the development of a revised Corporate Risk Management Policy. The report set out the factors that had influenced its development, described the main proposed changes from the current document and confirmed a series of actions needed for its implementation.

Members heard how the Council has to deliver its objectives in the face of a complex and increasingly dynamic environment and that the uncertainty created by that environment presents it with both opportunities and threats. It was explained to Members that the purpose of a Risk Management Policy is to set out an organisation's overall attitude to risk and uncertainty to confirm its commitment to managing risk to provide a high level view of the risk management process itself and to set out corporate requirements around how risk is to be handled.

The Risk and Insurance Manager informed the Committee that under the governance structure for risk management any update to the Policy is considered by the Strategic Leadership Team (SLT) then by this Committee, before being put to the Cabinet for formal adoption. Members were advised that several significant developments with implications for the Council's approach to managing risk had taken place in the past year, including: the adoption of the Wirral Plan, a new Operating Model, a revised Transformation Programme with improved governance arrangements and a move towards integrated reporting.

Proposed changes to the Risk Management Policy were set out in the appendix to the report and summarised within the report. Next steps and relevant risks were explained to Members.

Resolved – That

- 1) the draft Risk Management Policy be approved and referred to Cabinet for formal adoption on behalf of the Council; and**
- 2) regular reports on progress towards implementation of the risk management action plan be brought to this Committee.**

23 EXTERNAL AUDIT FINDINGS

Prior to the consideration of this item the Head of Financial Services informed Committee that the next four items related to the Annual Accounts for 2015/16. He presented an overview of the process and the related documents in place for signing-off the accounts. He introduced the External Audit Findings, as prepared by Grant Thornton.

Robin Baker, Engagement Lead at Grant Thornton explained that the purpose of the report was to highlight key issues affecting Wirral Council and the preparation of the Council's financial statements for the year ended 31 March 2016. It was explained that Grant Thornton are required to carry out sufficient work to satisfy on whether the Council had made proper arrangements to secure the economy, efficiency and effectiveness in its use of resources.

Members were informed that electors are given the opportunity to raise questions about the Accounts. It was reported that there is one outstanding objection. The Objector had suggested that Grant Thornton prepare a public interest report and apply to the courts for a declaration that Wirral Council's Lender Option, Borrower Option loan borrowing as referenced in the 2015–16 accounts is unlawful. It was explained that this issue affects a number of local authorities and it was necessary to seek further advice and guidance on this issue. Therefore the Audit cannot be formally closed for this year at this stage.

Robin Baker responded to questions and explained that investigation into the nature of the objection was ongoing.

Members were then advised that when concluding on value for money main considerations were:

- The Council continues to face significant financial challenges going forward. The 2016/17 quarter 1 (June 2016) revenue monitoring report set out a forecast overspend of £1.1m. The 2016/17 revenue budget included a budget contingency of £12m to mitigate the financial risks associated with demand pressures and the delivery of previously agreed savings. Continuing budgetary pressures relating to Adult Social Services, Children's Services and Transformation and Resources have led to £11.1m of that contingency being allocated early in the financial year.
- In July 2015, the Council approved a new Wirral Council Plan: A 2020 Vision. The plan sets out key priority areas and desired outcomes for both people and place and underpinning the priorities are twenty outcomes to be delivered by 2020. The Council acknowledges that, given the challenging financial position, difficult decisions remain to be made to ensure both the successful delivery of the Wirral Plan and achievement of statutory responsibilities.

- The Council has a track record of delivering required savings to date although the challenges faced going forward are arguably getting tougher. Appropriate arrangements are in place to plan finances effectively alongside reliable financial reporting to support the delivery of the Council's strategic priorities. Overall, the Council has responded positively to the challenging financial environment during the year and has set out in the MTFS a clear view of what needs to be done in 2016/17 and beyond.
- The Council remains committed to actively exploring alternative means to deliver services alongside supporting local redevelopment and regeneration through a range of planned actions. The Council is actively involved in supporting the Devolution Plans of the Liverpool City Region Combined Authority.

The findings of the recent Ofsted Report, referred to in Minute 19, were such that the Value for Money conclusion would be revised to being a qualified Conclusion for 2015/16.

Robin Baker referred to the Audit Opinion being issued before 30 September 2016 and the Audit Findings being updated to incorporate both the Audit Opinion and the update regarding Value for Money.

Resolved – That the report be noted.

24 **EXTERNAL AUDIT FINDINGS - PENSION FUND**

Heather Green, Senior Manager at Grant Thornton UK LLP addressed the Committee to outline Audit Findings for Merseyside Pension Fund for the year ending 31 March 2016. It was explained that the report had been very well received by Members of the Pensions Committee at their meeting held 19 September 2016.

Members were advised that summary findings were very positive and there were no significant concerns to report.

In response to a question by a Member it was explained that Grant Thornton UK LLP, on the Council's behalf requested management representation to confirm ownership of the Fort, a shopping centre based in Birmingham.

Resolved - That the report be noted.

25 **PENSION FUND STATEMENT OF ACCOUNTS**

The Head of Financial Services addressed the Committee to present Members with the audited Accounts of Merseyside Pension Fund for 2015/16. Members were advised that the purpose of the Accounts is to present the overall position of the Pension Fund as of 31 March 2016 in accordance with

prescribed guidance. Members received the Minute from Pensions Committee which had accepted the Accounts and referred them to this Committee.

Members were informed that there was one mis-classification of £24.8 million, which was categorised as a pooled investment vehicle with the underlying asset class as a corporate bond instead of a pooled investment vehicle with the underlying asset class as equities. This has had no effect on the assets of the Fund as at 31 March 2016 and all suggested disclosure changes have been amended.

Resolved – That the report be noted.

26 **STATEMENT OF ACCOUNTS**

The Head of Financial Services requested that Members consider the Audit Findings of Grant Thornton UK LLP, agree a letter of representation, agree any actions for 2015/16 and then approve the arrangements for the finalisation of the Statement of Accounts for 2015/16, so they may be published in advance of the statutory deadline (30 September 2016).

Members were advised that the purpose of the Statement of Accounts is to present the overall financial position of the Council at 31 March 2016 and that this is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts which present a true and fair view of the financial position.

Members then heard how the Accounts published on 30 June 2016 by the Head of Financial Services as Section 151 Officer had been subject to audit. Under National Audit Commission audit arrangements for Local Government, Grant Thornton, as the Council's appointed external auditor, reports on the financial statements. Based upon the comments from the external auditor the Accounts had been amended and must be considered and approved by resolution of Members prior to publication. The Accounts must also be signed and dated by the Chair of this Committee.

The Head of Financial Services informed the Committee that amendments to the financial statements requested by Grant Thornton were detailed in the Audit Findings Reports and Members are asked to consider whether or not they agree to the amendments which had been agreed by Officers.

He advised that the Accounts would incorporate the amendment agreed to the Annual Governance Statement (Minute 19 refers) and the Audit Opinion to be issued by the external auditor. The Accounts would be published on 30 September 2016 and an update would be provided to the next meeting of this Committee.

Resolved –

- (1) the Audit Findings Report presented by Grant Thornton be noted, noting the actions taken over the amendments to the Statement of Accounts as detailed in section 3 of the report now submitted.**
 - (2) That the Head of Financial Services, as Acting Section 151 Officer, be authorised to sign off the Councils' 2015/16 Statement of Accounts in consultation with the Chair of the Committee.**
 - (3) That the Chair of the Audit and Risk Management Committee be authorised to sign off the Letter of Representation.**
 - (4) That the Statement of Accounts for 2015/2016 and the arrangements for further amendments be approved.**
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Audit and Risk Management Committee
Tuesday 22 November 2016

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| REPORT TITLE: | INTERNAL AUDIT UPDATE |
| REPORT OF: | CHIEF INTERNAL AUDITOR |

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 September to 31st October 2016. There are 4 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 and take any appropriate actions due.

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 September to 31st October 2016.

3.2. Items of Note

3.2.a Cyber Security

An audit has been conducted of the Council's Cyber Security position as it is widely acknowledged that effective controls in this increasingly high risk area are vital to public bodies as they are in the front line of the cyber criminal's targets and across the sector have recently experienced a dramatic increase in this type of activity.

HM Government (Department for Business Innovation and Skills) has recently produced a cyber-essentials scheme, which provides basic accreditation controls to reduce the risk of a successful attack. This audit concentrated upon establishing whether or not the Council has the necessary controls in place to reduce the risk of such an attack.

The conclusion from the work undertaken is that Wirral has controls in place to address some of the business risks reviewed, however a number of areas were identified for improvement to address emerging risks and a 'Moderate' overall risk to the organisation identified along with various associated actions agreed with senior managers to strengthen the overall control environment in the following areas:

- Firewalls
- Vulnerability Monitoring
- Rogue Wireless Access Points
- Information Risk Register
- Information Security Training
- Cyber Insurance

It is acknowledged that IT Services is currently in the process of improving its information security risk management regime and work is in progress in a number of areas. Consequently some of the actions identified in the report have been classified as Low rather than Medium risk to reflect this, however if actions are not completed effectively then the classification will increase accordingly.

3.2.b Prepaid Cards – Local Welfare Assistance Scheme

An audit has been conducted to ensure the risks associated with the prepaid card system have been appropriately addressed. Prepaid cards replace cash in situations where the Council is giving money to a customer and are used to make Local Welfare Assistance (LWA) payments.

The scope of the audit was to evaluate the adequacy of the controls in mitigating the identified risks associated with the system, including areas of concern highlighted by the Housing Benefit Manager and Business Support Manager.

A number of additional measures and controls were agreed with management following the audit in order to enhance the control environment of the system and these have been implemented with immediate effect. In addition a significant number of issues were identified in respect to the service provided by 'allpay' Limited which have adversely impacted on the effectiveness of the prepaid card operation for the LWAS. It has been agreed that these issues will be raised directly with representatives of the company and Internal Audit will continue to provide support to the Business Support and Housing Benefit Managers in resolving these issues moving forward.

3.2.c Performance and Management Planning

An audit is currently being undertaken to assess progress made by management to implement actions arising from the previous audit review of the corporate planning and management system undertaken earlier this year. The review will involve testing a sample of operational performance indicators and indicators from the Wirral Plan in order to assess the robustness of data quality. In addition, an overview assessment of the operational arrangements

implemented this year to support the delivery of the Wirral Plan: A 2020 Vision will be completed as part of the exercise. Members of this Committee will be advised of the outcome of this work and any actions arising upon its completion.

3.2.d Children's Services

An audit has recently been commissioned as part of the Children's Services Improvement Plan to evaluate and test data quality across a number of performance indicators currently in operation. The aim of the review is to establish the efficiency and effectiveness of current arrangements and their ability to accurately and appropriately inform management actions to ensure continuous performance improvement in this critical area of operations. The findings from this piece of work including identified development actions will be included within the Improvement Plan and reported to senior managers and Members.

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 2015/16 and the current year to date have not yet been fully implemented. Following discussion at the previous meeting of this Committee in September 2016 some changes have been made to the format of this report to reflect a request made by Members that includes the addition of new column to identify the revised Organisational Risk Opinion after follow up work undertaken to clearly indicate the direction of travel of the risk and some additional narrative regarding outcomes.

3.3.b Where items are addressed by officers those entries are removed from the report on a rolling basis.

3.3.c All of the reports identifying outstanding actions are currently RAG rated as 'amber' indicating that progress is being made to address identified issues. A small number of items included on this attachment however have had their organisational risk opinion provided at the time of the audit adjusted after the completion of follow up audit work. These include:

Resource Link – upgraded from 'Moderate' to 'Major' risk opinion (P.4);
Direct Payments – downgraded from 'Major' to 'Moderate' risk opinion (P.6);
MPF Members – downgraded from 'Minor' to 'Negligible' risk opinion (P.6);

3.3.d A number issues relate to audits undertaken within ITS and were the subject of a previous report to this Committee by the Chief Information Officer in 2015, outlining actions being taken and providing Members with necessary assurances that risks in these areas were being managed effectively. A number of these actions remain outstanding and a further update for Members on the current position should be considered.

3.3.e Outstanding actions relating to Organisational Culture, Corporate Procurement and Business Continuity/Disaster Recovery are now included on

the Governance Issues Action Plan agreed with senior management and its implementation is currently being overseen and monitored by the Corporate Governance Group now chaired by the Director for Business Services (Assistant Chief Executive). Regular updates on progress being made to address the issues identified in the Annual Governance Statement are to be brought to all future meetings of this Committee.

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 2016/17. | 55 | 50 |
| 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 period shown in brackets) | 90 | 100 (17) |
| 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 although it should be noted that achievement of the audit plan is slightly behind schedule for this time of year. This is primarily due to a number of vacant posts within the section that have proven difficult to fill. Work is currently ongoing to attempt to address this issue and two recent appointments have been made. I will continue to closely monitor and report on progress made, advising of any further impact on plan delivery.

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:

- Continuous development of the Quality Assurance and Improvement Programme (approved by ARMC – September 2015) in line with the Public Sector Internal Auditing Standards;
- Ongoing regional Counter Fraud Publicity Campaign scheduled for November 2016;
- Ongoing improvement of corporate counter fraud awareness across the Council including development of the Counter Fraud e-learning module;
- Further developments in reporting arrangements for stakeholders;
- Further development of the Mersey region Counter Fraud group led by Wirral Internal Audit to include joint fraud exercises and training;
- Implementation of actions arising from the new Public Sector Internal Audit Standards (PSIAS) self-assessment exercise;
- Development of the use of computer assisted auditing techniques in the evaluation and testing of system controls for more effective and efficient auditing;
- Ongoing development and implementation of a new automated planning and management system for the service;
- Development and implementation of enhanced paperless working operation;
- Development of the Internal Charter and Strategy to reflect changes required under the new PSIAS.

4.0 FINANCIAL IMPLICATIONS

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.

REPORT AUTHOR: Mark P Niblock
Chief Internal Auditor
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APPENDICES

Appendix 1: Audit Recommendations Status Report

REFERENCE MATERIAL

Internal Audit Plan 2016/17

SUBJECT HISTORY (last 3 years)

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

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INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS
PERIOD: 01 APRIL 2015 TO 31 OCTOBER 2016

| <u>Summary</u> | Total | R | A |
|--------------------------------------|-------|---|---|
| 1. Completed Audits | 5 | 0 | 5 |
| 2. Follow Up Audits Completed | 5 | 0 | 5 |
| 3. Advice And Guidance / Consultancy | 0 | 0 | 0 |

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS

PERIOD: 01 APRIL 2015 TO 31 OCTOBER 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 | Outcome | RAG Status |
|-----------------------------------|------------|---|--------------------------------|--|--|---|--|---------------|
| Elections | 23/10/2015 | T&R (Legal & Member Services) | Not included in assessment. | Five recommendations were made relating to the following: - review and independent audit of election payments and process - making the election fraud referral process more robust - reconciling monies paid by the Council for Government elections to the claim to ensure all monies are accounted for and reimbursed - reviewing the Local Returning Officer payment date to ensure that the payment was made in accordance with the guidance | No priority highlighted in report. | April 2016 Strategic Director Transformation and Resources | The recommendations have been accepted and are progressing. | A |
| Wirral Evolutions Day Services | 18/11/2015 | Families & Well-being (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 | The recommendations have been accepted. | A |
| HR Policies and Procedures | 12/05/2016 | T&R [HR and Organisational Development] | Moderate | Three recommendations were made which do not present a significant risk to the organisation. | 3 (0) | September 2016 Strategic Director Transformation and Resources | Final Report issued, all recommendations agreed with actions and timescales confirmed. | A |
| Discretionary Housing Payments | 30/06/2016 | T&R [Transaction Centre] | No opinion provided | <ul style="list-style-type: none"> • Review of DHP policy , procedure and training • Treatment of disability expenditure during DHP assessment • Treatment of disability income during DHP assessment • DHP assessment checks • Confirmation of claimants circumstances | 5 (5) | October 2016 Strategic Director Transformation and Resources | | A |
| Cyber Security | 26/09/2016 | T&R [IT Services] | Moderate | Ten recommendations were made covering: - information security policies - firewalls - vulnerability monitoring - rogue wireless access points - information risk register - information security training - cyber insurance | 10 (0) | June 2017 Strategic Director Transformation and Resources | Final Report issued and both recommendations agreed with actions and timescales confirmed. | A |

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS

PERIOD: 01 APRIL 2015 TO 31 OCTOBER 2016

2. Follow Up Audits Completed - RED or AMBER flag

| Audit | Follow up date | Original Report date | Directorate [Service] | Organisational Risk Position as at the date of the audit | Areas for Development / Improvement and comments | Original Total Recs (H) | Implementation timescale for all actions Strategic Director | Outcome | RAG Status Current position | Organisational Risk Current Position |
|---------------------------------------|----------------|----------------------|---|---|---|-------------------------|---|--|--------------------------------|---|
| Transport Unit | 25/02/2016 | Aug 15 | 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) | February 2016 Strategic Director Transformation and Resources Head of Branch - Planning and Resources | The majority of the building works and improvements have now been completed, the relocation of staff to the site is also now complete (subject to any possible changes re - NOM'S & ADM's). Asst Director responsible for Transport Unit is satisfied all services are operating within their own specific operational health & safety plans, method statements, and risk assessments. Issues with uneven and broken road surfaces have been addressed, road markings and parking areas provided. Access and egress has been made safer and site security/CCTV has been improved and upgraded. The finishing touches to an audit programme covering multiple sites are currently being put together and this should be available to you shortly in respect of a specific H&S audit date for the depot. | A | Moderate |
| Direct Payments | 18/04/2016 | Jun 15 | 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) | January 2017 Strategic Director Families and Wellbeing | Each recommendation was assessed as being partially implemented. Further steps are required to be taken to ensure full implementation. This was fully acknowledged by the responsible senior manager who appreciated the follow-up review particularly following a period of changing roles and structures. Further internal audit work has been scheduled within the Internal Audit Plan 2016/17 to evidence full implementation of the outstanding recommendations. | A | Moderate |
| MPF-Member Records LGPS Annual Return | 15/08/2016 | Jan 16 | 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 | One recommendation has been implemented and one has been partially implemented. The partially implemented recommendation does not present a significant risk to the organisation. Further internal audit work has been scheduled within the Internal Audit Plan 2016/17 to evidence full implementation of the outstanding recommendation. | A | Negligible |
| ResourceLink – Access Controls | 07/11/2016 | Oct 14 | Transformation & Resources (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) | October 2016 Strategic Director Transformation and Resources | Officer responsible for implementing the recommendations was due to commence work wef 01/08/16. However, problems with ResourceLink system have resulted in the officer being used reactively to solve issues, delaying the implementation of the recommendations. As at 07/11/16, no further work has been undertaken since the last update provided to Members. | A | Major |

| Audit | Follow up date | Original Report date | Directorate [Service] | Organisational Risk Position as at the date of the audit | Areas for Development / Improvement and comments | Original Total Recs (H) | Implementation timescale for all actions Strategic Director | Outcome | RAG Status Current position | Organisational Risk Current Position |
|----------------------|----------------|----------------------|-----------------------|---|---|-------------------------|--|---|--------------------------------|---|
| Data Loss Prevention | 07/11/2016 | Oct 14 | 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) | October 2016 Information Governance Board | The Head of IT Services attended ARMC with an update in September 2015. Action is being taken to document a policy which will then allow a suitable Data Loss Prevention solution to be enabled by IT. The recommendations will continue to be monitored on an ongoing basis with the relevant IT Officer. Email sent to Head of IT Services 04/11/16 requesting update, no response received. | A | Major |

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. |

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Audit and Risk Management Committee
Tuesday 22 November 2016

| | |
|----------------------|---|
| REPORT TITLE: | INTERNAL AUDIT ANNUAL COUNTER FRAUD UPDATE |
| REPORT OF: | CHIEF INTERNAL AUDITOR |

REPORT SUMMARY

To update Members on the activities of the Counter Fraud Team within Internal Audit. The report covers the year 2015/16 and current year to date.

Although the Counter Fraud Team has worked closely and collaboratively with the Fraud Investigation Team within Revenues and Benefits, the majority of whom have now transferred to the Department for Work and Pensions (DWP), this report does not include the extensive specialist activities of their work which is reported to Members separately.

RECOMMENDATION

That the report is noted and that Members continue to support the work of the team.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 To provide Members with assurance that the Council is taking appropriate action to address the risk of fraud and that suspected frauds are investigated and appropriate actions taken to prosecute perpetrators, recover losses and improve financial controls.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND AND AUDIT OUTPUT

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) established a new Counter Fraud Centre (CFC) in 2014 to lead on work to counter fraud and corruption across public services, following the closure of the National Fraud Authority (NFA) and the Audit Commission.
- 3.2 The CIPFA CFC published their annual fraud and corruption tracker (CFaCT) in 2016 which gives a national picture of fraud, bribery and corruption in the UK's public sector.
- 3.3 CIPFA estimates that over £271m worth of fraud has been detected or prevented within the public sector in 2015/16 and a total of 77,000 cases were investigated in 2015/16 across the UK, representing an average value of £3,500 per case.
- 3.4 The high risk fraud areas detailed in the CFaCT report have been incorporated into the annual Internal Audit planning process and audit work has been identified that will be undertaken during 2016/17.
- 3.5 To support the work of local authorities, the CFC has published a Code of Practice on Managing the Risk of Fraud and Corruption. Although the Code is not currently mandatory, it represents best practice and compliance with the Principles set out in the Code will enable the Council to demonstrate effective financial stewardship of public monies.
- 3.6 The five key principles of the code align closely to those in Local Government's 'Fighting Fraud Locally Strategy' on which our current action plan is based. The code of practice sets out a number of principles and contains five key elements to:
- Acknowledge the responsibility of the governing body for countering fraud and corruption;
 - Identify the fraud and corruption risks;
 - Develop an appropriate counter fraud and corruption strategy;
 - Provide resources to implement the strategy; and
 - Take action in response to fraud and corruption.
- 3.7 The Code aims to establish common principles for managing the risk of fraud and corruption. The principles provide a set of standards which can be applied in all

public bodies, regardless of sector or size. They emphasise the importance of managing the risks of fraud and corruption in order to secure good governance and financial stewardship.

- 3.8 The Council's compliance with the Code was initially assessed following its publication in 2014. However, following the publication of guidance and the development of an online assessment tool provided by CIPFA, the Council's fraud arrangements will be re-assessed in November/December 2016. The assessment will be completed with the involvement of the ARMC and senior managers, and a revised action plan will be drawn up to address any gaps in compliance.
- 3.9 These developments place a greater emphasis on local joint working between councils and other partners to share information and make the most effective use of limited resources. In a time of austerity, preventing fraud becomes even more important. Every pound lost through fraud cannot be spent on providing services. Therefore, it is vital that the Council has strong counter-fraud cultures and effective counter-fraud arrangements.

COUNTER-FRAUD TEAM

- 3.10 The remit of the Counter Fraud Team is to:

- Prepare relevant best practice policies and procedures,
- Facilitate changes to the culture of the organisation by raising awareness amongst the workforce to fraud and corruption through targeted training,
- Proactively manage the risk of fraud to the Council through targeted audits in high risk areas,
- Provide both a proactive and a reactive response to tackling fraud across the authority.

- 3.11 Also included within this remit is the investigation of serious financial frauds perpetrated against the Council as well as the teams either direct or supporting involvement with disciplinary and grievance cases which can often be linked to criminal offences, and their subsequent reporting to senior management.

ACTIVITIES UNDERTAKEN

- 3.12 The Counter Fraud Team continues to chair and co-ordinate the activities of the Mersey Region Fraud Group (MRFG) which consists of a number of neighbouring authorities and partner organisations. The group is committed to developing a regional approach to counter fraud, including the production of generic policies and procedures and undertaking collaborative working in targeted areas, such as data matching and other counter fraud exercises.
- 3.13 The team oversees and co-ordinates the Council's participation in the NFI which the Council is required by law to participate in. This is a national exercise using data matching audit techniques. Council-wide data sets covering a wide range of financial and non-financial applications such as Housing Benefits, Council Tax, Electoral Registration, Pensions, Payroll, Creditors, Blue Badges, Residential Care Homes and Personal Budgets are uploaded to the Audit Commission website, which are

then matched with data within and between participating bodies to identify potential frauds.

- 3.14 On receipt of the results the Council then has responsibility to follow up and investigate the matches, and identify fraud, overpayment and error. The main NFI data matching is undertaken every two years, the results of these matches is fed into a national report at the end of each cycle. The NFI exercise consistently generates significant savings for the Council, arising largely from payments recovered or stopped.
- 3.15 The Cabinet Office has recently published the 2016 NFI report on the outcomes of the previous exercise which sets out how, in the reporting period 1 April 2014 to 31 March 2016, £222m has been found across the UK (£198m in England). The main categories of fraud identified by the NFI in England are namely:
- £85 million of pension fraud and overpayments;
 - £37 million of fraudulent or wrongly received, council tax single person discount (SPD) payments; and
 - £39 million of welfare benefit fraud and overpayments.
- 3.16 The Council has recently submitted data for the 2016/17 NFI exercise and matches for review are expected in early 2017. Members will be informed of the outcomes in future reports.
- 3.17 An initial exercise was undertaken in 2015 to assess the Council's measures to counter fraud and corruption against CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption, which all authorities should assess themselves against. The subsequent findings indicated that overall good practice advocated by CIPFA was being followed, where appropriate, and that the necessary policies and procedures were in place to support this approach. However, since our initial assessment CIPFA has issued a guidance document and assessment tool to accompany the Code which will be used to undertake a further assessment in November/December 2016.
- 3.18 A future report will be brought to Members once the full assessment against the code has been undertaken.
- 3.19 During 2015/16 the officers of the Counter Fraud Team attended appropriate and relevant training and awareness sessions delivered outside of the authority by organisations such as CIPFA, CMIIA, and ACAS. In addition to these courses they have also attended localised and national networking meetings of their peers. These provide important opportunities for the officers to update and refresh their knowledge in the counter fraud arena.
- 3.20 The team ran a week long Fraud Awareness Campaign from in November 2015, which was aimed at raising public awareness of fraud and encouraging Wirral Residents/Businesses to help spot and report fraud. The campaign involved posters and leaflets in Council run public buildings, advertisements in the local newspapers and messages on the Council's Website, Facebook/Twitter pages. The campaign highlighted the following high risk fraud areas targeted by fraudsters:

- Council Tax Support/Reduction
- Procurement
- Grants/Personal Budgets (Direct Payments)
- Blue Badges
- Insurance

- 3.21 Since the November 2015 campaign the team has seen a significant increase in the number of fraud referrals from both employees and members of the public and an increase in the number investigations that they were asked to both undertake or to provide advice and support with. This clearly demonstrated that the work to raise the profile of the team, and the support that they can provide has been successful, in that more requests for assistance are now being received.
- 3.22 More recently the team coordinated a week long Employee Fraud Awareness Campaign from 14-18 November 2016, in collaboration with the Fraud Investigation Service (Benefits and Revenues), Trading Standards, Insurance & Risk, HR, Publicity and other neighbouring authorities. The aim of the week was to heighten the awareness of the problem and scale of fraud in the public sector, to direct all employees to complete the new Fraud Awareness e-learning course and to encourage them to report any suspicions of fraud that they may have. The campaign involved posters, daily intranet bulletins and was supported by a corporate messages from the CEO.
- 3.23 The Council subscribes to the National Anti-Fraud Network (NAFN), which promotes the sharing of information between Authorities and publishes regular bulletins on fraud cases and attempted scams, which are distributed to relevant staff and appropriate measures are taken to address the identified risks. The most common threats faced by the Council are attempts to amend bank details (mandate fraud) and impersonation of officials (e.g. bogus bailiffs, false tax refund notifications from HMRC). We are not aware of any cases where the Council has fallen victim to any of these frauds or scams in 2015/16.
- 3.24 During 2015/16 and the year to date the development and recognition of the Counter Fraud Team has continued with significant progress, which has resulted in 35 (non-benefit related) reports and referrals being made to the team which represents an increase of some 31% of the cases reported/referred from the previous year. The type of issues covered a broad spectrum of the Council's activities.
- 3.25 In addition, the team provides advice to departmental officers investigating suspected frauds and irregularities in cases where these are investigated within the department. The last year has seen an increase in the number of referrals from Departments as the profile of the team has risen and become more widely known to management of the Council.
- 3.26 The team maintains a fraud register which is used to collate details of all reported fraudulent activity across the Council, whether investigated by the Counter Fraud Team or by the relevant department. This facilitates the completion of the CIPFA Fraud and Corruption Tracker, which is coordinated by the Team on behalf of the Council. The information contained within the register is then used to identify

potential weakness and areas that may be susceptible to increased attempts of fraud and as such where Counter Fraud resources need to be directed.

- 3.27 The team has conducted 19 audits and investigations across a wide range of topics and as identified in the Strategic Internal Audit Plan presented to this Committee in March 2016 and subsequently reported upon at corresponding meetings. These assignments whilst predominately planned also include pieces of work in response to requests from Chief Officers or Members or as a result of any allegations made, including whistleblowing.
- 3.28 Outcomes from individual audits and investigations are reported to Members through the bi-monthly reports, quarterly Internal Audit update reports and the Annual Internal Audit Report.

CONCLUSION

- 3.29 Participation in counter fraud activities and compliance with best practice helps to strengthen the Council's approach and management of these risks. Working with partners, as demonstrated by the NFI, successfully illustrates the benefit of joined-up working and co-operation between all involved. The national sharing of data allows a number of organisations to effectively identify areas of potential fraud or error, reducing the future risk of such fraud or errors going undetected.
- 3.30 Counter fraud activity and the investigation of any issues ensures that where appropriate any monies lost as a result of identified frauds or errors are recovered and any weaknesses in procedures are addressed to improve the internal control environment and help prevent future fraud or error. Work will continue in 2016/17 to ensure that the Council has up to date policies and procedures in place to create and promote an environment where fraud and corruption are not tolerated.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Delivery of the counter fraud work will be met from existing Internal Audit resources.

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 preparing the Annual Governance Statement and receive updates to each meeting of the Audit and Risk management Committee.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising from this report.

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APPENDICES

REFERENCE MATERIAL

INTERNAL AUDIT PLAN 2015/16 AND 2016/17

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|-------------------------------------|--|
| Audit and Risk Management Committee | Routine report presented annually to this Committee. |

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Audit and Risk Management Committee
Tuesday, 22 November 2016

| | |
|----------------------|---|
| REPORT TITLE: | SIGNIFICANT GOVERNANCE ISSUES UPDATE |
| REPORT OF: | ASSISTANT DIRECTOR FINANCE (S151) |

REPORT SUMMARY

This report provides the opportunity for Members to highlight areas of concern to inform the Annual Governance Statement. It is also intended to provide a regular update on progress in the delivery of the Annual Governance Statement Action Plan.

RECOMMENDATION

Members are asked to note the report and if appropriate escalate any matters deemed relevant to Cabinet.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 The Annual Governance Statement (AGS) for 2015/16 was presented to this Committee in September 2016. Following discussion by Members it was agreed that a standard agenda item be included for future meetings to allow for regular updates on matters of concern identified in the AGS to be presented.
- 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

- 3.1 At the previous meeting of this Committee in September 2016 the Annual Governance Statement for 2015/16 was presented. Following discussion by Members it was agreed that a standard Agenda item be added to future meetings of this Committee to provide a regular update on matters of concern in relation to the AGS and escalate areas of concern to the Cabinet where required. This would also provide Members with the opportunity to highlight other areas of concern relating to governance issues.
- 3.2 The body responsible for overseeing work in this area is the Council's Corporate Governance Group. This Group met in October 2016 following the previous meeting of this Committee and agreed to the formulation of a detailed plan of action that included the designation of responsible officers and timescales for action to address outstanding governance actions. Following the implementation of the new operating model, this Group will be chaired by the Director for Business Services (Assistant Chief Executive) with full cross departmental representation. The updated action plan and related update for Members of this Committee will be taken to the next meeting of the group in January 2017.
- 3.3 It is intended that the action plan in respect of the organisational and managerial compliance with certain Council processes and procedures, and the progress in response to the Ofsted Report which highlighted matters regarding the delivery of services to children, be presented to the January meeting of this Committee.

4.0 FINANCIAL IMPLICATIONS

- 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 preparing the AGS and receive audit updates to each meeting of the Committee.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising from this report.

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APPENDICES

REFERENCE MATERIAL

CIPFA/SOLACE Delivering Good Governance in Local Government

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|-------------------------------------|----------------|
| Audit and Risk Management Committee | March 2016 |
| Annual Governance Statement | June 2016 |
| | September 2016 |

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Audit and Risk Management Committee
Tuesday, 22 November 2016

| | |
|----------------------|--|
| REPORT TITLE: | ARRANGEMENTS FOR THE APPOINTMENT OF EXTERNAL AUDITORS |
| REPORT OF: | ASSISTANT DIRECTOR : FINANCE |

REPORT SUMMARY

This report updates Members on the requirements of the Local Audit Accountability Act 2014 regarding public sector external audit appointments as detailed in the report to this Committee in September 2016.

Following endorsement of the recommended approach to adopt the Local Government Association's national sector led body, Public Sector Audit Appointments Ltd (PSAA) a formal acceptance of this is required by the Council before 31 March 2017.

RECOMMENDATION

Members are requested to recommend to Cabinet formal acceptance of the Local Government Associations national sector led approach (PSAA) for the appointment of external auditors.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 Following endorsement of the Local Government Associations national sector led approach by this Committee in September 2016 correspondence has subsequently been received from the body set up by them to administer this, the Public Sector Audit Appointments (PSAA) requesting a formal opt in by the Council as detailed in the attached appendix.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 All options evaluated in report to this Committee in September 2016.

3.0 BACKGROUND INFORMATION

- 3.1 All relevant background information included in report to this Committee in September 2016.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Current external fees levels are likely to increase when the current contracts end in 2018.
- 4.2 Opting-in to a national sector led body provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and removes the costs of establishing an auditor panel

5.0 LEGAL IMPLICATIONS

- 5.1 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;
- 5.2 Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are none for this report.

7.0 RELEVANT RISKS

7.1 There is no immediate risk to the Council, however, early opt in by the Council will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

7.2 Providing the LGA with an early decision will enable the LGA to invest in developing appropriate arrangements to support the Council.

8.0 ENGAGEMENT/CONSULTATION

8.1 Members of this Committee have been consulted regarding this process.

9.0 EQUALITY IMPLICATIONS

9.1 There are none for this report.

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APPENDICES

Invitation to opt in to the National Scheme for auditor appointments

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|--|--------------------------|
| Audit and Risk Management Committee | 26 September 2016 |

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27 October 2016

Email: appointingperson@psaa.co.uk

Eric Robinson
Wirral Metropolitan Borough Council
Wallasey Town Hall
Brighton Street Wallasey
Wirral CH44 8ED

Copied to: Tom Sault, Head of Financial Services/Acting s151 Officer, Wirral
Metropolitan Borough Council
Surjit Tour, Head of Legal Services, Wirral Metropolitan Borough Council

Dear Mr Robinson

Invitation to opt into the national scheme for auditor appointments

As you know the external auditor for the audit of the accounts for 2018/19 has to be appointed before the end of 2017. That may seem a long way away, but as there is now a choice about how to make that appointment, a decision on your authority's approach will be needed soon.

We are pleased that the Secretary of State has expressed his confidence in us by giving us the role of appointing local auditors under a national scheme. This is one choice open to your authority. We issued a prospectus about the scheme in July 2016, available to download on the [appointing person](#) page of our website, with other information you may find helpful.

The timetable we have outlined for appointing auditors under the scheme means we now need to issue a formal invitation to opt into these arrangements. The covering email provides the formal invitation, along with a form of acceptance of our invitation for you to use if your authority decides to join the national scheme. We believe the case for doing so is compelling. To help with your decision we have prepared the additional information attached to this letter.

I need to highlight two things:

- we need to receive your formal acceptance of this invitation by 9 March 2017; and
- the relevant regulations require that, except for a body that is a corporation sole (a police and crime commissioner), the decision to accept the invitation and to opt in needs to be made by the members of the authority meeting as a whole. We appreciate this will need to be built into your decision making timetable.

If you have any other questions not covered by our information, do not hesitate to contact us by email at appointingperson@psaa.co.uk.

Yours sincerely



Jon Hayes, Chief Officer

Appointing an external auditor

Information on the national scheme

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit company established by the Local Government Association (LGA). We administer the current audit contracts, let by the Audit Commission before it closed.

We have the support of the LGA, which has worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national procurement body. We have established an advisory panel, drawn from representative groups of local government and police bodies, to give access to your views on the design and operation of the scheme.

The national scheme for appointing local auditors

We have been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies. This means that we will make auditor appointments to principal local government bodies that choose to opt into the national appointment arrangements we will operate for audits of the accounts from 2018/19. These arrangements are sometimes described as the 'sector-led body' option, and our thinking for this scheme was set out in a prospectus circulated to you in July. The prospectus is available on the [appointing person](#) page of our website.

We will appoint an auditor for all opted-in authorities for each of the five financial years beginning from 1 April 2018, unless the Secretary of State chooses to terminate our role as the appointing person beforehand. He or she may only do so after first consulting opted-in authorities and the LGA.

What the appointing person scheme will offer

We are committed to making sure the national scheme will be an excellent option for auditor appointments for you.

We intend to run the scheme in a way that will save time and resources for local government bodies. We think that a collective procurement, which we will carry out on behalf of all opted-in authorities, will enable us to secure the best prices, keeping the cost of audit as low as possible for the bodies who choose to opt in, without compromising on audit quality.

Our current role means we have a unique experience and understanding of auditor procurement and the local public audit market.

Using the scheme will avoid the need for you to:

- establish an audit panel with independent members;
- manage your own auditor procurement and cover its costs;
- monitor the independence of your appointed auditor for the duration of the appointment;
- deal with the replacement of any auditor if required; and
- manage the contract with your auditor.

Our scheme will endeavour to appoint the same auditors to other opted-in bodies that are involved in formal collaboration or joint working initiatives, if you consider that a common auditor will enhance efficiency and value for money.

We will also try to be flexible about changing your auditor during the five-year appointing period if there is good reason, for example where new joint working arrangements are put in place.

Securing a high level of acceptances to the opt-in invitation will provide the best opportunity for us to achieve the most competitive prices from audit firms. The LGA has previously sought expressions of interest in the appointing person arrangements, and received positive responses from over 270 relevant authorities. We ultimately hope to achieve participation from the vast majority of eligible authorities.

High quality audits

The Local Audit and Accountability Act 2014 provides that firms must be registered as local public auditors with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of registered firms' work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC), under arrangements set out in the Act.

We will:

- only contract with audit firms that have a proven track record in undertaking public audit work;
- include obligations in relation to maintaining and continuously improving quality in our contract terms and in the quality criteria in our tender evaluation;
- ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any quality concerns are detected at an early stage; and
- take a close interest in your feedback and in the rigour and effectiveness of firms' own quality assurance arrangements.

We will also liaise with the National Audit Office to help ensure that guidance to auditors is updated as necessary.

Procurement strategy

In developing our procurement strategy for the contracts with audit firms, we will have input from the advisory panel we have established. The panel will assist PSAA in developing arrangements for the national scheme, provide feedback to us on proposals as they develop, and helping us maintain effective channels of communication. We think it is particularly important to understand your preferences and priorities, to ensure we develop a strategy that reflects your needs within the constraints set out in legislation and in professional requirements.

In order to secure the best prices we are minded to let audit contracts:

- for 5 years;
- in 2 large contract areas nationally, with 3 or 4 contract lots per area, depending on the number of bodies that opt in; and
- to a number of firms in each contract area to help us manage independence issues.

The value of each contract will depend on the prices bid, with the firms offering the best value being awarded larger amounts of work. By having contracts with a number of firms, we will be able to manage issues of independence and avoid dominance of the market by one or two firms. Limiting the national volume of work available to any one firm will encourage competition and ensure the plurality of provision.

Auditor appointments and independence

Auditors must be independent of the bodies they audit, to enable them to carry out their work with objectivity and credibility, and in a way that commands public confidence.

We plan to take great care to ensure that every auditor appointment passes this test. We will also monitor significant proposals for auditors to carry out consultancy or other non-audit work, to protect the independence of auditor appointments.

We will consult you on the appointment of your auditor, most likely from September 2017. To make the most effective allocation of appointments, it will help us to know about:

- any potential constraints on the appointment of your auditor because of a lack of independence, for example as a result of consultancy work awarded to a particular firm;
- any joint working or collaboration arrangements that you think should influence the appointment; and
- other local factors you think are relevant to making the appointment.

We will ask you for this information after you have opted in.

Auditor appointments for the audit of the accounts of the 2018/19 financial year must be made by 31 December 2017.

Fee scales

We will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising our own costs. Any surplus funds will be returned to scheme members under our articles of association and our memorandum of understanding with the Department for Communities and Local Government and the LGA.

Our costs for setting up and managing the scheme will need to be covered by audit fees. We expect our annual operating costs will be lower than our current costs because we expect to employ a smaller team to manage the scheme. We are intending to fund an element of the costs of establishing the scheme, including the costs of procuring audit contracts, from local government's share of our current deferred income. We think this is appropriate because the new scheme will be available to all relevant principal local government bodies.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk, most likely as evidenced by audit fees for 2016/17. Pooling means that everyone in the scheme will benefit from the most competitive prices. Fees will reflect the number of scheme participants – the greater the level of participation, the better the value represented by our scale fees.

Scale fees will be determined by the prices achieved in the auditor procurement that PSAA will need to undertake during the early part of 2017. Contracts are likely to be awarded at the end of June 2017, and at this point the overall cost and therefore the level of fees required will be clear. We expect to consult on the proposed scale of fees in autumn 2017 and to publish the fees applicable for 2018/19 in March 2018.

Opting in

The closing date for opting in is 9 March 2017. We have allowed more than the minimum eight week notice period required, because the formal approval process for most eligible bodies, except police and crime commissioners, is a decision made by the members of an authority meeting as a whole.

We will confirm receipt of all opt-in notices. A full list of authorities who opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters that would prevent us appointing a particular firm.

If you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2018. The earliest an auditor appointment can be made for authorities that opt in after the closing date is therefore for the audit of the accounts for 2019/20. We are required to consider such requests, and agree to them unless there are reasonable grounds for their refusal.

Timetable

In summary, we expect the timetable for the new arrangements to be:

- | | |
|---|-------------------------|
| • Invitation to opt in issued | 27 October 2016 |
| • Closing date for receipt of notices to opt in | 9 March 2017 |
| • Contract notice published | 20 February 2017 |
| • Award audit contracts | By end of June 2017 |
| • Consult on and make auditor appointments | By end of December 2017 |
| • Consult on and publish scale fees | By end of March 2018 |

Enquiries

We publish frequently asked questions on our [website](#). We are keen to receive feedback from local bodies on our plans. Please email your feedback or questions to: appointingperson@psaa.co.uk.

If you would like to discuss a particular issue with us, please send an email to the above address, and we will make arrangements either to telephone or meet you.

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Audit and Risk Management Committee
Tuesday, 22 November 2016

| | |
|----------------------|--------------------------------|
| REPORT TITLE: | CORPORATE RISK REGISTER |
| REPORT OF: | CHIEF EXECUTIVE |

REPORT SUMMARY

This report provides an update in respect of one of the corporate risks. Progress towards the development of Risk Registers for Pledge Strategies, new Delivery Units and the revised Transformation Programme are also summarised. A copy of the Register is appended to the report.

RECOMMENDATION/S

1. That Members note the update to the controls for the 'Safeguarding' risk.
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 None

3.0 BACKGROUND INFORMATION

- 3.1 Following adoption of the Wirral Plan in 2015 the Strategic Leadership Team revised the Council's Corporate Risk Register. This was reported to this committee on 14 June 2016.
- 3.2 An initial review of the Register which took account of developments in the mitigation of the risks as at the end of quarter 1 2016/17 was undertaken on 16 August and the outcome reported to this Committee on 26 September.

DEVELOPMENTS

- 3.3 Since the review carried out on 16 August Ofsted has published a report on its inspection of the Council's services for children in need of help and protection, children looked after and care leavers, and in addition reviewed the effectiveness of the Local Safeguarding Children Board. Overall Ofsted judged that children's services in Wirral are inadequate and that the Wirral Safeguarding Children's Board is also inadequate. This has rightly led to reconsideration of the effectiveness of the existing controls for the corporate 'Safeguarding' risk and the need for additional action.
- 3.4 As a result the Director of Children's Services has proposed amendments to the entry in the corporate risk register relating to Safeguarding. These will be considered by the Strategic Leadership Team at the quarter 2 review and are shown in the full version of the Register appended to this report.
- 3.5 It could be considered that the findings of the Ofsted report mean that safeguarding is no longer a risk but an issue to be addressed. However the safeguarding risk within the Register is concerned with an actual safeguarding incident that leads to significant harm. It is my view that whilst the Council's response to the Ofsted report has rightly led to reconsideration of the effectiveness of the controls for this risk as a topic it should remain on the Register.

- 3.6 The Risk and Insurance Manager has addressed a number of Wirral Plan Pledge Strategy Steering Groups over recent weeks to advise them of the need to identify and document their key risks and to offer to support them in this task.
- 3.7 Risk registers are also in the process of being produced for programmes within the revised Transformation Programme and for the business plans of each of the three functions in the New Operating Model.

FUTURE DEVELOPMENTS

- 3.8 The quarter 2 review of the Corporate Risk Register is scheduled to be undertaken by the Strategic Leadership Team on 22 November. The outcome of the review will be reported to the next meeting of this Committee.
- 3.9 Initial risk registers for the majority of Pledge Strategies should be developed by the end of December 2016.

4.0 FINANCIAL IMPLICATIONS

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

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 There are no direct implications arising from this report.

7.0 RELEVANT RISKS

- 7.1 There are no risks arising directly from this report.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Arrangements for the production of risk registers for Pledge Strategies, the Transformation Programme and business plans have been developed in consultation with the Policy, Performance & Scrutiny and Change teams.

9.0 EQUALITY IMPLICATIONS

- 9.1 There are none arising directly from this report.

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APPENDICES

Corporate Risk Register (following Ofsted review)

REFERENCE MATERIAL

N/A

SUBJECT HISTORY

| Council Meeting | Date |
|-----------------------------------|-------------------|
| Audit & Risk Management Committee | 26 September 2016 |
| Audit & Risk Management Committee | 13 June 2016 |
| Audit & Risk Management Committee | 17 February 2016 |
| Audit & Risk Management Committee | 24 November 2016 |

Revised Corporate Risks Plotted on Existing Corporate Scoring Model

The graphic below shows the managed (current) risk scores for the revised corporate risks plotted on the Council's corporate risk scoring matrix. This enables the reader to appreciate the significance of each risk relative to all the others. Each risk is indicated by its number, rather than by its full description. For complete descriptions please refer to the individual pages below.

| Likelihood | Impact | | | | | |
|------------|---------------|--------------|---------|----------------------------|------------------|---------------|
| | | Very Low (1) | Low (2) | Medium (3) | High (4) | Very High (5) |
| | Very High (5) | 5 | 10 | 15 | 20 | 25 |
| | High (4) | 4 | 8 | 12 (5) | 16 (7) | 20 |
| | Medium (3) | 3 | 6 | 9 (3), (4), (8), (9), (10) | 12 (1), (2), (6) | 15 |
| | Low (2) | 2 | 4 | 6 | 8 | 10 |
| | Very Low (1) | 1 | 2 | 3 | 4 | 5 |

Corporate Risk No. 1 / Financial Resilience

| Risk Description | | | | | | Lead Responsibility | |
|---|--|---|---|------------|---|------------------------------------|----|
| <i>There is considerable uncertainty around the approach of Central Government over the level of future funding across the public sector and the mechanism for its allocation. The continuing review of Welfare Reform could further increase demand. The ability of the Council and its partners to continue to deliver the essential services residents need could be compromised should funding reductions continue as planned, or be accelerated, without substantial action from the Council and its partners.</i> | | | | | | Director of Finance / S151 Officer | |
| Pledges affected | | Impacts | | | | | |
| The availability and use of funding impacts on the delivery of all the Pledges | | <ul style="list-style-type: none">• Short-term actions adversely impact the longer-term outcomes.• Further curtailment of services and /or need to review pledges.• Potential insolvency through lack of planning / action.• Possible intervention and /or take-over of individual services.• Damage to the reputation of the Partnership in the eyes of the community and potential investors. | | | | | |
| Unmanaged Risk Rating | | Impact | 5 | Likelihood | 4 | Total | 20 |

| Key Existing Controls | | | | | | Responsibility | |
|---|--|--------|---|------------|---|--|----|
| <ul style="list-style-type: none">• Financial planning, management and reporting• Management of demand• Programmes to reduce costs• Programmes to increase revenue | | | | | | Head of Financial Services Strategic Director F&W Strategic Director T&R Strategic Director T&R | |
| Managed Risk Rating | | Impact | 4 | Likelihood | 3 | Total | 12 |

| Planned Additional Controls | | Responsibility | |
|--------------------------------|--|---|--|
| Improving financial management | Introduction of accountability statements | Chief Executive | |
| Reducing costs | Partnership working / integration with Health Enhanced Transformation Programme Working across the Liverpool City Region | Strategic Director F&W Strategic Director T&R Strategic Director T&R | |
| Increasing revenue | Business Rates retention pilot Commercialisation / income maximisation Implementation of Growth Plan | Head of Financial Services Strategic Director T&R Head of Business and Investment | |

Corporate Risk No. 2 / Organisation Development and Pace of Transformational Change

| Risk Description | | | | | | Lead Responsibility | |
|--|--|---|---|------------|---|---|----|
| <i>The Council is pursuing fundamental change to its design and operating model at the same time as developing cross-boundary and cross-sector alliances and embracing commercialism and innovative solutions to deliver outcomes. It is uncertain whether the Partnership will have available to it the capacity and expertise necessary to deliver transformation at the speed required and maintain day-to-day operations. Particularly given competition for staff from other employers.</i> | | | | | | Strategic Director – Transformation & Resources | |
| Pledges affected | | Impacts | | | | | |
| The risk has the potential to affect the delivery of all Pledges. | | <ul style="list-style-type: none">• Failure to deliver key outcomes• Wasted resources / failure to deliver Medium Term Financial Strategy• Failure to remodel the organisation• Damage to reputation of the Council and its partners | | | | | |
| Unmanaged Risk Rating | | Impact | 5 | Likelihood | 4 | Total | 20 |

| Key Existing Controls | | | | | Responsibility | |
|-----------------------------|--|--------|---|------------|---|-------|
| Capacity and Expertise | <ul style="list-style-type: none"> • Performance appraisals • Accountability statements • Ad-hoc initiatives -e.g. Children's Social Work • HR involvement in development of business cases for Alternative Delivery Models | | | | All - Head of HR & OD | |
| Transformation | <ul style="list-style-type: none"> • Robust business case process for agreed Transformational Change projects within a gateway framework • Engagement of key stakeholders with clear communication regarding timescales • Risk assessment of current projects and benefits undertaken • Standard approach | | | | All - Senior Manager - Transformation & Improvement | |
| Managed Risk Rating | | Impact | 4 | Likelihood | 3 | Total |
| | | | | | | 12 |
| Planned Additional Controls | | | | | Responsibility | |
| Capacity and Expertise | <ul style="list-style-type: none"> • Development of People Strategy, including culture • Appraisal of resources needed to support Alternative Delivery Models | | | | All - Head of HR & OD 2016/17 | |
| Transformation | <ul style="list-style-type: none"> • Revised Transformational Change programme agreed and resourced • Implementation of agreed governance to monitor and control delivery • Strengthen programme management arrangements using standardised tools and techniques • Establish a central Transformation Office with clearly defined roles / responsibilities • Align performance reporting for internal and Partnership | | | | All - Senior Manager - Transformation & Improvement – 2016/17 | |

Corporate Risk No. 3 – Partnerships

| Risk Description | | | | | | Lead Responsibility | |
|---|--|---|---|------------|---|---------------------|----|
| <i>The approach within the Wirral Plan is bringing together organisations which have different capabilities, cultures and levels of resilience. The focus of different partners could be affected by their own financial imperatives and the need to answer to a range of stakeholders. The constituent parts of the Partnership could also be affected by future changes in their structures or key personnel.</i> | | | | | | Chief Executive | |
| Pledges affected | | Impacts | | | | | |
| Impacts on all Pledges. | | <ul style="list-style-type: none">• Damage to the reputation of the Council and partners.• Lack of financial/organisational commitment from Partners• The improved outcomes for Wirral residents would not be achieved. | | | | | |
| Unmanaged Risk Rating | | Impact | 4 | Likelihood | 3 | Total | 12 |

| Key Existing Controls | | | | | Responsibility | | |
|--|--|--------|---|------------|-----------------|-------|---|
| <ul style="list-style-type: none">• The Wirral Partnership agreed a single Wirral Plan with joint priorities, and committed to a partnership approach with collective actions to deliver it• Partners have lead responsibility for a number of the Pledges and are involved in delivery of all of them• To ensure that a single approach is taken forward, the Partnership Delivery Group (PDG) meets regularly, bringing together Chief Executives of partner organisations to co-design implementation of the Plan and emerging Strategies | | | | | Chief Executive | | |
| | | | | | Chief Executive | | |
| | | | | | Chief Executive | | |
| Managed Risk Rating | | Impact | 3 | Likelihood | 3 | Total | 9 |

| Planned Additional Controls | | | | | Responsibility | |
|--|--|--|--|--|--|--|
| <ul style="list-style-type: none"> Implementation of new governance arrangements, to ensure that any issues or challenges in relation to implementation and performance can be pro-actively identified and addressed by relevant mitigating actions. Development of activity to strengthen the links between the PDG, the defined Partnership Lead Group(s) and the underpinning Pledge Boards/Groups. | | | | | Chief Executive - 2016/17 Chief Executive - 2016/17 | |

Corporate Risk No. 4 – Devolution

| Risk Description | | | | | | Lead Responsibility | |
|--|--|--|---|------------|---|---------------------|----|
| <i>Uncertainty exists around how the Liverpool City Region (LCR) might operate in future and the final shape of Devolution (potential for inefficiencies, silo behaviour, culture mismatch and gaps in accountability). Wirral might fail to reap the considerable benefits presented by membership of the LCR if it has insufficient influence and does not have enough ‘ready to go’ projects.</i> | | | | | | Chief Executive | |
| Pledges affected | | Impacts | | | | | |
| The risk potentially impacts on all of the Pledges. | | <ul style="list-style-type: none">• Potential loss of additional financial resources; failure to secure Council efficiencies; decreased influence and loss of identity for the Council and Partners.• Adverse impact on most effective delivery of Wirral Plan and Pledges• Failure to achieve improved outcomes and services for Wirral residents | | | | | |
| Unmanaged Risk Rating | | Impact | 4 | Likelihood | 3 | Total | 12 |

| Key Existing Controls | | | | | Responsibility | | |
|--|--|--------|---|------------|-----------------|-------|---|
| <ul style="list-style-type: none">• To ensure up to date knowledge and communication of developments: Regular updates and briefings with elected members and Strategic Leadership Team (SLT) i.e. through Leader’s Portfolio reports; P&P progress reports; Scrutiny Review; SLT discussions• To optimise Wirral’s influence: Wirral’s Chief Executive and Leader part of regular LCR meetings to develop new LCR arrangements and devolution deal• Wirral elected members appointed to LCR Scrutiny and other thematic Boards• Wirral officers represent Wirral’s interests and priorities at relevant LCR boards and networks• Ongoing activity to develop Wirral projects and ensure that they are represented within LCR strategic priorities• SLT ongoing discussions to ensure a Strategic and comprehensive knowledge of developments; to agree Corporate approach; and to identify Wirral’s priority focus and projects for the Short, Medium and Long term | | | | | Chief Executive | | |
| | | | | | Chief Executive | | |
| | | | | | Chief Executive | | |
| | | | | | Chief Executive | | |
| | | | | | Chief Executive | | |
| Managed Risk Rating | | Impact | 3 | Likelihood | 3 | Total | 9 |

| Planned Additional Controls | | | | | Responsibility | |
|--|--|--|--|--|---------------------------|--|
| <ul style="list-style-type: none"> Review all arrangements for City Region governance and implementation. Proposals for new arrangements to be put to the Combined Authority Annual General Meeting on 18th June 2016 Clarity of the new proposed arrangements will address the identified risk around uncertainty, and extensive consultation will follow to enable Wirral and partners to influence; shape; and play an effective role in the new arrangements | | | | | Chief Executive - 2016/17 | |
| | | | | | Chief Executive - 2016/17 | |

Corporate Risk No. 5 - Integration of health and social care

| Risk Description | | | | | Lead Responsibility | | |
|--|--|---|---|------------|-----------------------------------|-------|----|
| <i>Significant challenges are posed by an ageing population and a predicated upsurge in the use of primary care. Levels of demand for hospital care and the high cost Social Care support, set against reducing resources present a significant set of challenges to the Healthy Wirral Partnership. Bringing together health and social care could also expose the partnership to the uncertainties of NHS funding.</i> | | | | | Director of Adult Social Services | | |
| Pledges affected | | Impacts | | | | | |
| The risk would directly affect Pledges 1, 6 and 9. However the financial impact of this risk could affect the delivery of all Pledges. | | <ul style="list-style-type: none">• Failure to optimise the Wirral health and social care ‘pound’.• Increasing demand pressures would make delivering outcomes difficult.• Services would be less streamlined and residents would continue to have to deal with multiple points of contact.• Throughput from hospital admissions would not be addressed.• Failure to realise efficiencies presented by integrated commissioning | | | | | |
| Unmanaged Risk Rating | | Impact | 5 | Likelihood | 4 | Total | 20 |

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| Key Existing Controls | | | | Responsibility | | |
|-----------------------|---|---|------------|---|-------|----|
| Integration | Integration of community and older people's services Integrated commissioning hub Integration project for all age mental health services Integration of all age disability services | | | All- Director of Adult Social Services | | |
| Managing Demand | Initiative to reduce long term care admissions Initiatives around review of activity and replacement with alternatives (e.g. assistive technology) Wirral Independence Service Short term crisis support, to avoid admission | | | All - Director of Adult Social Services | | |
| Other | STAR Re-ablement service Integrated single gateway into services Rapid Community Response Service – with Wirral Community NHS Trust | | | All - Director of Adult Social Services | | |
| Managed Risk Rating | Impact | 3 | Likelihood | 4 | Total | 12 |

| Planned Additional Controls | | | | Responsibility | | |
|---|--|--|--|---|--|--|
| <ul style="list-style-type: none"> • Introduction of on-line self-assessment • Development of extra care housing • Review of the supported living service model • Support regional work around specialist services and fees | | | | All - Director of Adult Social Services (2016/17) | | |

Corporate Risk No. 6 – Effect of demographic changes on demand for services

| Risk Description | | | | | Lead Responsibility | | |
|---|--|--|---|------------|---|-------|----|
| People living longer is clearly positive and presents opportunities for the council and its partners, but also brings additional requirements and costs. Extra demand could be driven by the trend in some communities for people to develop chronic conditions at an earlier age, because of health inequalities, and living longer with them. Residents will need to do more for themselves. But some communities are less resilient and well-resourced than others. Young people have higher expectations than previous generations and a failure to provide educational and employment opportunities could lead to the trend for them to move away from the area to continue. | | | | | Strategic Director – Families & Wellbeing | | |
| Pledges affected | | Impacts | | | | | |
| All pledges within the ‘People’ area of the Plan and most pledges within the ‘Environment’ area of the plan | | <ul style="list-style-type: none">Negative impact on the lives of individuals (people end up in a greater state of crisis). Communities could become less cohesive and sustainableNeeds go unmetFinancial implications - one area requires an increasingly larger proportion of available future resources | | | | | |
| Unmanaged Risk Rating | | Impact | 4 | Likelihood | 4 | Total | 16 |
| Key Existing Controls | | | | | Responsibility | | |
| <ul style="list-style-type: none">Integrated Care programmeJoint Commissioning arrangements with the Clinical Commissioning GroupDelivery of commissioned lifestyle services - Head of Public HealthVision 2018 work stream on early intervention and prevention | | | | | All - Director of Adult Social Services | | |
| Managed Risk Rating | | Impact | 4 | Likelihood | 3 | Total | 12 |
| Planned Additional Controls | | | | | Responsibility | | |
| <ul style="list-style-type: none">Build community capacityDevelop a more comprehensive programme of education and adviceIntegration agenda – Healthy WirralProgrammes of early intervention and preventionImplement health and social care integration | | | | | All - Director of Adult Social Services | | |

Corporate Risk No. 7 – Safeguarding

| Risk Description | | | | | | Lead Responsibility | |
|--|--|---|---|------------|---|---|----|
| <i>A major failure in safeguarding would cause preventable harm to children or vulnerable adults and compromise our pledge to protect the vulnerable, but could lead to regulatory intervention and significant cost, to the Council and its partners.</i> | | | | | | Strategic Director – Families & Wellbeing | |
| Pledges affected | | Impacts | | | | | |
| Older people live well (Pledge 1) Vulnerable children reach their full potential (Pledge 4) Zero tolerance to domestic violence (Pledge 7) Wirral’s Neighbourhoods are Safe (Pledge 20) | | <ul style="list-style-type: none">• Impact on the lives of the individuals involved and their communities• Central government intervention – risk of being taken over by experts, an independent trust or neighbouring authorities• Damage to the reputation of the Partnership and individual agencies• Demoralisation and loss of staff• Financial costs increase to respond to external scrutiny and the to make rapid improvement may need to bring in more people to respond to the issue) | | | | | |
| Unmanaged Risk Rating | | Impact | 5 | Likelihood | 5 | Total | 25 |

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| Key Existing Controls | | | | | Responsibility | | |
|--|--|--------|---|------------|----------------|-------|----|
| <ul style="list-style-type: none">• An Improvement Board was established in September 2016 to drive the improvements needed to respond to the Ofsted recommendations; the board meets monthly to ensure the improvement plan including the safeguarding board recommendations are gripped, and progress is monitored and challenged. The Board now includes an independent chair and an independent adviser appointed by the DFE.• Recruitment is underway for an experienced permanent Deputy Director for Children’s Care Services and an Independent Chair of the Wirral Safeguarding Children Board• Interim strategic lead for children’s social care and experienced social work practice improvement lead appointed May 2016 and October 2016 respectively• Children’s early help and intervention offer strengthened, through increased partnership engagement to meet children’s needs earlier, and so reduce demand for children’s social care• Single senior manager established to lead and oversee the MASH (Multiagency Safeguarding Hub) Performance management and reporting arrangements for managers, leaders and elected members will be overhauled to ensure these are based on accurate, reliable data that is used to effectively measure and inform service improvements• An HR and OD team will be co-located in the Children and Young People’s Department enabling close working with service managers to rapidly recruit, induct, develop and retain social workers and social work managers; and support managers at all levels to develop and challenge staff to meet the higher bar set through the Wirral Social Work Practice Standards | | | | | CEX | | |
| | | | | | CEX | | |
| | | | | | CEX | | |
| | | | | | CEX | | |
| | | | | | CEX | | |
| | | | | | CEX | | |
| Managed Risk Rating | | Impact | 4 | Likelihood | 4 | Total | 16 |

| Planned Additional Controls | Responsibility |
|--|--|
| <ul style="list-style-type: none"> • Ensure Ofsted findings not identified as recommendations are addressed through service improvement plans in children's social care and early help • Deliver the priorities of the Local Children's Safeguarding Board and the Safeguarding Adults Partnership Board • Implement 'Making Safeguarding Personal' (MSP) and evaluate its impact | <p>CEX</p> <p>Strategic Director – F&W</p> |

Corporate Risk No. 8 – Governance (including information governance)

| Risk Description | | | | | | Lead Responsibility |
|--|---|---|---|---|---|--|
| <i>Major acts of non-compliance with internal and external governance requirements could result in poor decision-making, malpractice and breach of legislation, leading to regulatory intervention and significant cost, both in financial terms and to the reputation of the Council and its partners.</i> | | | | | | Head of Legal & Member Services / Monitoring Officer |
| Pledges affected | Impacts | | | | | |
| Effective governance impacts on the delivery of all the Pledges. | <ul style="list-style-type: none"> Legal challenge to decisions. Financial penalties for non-compliance (<i>e.g. for information governance incidents or breaches of procurement legislation</i>). Loss of confidence by the public and other stakeholders in the Council's decision-making and governance arrangements. Potential loss of inward investment in the borough from damage to the reputation of the Council and the wider Wirral Partnership in the eyes of potential investors. | | | | | |
| Unmanaged Risk Rating | Impact | 5 | Likelihood | 4 | Total | 20 |
| Key Existing Controls | | | Responsibility | | | |
| <ul style="list-style-type: none"> Council Constitution Code of Corporate Governance Member / Officer Protocol Staff Policies (e.g. Dignity at Work) Corporate Policies (e.g. Whistleblowing) Operational policies (e.g. Information Governance, Gifts and Hospitality) Ethical Framework for Members Regulatory policies - Planning and Licensing | | | Head of Legal & Member Services / Monitoring Officer Head of Legal & Member Services / Monitoring Officer Head of Legal & Member Services / Monitoring Officer Head of HR & OD Head of Legal & Member Services / Monitoring Officer Head of Legal & Member Services / Monitoring Officer Head of Legal & Member Services / Monitoring Officer Head of Regeneration and Planning and Head of Environment & Regulation | | | |
| Managed Risk Rating | Impact | 3 | Likelihood | 3 | Total | 9 |
| Planned Additional Controls | | | | | Responsibility | |
| <ul style="list-style-type: none"> Review the Constitution, Code of Corporate Governance and Members Code of Conduct. Introduce the webcasting of Council Committee and Cabinet meetings. Review and enhance information governance arrangements. | | | | | Head of Legal & Member Services Head of Legal & Member Services Head of Legal & Member Services and Chief Information Officer | |

Corporate Risk No. 9 – Economic Activity

| Risk Description | | | | | | Lead Responsibility |
|--|---|---|---------------------------------|---|---|---------------------------------|
| <i>Wirral is in competition for growth with areas across the country. Low levels of business and housing growth would adversely affect the Council's income (Council Tax and Business Rates) and limit employment opportunities, with consequent effects on wellbeing and prosperity, and could drive an increase in demand for support.</i> | | | | | | Head of Business and Investment |
| Pledges affected | Impacts | | | | | |
| All pledges within the 'Business' element of the Plan, plus – 'Good quality housing' (pledge 18) 'Reduce child poverty' (pledge 5) 'Young people are ready for work' (pledge 3). The financial impact of this risk could affect delivery of all pledges. | <ul style="list-style-type: none"> Inability to deliver the Medium Term Financial Strategy. Failure to contain demand for Council services Negative impacts on the health and well-being of individuals. | | | | | |
| Unmanaged Risk Rating | Impact | 5 | Likelihood | 4 | Total | 20 |
| Key Existing Controls | | | Responsibility | | | |
| <ul style="list-style-type: none"> Implementation of the Growth Plan | | | Head of Business and Investment | | | |
| Managed Risk Rating | Impact | 3 | Likelihood | 3 | Total | 9 |
| Planned Additional Controls | | | | | Responsibility | |
| <ul style="list-style-type: none"> Implementation of place marketing activities Delivery of programmes to drive key growth sectors, such as the Maritime Knowledge Hub Implementation of the Wirral Waters Investment Fund. Delivery of the Ways to Work programme. | | | | | Head of Business and Investment – 2016/17 | |
| | | | | | Head of Business and Investment – 2016/17 | |
| | | | | | Head of Business and Investment – 2016/17 | |
| | | | | | Head of Business and Investment – 2016/17 | |

Corporate Risk No. 10 – Resources and Infrastructure

| Risk Description | | | | | Lead Responsibility | | |
|---|--|--|---|------------|---|-------|----|
| <i>The availability to the partnership of sufficient and fit for purpose IT and communications, buildings and other assets could be undermined by inadequate planning and allocation, or a major disruptive incident. This might affect the delivery of essential services, harming the reputation of partners.</i> | | | | | Strategic Director – Transformation & Resources | | |
| Pledges affected | | Impacts | | | | | |
| The risk has the potential to affect the delivery of all Pledges. | | <ul style="list-style-type: none">• Compliance failures (breach of regulations or legislation)• Inefficient service delivery• Potential interruption to the delivery of critical services• Wasted costs• Criticism of partner agencies | | | | | |
| Unmanaged Risk Rating | | Impact | 4 | Likelihood | 4 | Total | 16 |

| Key Existing Controls | | | | Responsibility | | | |
|--|--|--------|---|---|---|-------|---|
| <ul style="list-style-type: none">• Implementation of current asset management strategy.• Business continuity policy.• Additional backup /security at Cheshire Lines.• Standardised, refreshed IT hardware. | | | | Senior Manager - Asset Management Head of Corporate & Community Safety Chief Information Officer Chief Information Officer | | | |
| Managed Risk Rating | | Impact | 3 | Likelihood | 3 | Total | 9 |

| Planned Additional Controls | | | | | Responsibility | |
|---|--|--|--|--|---|--|
| <ul style="list-style-type: none">• Establishment of data centres.• Implementation of new Digital Strategy (including Rationalisation and standardisation of systems and applications).• Implementation of new Asset strategy.• Roll out of testing programme for business continuity plans. | | | | | Chief Information Officer - 2016/17 Chief Information Officer - from 2016/17 onwards Senior Manager - Asset Management from 2016/17 onwards Head of Corporate & Community Safety - 2016/17 | |



Audit and Risk Management Committee
Tuesday, 22 November 2016

| | |
|----------------------|---|
| REPORT TITLE: | MANAGEMENT OF INSURANCE AND CORPORATE RISK |
| REPORT OF: | ASSISTANT DIRECTOR: FINANCE |

REPORT SUMMARY

This report is the regular update which sets out progress made since my previous report in September 2016 in relation to key actions planned for 2016/17.

RECOMMENDATION/S

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 framework and maintain the successful management of the insurance programme.

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 2016/17 were included in the report to this Committee on 15 March 2016. Progress made since my last report in respect of those actions is summarised in the paragraphs below.

3.2.1 Corporate Insurance Budget 2017/18

Forecasts of the cost of external premiums and contributions to the Insurance Fund in the forthcoming financial year and the allocation of these sums between schools and individual Council functions are currently being produced. The Corporate Insurance Budget for 2017/18 will be presented to the next meeting of this Committee for consideration by Members.

3.2.2 Corporate Risk Management Policy

The refreshed Corporate Risk Management Policy which was agreed by this committee at its meeting on 26 September was adopted by Cabinet on 7 November.

3.2.3 Corporate Risk Register

The Register is the subject of a separate report to this meeting. The next formal review of the Register by the Strategic Leadership Team (quarter two 2016/17) is scheduled for 22 November. The outcome of this will be reported to the next meeting of this Committee.

3.2.4 Alignment of Risk Management and Performance Management

The Risk and Insurance Manager has addressed a number of Wirral Plan Pledge Strategy Steering Groups over recent weeks to advise them of the need to identify and document their key risks and to offer to support them with these tasks. Risk registers are also being produced for programmes within the revised Transformation Programme and for the business plans of each of the three functions in the New Operating Model. Information from these areas will be incorporated into the reports produced for the Strategic Leadership Team and for Members from the end of quarter three 2016/17.

3.2.5 Traded Service for Schools and Academies

Risk and Insurance services remain a key element of traded services for schools and my officers are participating in corporate plans for development of services for 2017/18 and beyond. Estimates of insurance costs for controlled schools in the coming financial year are being produced as part of the corporate insurance budget activity referred to in paragraph 3.2.1. Insurance arrangements for the Holy Family Multi Academy Trust are being extended to incorporate St Mary's College which joined the Trust on 1 November.

3.2.6 Policy Renewals – April 2017

Contracts in respect of comprehensive Motor insurance and Engineering inspection and insurance reach the end of their initial Long Term Agreements on 31 March 2017. Both contracts contain a provision giving the Council an option to extend them for a further two years. I believe that the contracts continue to deliver good value to the Council and insurers have confirmed that the premium rates will not increase in the period of the extension. This provides greater certainty as to future corporate insurance costs. I am therefore exercising the option to extend the contracts to 31 March 2019. The contracts will be retendered before this date as there is no provision for any further extension.

3.2.7 Tender for Casualty and Computer Insurance

As indicated previously the tender for Casualty insurance and associated claims handling is the largest and most complex of all the Council's insurance procurement exercises. The production of the Invitation to Tender (ITT) and associated documentation has taken up a large proportion of the capacity of the Risk and Insurance team in recent weeks. The OJEU notice and ITT were published on the Council's procurement portal at the start of November. The final date for responses is 15 December. An update on this exercise will be provided to the next meeting of this committee. The final outcome of the procurement will be reported to the March 2017 meeting.

3.2.8 Claims Handling Changes

New Liability claims continue to be reported at a historically low level. This should have a beneficial impact on the cost of external claims handling under the new Casualty insurance contract referred to above. It also means that the additional work resulting from the in-sourcing of claims for property damage remains manageable within the existing staffing resources of the Risk and Insurance team.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report.

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 continues to 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 If a large number of schools were to convert to academies the pool of contributors to the Insurance Fund would decrease. Over time this could reduce the authority's buying power and the degree to which it could of self-insure. This in turn could increase the cost of financing insurable risk. However my officers remain vigilant to potential conversions and will make changes to the authority's arrangements to ensure that potential negative impacts are gradual and limited wherever possible.

7.3 Capacity and key personnel risks are at their highest during the crucial period of remarketing the Casualty contract.

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.

REPORT AUTHOR: **Mike Lane**
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APPENDICES

None

REFERENCE MATERIAL

N/A

| SUBJECT HISTORY Council Meeting | Date |
|--|-------------------|
| Audit & Risk Management Committee | |
| Corporate Risk & Insurance Management | 26 September 2016 |
| Corporate Risk & Insurance Management | 13 June 2016 |
| Corporate Risk & Insurance Management | 15 March 2016 |
| Corporate Risk & Insurance Management | 17 February 2016 |
| Corporate Risk & Insurance Management | 24 November 2015 |

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Audit and Risk Management Committee

Tuesday, 22 November 2016

| | |
|----------------------|--|
| REPORT TITLE: | REVISED CODE OF CORPORATE GOVERNANCE 2016 |
| REPORT OF: | ASSISTANT DIRECTOR: LAW & GOVERNANCE (MONITORING OFFICER) |

REPORT SUMMARY

The report seeks the Committee's approval of the Council's revised Code of Corporate Governance.

The Council's current Code of Corporate Governance was last reviewed in 2013. A review was scheduled to be undertaken last year, however it was delayed following notification from CIPFA that a revised Code would be issued shortly. CIPFA however took much longer than initially stated to issue the revised Code. Once it was issued and made available, the Council's Code of Corporate Governance was reviewed.

CIPFA issued the new CIPFA / SOLACE Guidance / Framework for Delivering Good Governance in Local Government in April 2016 and the same was made available in June 2016.

RECOMMENDATION/S

That the Audit and Risk Management Committee:

- i. Approves the revised Code of Corporate Governance at Appendix 1.
- ii. Recommends the revised Code of Corporate Governance at Appendix 1 to Council for approval and for the framework detailed therein to be included within the Council's Constitution.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 To ensure that the Council's Code of Corporate Governance is compliant with the new CIPFA / SOLACE Guidance / Framework for Delivering Good Governance in Local Government.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options were considered. There is no alternative Code of Corporate Governance available.

3.0 BACKGROUND INFORMATION

- 3.1 Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves.
- 3.2 The new CIPFA / SOLACE framework, in the main, mirrors the last CIPFA SOLACE Guidance / Framework (2009-13). The Council's current Code of Corporate Governance was last revised in 2013.
- 3.3 The new CIPFA / SOLACE framework applies to annual governance statements prepared for the financial year 2016/17 onwards.
- 3.4 The concept underpinning the framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way.
- 3.5 By applying the principles in the Code, the Council commits itself to discharging its functions and delivering its services to Wirral residents in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity.
- 3.6 There are two main changes to the Code that have been made:

D: Determining the interventions necessary to optimise achievement of the intended outcomes.

This aspect of the Code examines the strategic combination of legal, regulatory and practical interventions, with a view to them ensuring that the intended outcomes are achieved.

G: Implementing good practices in transparency reporting and audit to deliver effective accountability.

The purpose of this aspect of the Code is to ensure that those making decisions and delivering services are held accountable for the same.

Transparency is a key driver for this Code, with both internal and external audit required to contribute to effective accountability.

- 3.7 The Council's revised Code of Corporate Governance has been amended to comply with the changes introduced by CIPFA/SOLACE. As with the previous Code, the Council is required to demonstrate through evidence how it meets all aspects of the Code. The revised Code detailed at Appendix 1 sets out the revised Code along with the evidence relied upon to demonstrate compliance.

4.0 FINANCIAL IMPLICATIONS

There are no such implications arising

5.0 LEGAL IMPLICATIONS

- 5.1 The Council is required to ensure it has strong corporate governance arrangements in place so as to be able to effectively meet and discharge its obligations, responsibilities and duties. Inadequate governance arrangements could lead to significant governance issues arising leaving the Council open to challenge.
- 5.2 Reviewing and amending the Code in accordance with the Framework will ensure that the Council's governance arrangements are both fit for purpose and take into account the best practice guidance. An annual governance statement will need to be prepared in accordance with the Framework in order to meet the statutory requirement set out in the Accounts and Audit Regulations.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 There are no such implications arising

7.0 RELEVANT RISKS

- 7.1 The Council is open to challenge should it not have effective corporate governance arrangements in place.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 The Code of Corporate Governance review has been undertaken in consultation with senior officers and Internal Audit.

9.0 EQUALITY IMPLICATIONS

- 9.1 There are no such direct implications arising.

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APPENDICES

Appendix 1 Revised Code of Corporate Governance

REFERENCE MATERIAL

CIPFA / SOLACE Guidance / Framework for Delivering Good Governance in Local Government (2016)

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|------------------------|-------------|
| | |

WIRRAL CODE OF CORPORATE GOVERNANCE

INTRODUCTION

This document sets out Wirral Council's Code of Corporate Governance. It has been produced in line with the guidance outlined in the framework document published jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives/Senior Managers (SOLACE) *Framework for Delivering Good Governance in Local Government (2016)*.

Wirral Council ("the Council") is committed to the principles of good corporate governance and demonstrates this commitment through the development, adoption and implementation of this Code. This Code sets out the Corporate Governance arrangements which are currently in place, how the Council will continue to review these arrangements and identify improvements to ensure its effective application in all aspects of the Council's work.

This Council recognises that in order to fulfil its purpose and deliver the intended outcomes for its citizens and service users it needs to have in place comprehensive arrangements for corporate governance and accountability designed to ensure that it operates in an effective, efficient and ethical manner.

WHAT IS CORPORATE GOVERNANCE?

The International Framework defines governance as follows:

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

The International Framework also states that:

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

This means the way in which organisations manage their business, determine strategy and objectives and go about achieving those objectives. This reminds local authorities of their key role in governing and leading communities and that effective local government relies on public confidence in Councillors and officers. Where good corporate governance is in place it underpins credibility and confidence in public services.

The 7 core principles at the heart of the CIPFA/SOLACE governance framework are:

- A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D. Determining the interventions necessary to optimize the achievement of the intended outcomes.
- E. Developing the entity's capacity including the capability of its leadership and the individuals within it.
- F. Managing risk and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

CIPFA's *Statement on the Role of the Chief Financial Officer in Public Service Organisations* seeks to strengthen governance and financial management across the public services. CIPFA's Statement sets out five principles that define the core activities and behaviours that belong to the role of the Chief Finance Officer ('CFO') and the governance requirements needed to support them.

The CFO in a public services organisation:

- 1. is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- 2. must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the organisation's financial strategy; and
- 3. must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

4. must lead and direct a finance function that is resourced to be fit for purpose; and
5. must be professionally qualified and suitably experienced.

THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE – IN PRACTICE

These core principles and the additional governance requirements from the CFO underpin the Council's Code of Corporate Governance.

Appendix 1 sets out the requirements of the CIPFA/SOLACE Framework to which the Council is committed and will use to review its governance arrangements and inform the Annual Governance Statement.

ANNUAL REVIEW AND REPORTING

Elected Members are collectively responsible for the governance of the Council. The Council by adopting this local code commits itself to continuously improving corporate governance in all of its activities. To ensure it keeps to this on-going commitment, the Corporate Governance Group oversees the Council's systems and processes for their effectiveness in practice, keeps them under review to ensure that they are up-to-date and ensures appropriate reporting. Performance monitoring will take the form of:

- an Annual Report;
- production of an Annual Governance Statement as part of the financial reports which will summarise:
- compliance with the Local Code;
- how compliance has been monitored;
- if changes are required; and
- how changes are to be implemented.

A copy of this Code of Corporate Governance will be made available to the public on the Council's website. A copy of the Annual Governance Statement will also be made available.

REGULAR REVIEW OF POLICIES AND PROCEDURES

The Council recognises that Corporate Governance needs to be embedded in all the services it delivers. Therefore, it has identified all those strategies, policies and procedures which staff and Members need to be aware of and comply with to meet the required standards of corporate governance. All of these strategies, policies and procedures will be reviewed at least annually as part of the review of this Code.

The Annual Governance Statement will consider compliance of the Council with the principles of good governance as set out by CIPFA/SOLACE and direct improvements to governance arrangements as necessary.

CONCLUSION

The Council is fully committed to the principles of corporate governance, and through the measures outlined within this Code, will ensure that adequate arrangements are made with regard to its continued implementation, monitoring and review.

| Core principle A: behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. | | | | |
|--|--|--|--|--|
| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| <ul style="list-style-type: none"> Behaving with integrity | <ul style="list-style-type: none"> Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation | <ul style="list-style-type: none"> Codes of conduct Individual sign off with regard to compliance with code Induction for new members and staff on standard of behaviour expected Performance appraisals | <ul style="list-style-type: none"> Member's code of conduct Officer's code of conduct Member/officer protocol Performance appraisal process Complaints procedure Declarations of interest Politically restricted posts. Public access to meetings and minutes Customer Access Strategy ICT Security Policy Harassment Policy EIA Toolkit ICT Acceptable Use Policy Freedom of Information Contract Procedure Rules Fraud investigation plan Dignity at work policy Accountability statements | <ul style="list-style-type: none"> Council Leader <p>STRATEGIC LEADERSHP TEAM (SLT):</p> <ul style="list-style-type: none"> Chief Executive Assistant Director: Law & Governance (Monitoring Officer) Assistant Director: Finance (S151 Officer) Managing Director for Delivery Director for Business Services (Assistant Chief Executive) Executive Director for Strategy Head of Communications Strategic Commissioner for Growth Director for Children Director for Health and care Director for Health and wellbeing Strategic Commissioner for Environment Head of Intelligence Transformation Director |
| | <ul style="list-style-type: none"> Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles) | <ul style="list-style-type: none"> Communicating shared values with members, staff, the community and partners | <ul style="list-style-type: none"> Media Guidelines Government guidelines for politically restricted posts Recommended code of practice for local authority publicity | <ul style="list-style-type: none"> Council Leader Head of communications SLT |
| | <ul style="list-style-type: none"> Leading by example and | <ul style="list-style-type: none"> Decision making practices | <ul style="list-style-type: none"> Member's code of | |

| Core principle A: behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. | | | | |
|--|---|---|--|---|
| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | using the above standard operating principles or values as a framework for decision making and other actions | <ul style="list-style-type: none"> • Declarations of interests made at meetings • Conduct at meetings • Shared values guide decision making • Develop and maintain an effective standards committee | conduct <ul style="list-style-type: none"> • Officers code of conduct • Member/officer protocol • Accountability statements | <ul style="list-style-type: none"> • Council Leader • SLT |
| | <ul style="list-style-type: none"> • Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively | <ul style="list-style-type: none"> • Anti-fraud and corruption policies are working effectively • Up-to-date register of interests (members and staff) • Up-to-date register of gifts and hospitality • Whistleblowing policies are in place and protect individuals • raising concerns • Whistleblowing policy has been made available to members of the public, employees, partners and contractors • Complaints policy and examples of responding to complaints about behaviour • Changes/improvements as a result of complaints received and acted upon • Members and officers code of conduct refers to a requirement to declare interests • Minutes show declarations of interest were sought and appropriate declarations made | <ul style="list-style-type: none"> • Anti-bribery policy • Anti-money laundering policy • Anti-fraud and corruption policy / mandatory e-learning • Whistleblowing policy / procedure • Conflict of interest process • Gifts / hospitality policy • Complaints policy • Grievance policy | <ul style="list-style-type: none"> • SLT |
| • Demonstrating strong | • Seeking to establish, | • Scrutiny of ethical decision | • Vision and values. | • Council Leader |

| Core principle A: behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. | | | | |
|--|---|--|---|---|
| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| commitment to ethical values | monitor and maintain the organisation's ethical standards and performance | making <ul style="list-style-type: none"> Championing ethical compliance at governing body level | <ul style="list-style-type: none"> Monthly capital and revenue monitoring reports. Regular reports to council. Member / Officer Code of Conduct Standards and Constitutional Oversight Committee Constitution / Scheme of Delegation Partnership Register and Toolkit | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation | <ul style="list-style-type: none"> Provision of ethical awareness training | <ul style="list-style-type: none"> Dignity at work policy Member training framework | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values | <ul style="list-style-type: none"> Appraisal processes take account of values and ethical behaviour Staff appointments policy Procurement policy | <ul style="list-style-type: none"> Dignity at work policy Appraisal policy | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation | <ul style="list-style-type: none"> Agreed values in partnership working: Statement of business ethics communicates commitment to ethical values to external suppliers Ethical values feature in contracts with external service providers Protocols for partnership working | <ul style="list-style-type: none"> Agreed values in partnership working: Statement of business ethics communicates commitment to ethical values to external suppliers Ethical values feature in contracts with external service providers Protocols for partnership working | <ul style="list-style-type: none"> SLT |
| <ul style="list-style-type: none"> Respecting the rule of law | <ul style="list-style-type: none"> Ensuring members and staff demonstrate a strong commitment to the rule of the law as | <ul style="list-style-type: none"> Statutory provisions Statutory guidance is followed Constitution | <ul style="list-style-type: none"> Constitution | <ul style="list-style-type: none"> Assistant Director: Law & Governance (Monitoring Officer) |

| Core principle A: behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law. | | | | |
|--|--|---|---|---|
| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | well as adhering to relevant laws and regulations | | | |
| | <ul style="list-style-type: none"> Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements | <ul style="list-style-type: none"> Job description/specifications Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2015) Terms of reference Committee support | Recruitment / selection / job evaluation procedures New Operating Model | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders | <ul style="list-style-type: none"> Record of legal advice provided by officers | <ul style="list-style-type: none"> Record of legal advice provided by officers Constitution | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Dealing with breaches of legal and regulatory provisions effectively | <ul style="list-style-type: none"> Monitoring officer provisions Record of legal advice provided by officers Statutory provisions | <ul style="list-style-type: none"> Monitoring officer provisions Record of legal advice provided by officers Statutory provisions | <ul style="list-style-type: none"> Assistant Director: Law & Governance (Monitoring Officer) |
| | <ul style="list-style-type: none"> Ensuring corruption and misuse of power are dealt with effectively | <ul style="list-style-type: none"> Effective anti-fraud and corruption policies and procedures Local test of assurance (where appropriate) | <ul style="list-style-type: none"> Member's code of conduct Officer's code of conduct Member/officer protocol Accountability statements | <ul style="list-style-type: none"> Assistant Director: Law & Governance (Monitoring Officer) |

| Core principle B: Ensuring openness and comprehensive stakeholder engagement | | | | |
|--|--|---|---|--|
| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| <ul style="list-style-type: none"> Openness | <ul style="list-style-type: none"> Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness | <ul style="list-style-type: none"> Annual report Freedom of Information Act publication scheme Online council tax information Authority's goals and values Authority website | <ul style="list-style-type: none"> Health and Wellbeing Board Policy Council Updates reports on work programmes re. scrutiny Communications & engagement strategy Corporate Equality and Cohesion; Strategy Budget consultation Wirral plan; 20 pledges and underpinning strategies Statement of Accounts Wirral Partnership Delivery Group and Partnership Framework Constituency Committees FOI Act EIAs as part of committee reports Growth Board Whistle Blowing policy / procedure | <ul style="list-style-type: none"> SLT Head of Communication |
| | <ul style="list-style-type: none"> Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided | <ul style="list-style-type: none"> Record of decision making and supporting materials | <ul style="list-style-type: none"> Records of decision making and supporting materials | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and | <ul style="list-style-type: none"> Decision making protocols Report pro-formas Record of professional advice in reaching decisions Meeting reports show details of advice given | <ul style="list-style-type: none"> Options appraisal reports Business case reports | <ul style="list-style-type: none"> Director for Business Services (Assistant Chief executive) |

| Core principle B: Ensuring openness and comprehensive stakeholder engagement | | | | |
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| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | considerations used. In due course, ensuring that the impact and consequences of those decisions are clear | <ul style="list-style-type: none"> • Discussion between members and officers on the information needs of members to support decision making • Agreement on the information that will be provided and timescales • Calendar of dates for submitting, publishing and distributing timely reports is adhered to | | |
| | <ul style="list-style-type: none"> • Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action | <ul style="list-style-type: none"> • Community strategy • Use of consultation feedback • Citizen survey | <ul style="list-style-type: none"> • Trade Union / consultation engagement documentation | <ul style="list-style-type: none"> • Assistant Director: Human Resources and Organisational Development |
| <ul style="list-style-type: none"> • Engaging comprehensively with institutional stakeholders | <ul style="list-style-type: none"> • Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably | <ul style="list-style-type: none"> • Communication strategy | <ul style="list-style-type: none"> • Constitution • Joint Consultative Committee • Consultation and Negotiation Policy • Staff Surveys • Residents surveys • Client department surveys | <ul style="list-style-type: none"> • Assistant Director: Human Resources and Organisational Development • Head of communications |
| | <ul style="list-style-type: none"> • Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively | <ul style="list-style-type: none"> • Database of stakeholders with whom the authority should engage and for what purpose and a record of an assessment of the effectiveness of any changes • The Wirral Partnership Delivery Group; Partnership Summit and partnership framework | <ul style="list-style-type: none"> • The Wirral Partnership Delivery Group; Partnership Summit and partnership framework | <ul style="list-style-type: none"> • Chief Executive • Executive Director for Strategy |
| | <ul style="list-style-type: none"> • Ensuring that partnerships are based on: <ul style="list-style-type: none"> - trust • -a shared commitment to change | <ul style="list-style-type: none"> • The Wirral partnership plan • Partnership framework and protocols • Wirral plan and strategies | <ul style="list-style-type: none"> • Wirral performance plan and update report | <ul style="list-style-type: none"> • Chief Executive • Executive Director for Strategy |

| Core principle B: Ensuring openness and comprehensive stakeholder engagement | | | | |
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| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | <ul style="list-style-type: none"> -a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit | | | |
| <ul style="list-style-type: none"> Engaging with individual citizens and service users effectively | <ul style="list-style-type: none"> Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes | <ul style="list-style-type: none"> Record of public consultations Partnership framework | <ul style="list-style-type: none"> Health and Wellbeing Board Corporate and Directorate Plans Neighbourhood working Updates reports on work programmes re. scrutiny | <ul style="list-style-type: none"> Chief Executive Executive Director for Strategy |
| | <ul style="list-style-type: none"> Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement | <ul style="list-style-type: none"> Communications strategy | <ul style="list-style-type: none"> Communication and engagement strategy | <ul style="list-style-type: none"> Head of communications |
| | <ul style="list-style-type: none"> Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs | <ul style="list-style-type: none"> Communications strategy Joint strategic needs assessment | <ul style="list-style-type: none"> Communication and engagement strategy | <ul style="list-style-type: none"> Head of communications |
| | <ul style="list-style-type: none"> Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account | <ul style="list-style-type: none"> Communications strategy | <ul style="list-style-type: none"> Communication and engagement strategy | <ul style="list-style-type: none"> Head of communications |
| | <ul style="list-style-type: none"> Balancing feedback from more active stakeholder groups with other | <ul style="list-style-type: none"> Processes for dealing with competing demands within the community, for | <ul style="list-style-type: none"> Residents surveys Client department surveys | <ul style="list-style-type: none"> Head of communications Executive Director for strategy |

| Core principle B: Ensuring openness and comprehensive stakeholder engagement | | | | |
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| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | stakeholder groups to ensure inclusivity | example a consultation | | |
| | <ul style="list-style-type: none"> Taking account of the impact of decisions on future generations of tax payers and service users | <ul style="list-style-type: none"> Reports Joint strategic needs assessment | <ul style="list-style-type: none"> Equality impact assessments | <ul style="list-style-type: none"> Council Leader SLT |

| Core Principle C: Defining outcomes in terms of sustainable economic social and environmental benefits | | | | |
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| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| <ul style="list-style-type: none"> Defining outcomes | <ul style="list-style-type: none"> Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions | <ul style="list-style-type: none"> Vision used as a basis for corporate and service planning | <ul style="list-style-type: none"> Wirral Plan, 20 pledges and related strategies The Wirral Partnership and Stakeholder engagement Performance Management Framework | <ul style="list-style-type: none"> Council Leader SLT |
| | <ul style="list-style-type: none"> Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer | <ul style="list-style-type: none"> Community engagement and involvement Community strategy | <ul style="list-style-type: none"> Communication and engagement strategy Wirral Plan, 20 pledges and related strategies | <ul style="list-style-type: none"> Head of communications |
| | <ul style="list-style-type: none"> Delivering defined outcomes on a sustainable basis within the resources that will be available | <ul style="list-style-type: none"> Regular reports on progress | <ul style="list-style-type: none"> Wirral plan Performance management framework | <ul style="list-style-type: none"> Assistant Director: Finance (S151 Officer) |
| | <ul style="list-style-type: none"> Identifying and managing risks to the achievement of outcomes | <ul style="list-style-type: none"> Performance trends are established and reported upon Risk management protocols | <ul style="list-style-type: none"> Corporate risk management policy | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available | <ul style="list-style-type: none"> An agreed set of quality standard measures for each service element and included in service plans Processes for dealing with competing demands within the community | <ul style="list-style-type: none"> Wirral Plan, 20 pledges and related strategies The Wirral Partnership and Stakeholder engagement Performance Management Framework | <ul style="list-style-type: none"> Council Leader SLT |
| <ul style="list-style-type: none"> Sustainable economic, | <ul style="list-style-type: none"> Considering and | <ul style="list-style-type: none"> Capital investment is | <ul style="list-style-type: none"> Revenue Monitor | |

| Core Principle C: Defining outcomes in terms of sustainable economic social and environmental benefits | | | | |
|--|--|--|---|---|
| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| social and environmental benefits | balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision | structured to achieve appropriate life spans and adaptability for future use or that resources (e.g. land) are spent on optimising social, economic and environmental wellbeing: <ul style="list-style-type: none"> Capital programme Capital investment strategy | <ul style="list-style-type: none"> Capital Monitor Annual Governance Report Health economic evaluation of Public Health Commissioning Investment (e.g. cost benefit/outcomes of Weight Management and Drug & Alcohol services) Public Health prioritisation process | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints | <ul style="list-style-type: none"> Discussion between members and officers on the information needs of members to support decision making Record of decision making and supporting materials | <ul style="list-style-type: none"> Wirral Plan, 20 pledges and related strategies | <ul style="list-style-type: none"> Council Leader SLT |
| | <ul style="list-style-type: none"> Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs | <ul style="list-style-type: none"> Record of decision making and supporting materials Protocols for consultation | <ul style="list-style-type: none"> Communication and engagement strategy | <ul style="list-style-type: none"> Council Leader SLT Head of communications |
| | <ul style="list-style-type: none"> Ensuring fair access to services | <ul style="list-style-type: none"> Protocols ensure fair access and statutory guidance is followed | <ul style="list-style-type: none"> Wirral Plan, 20 pledges and related strategies | <ul style="list-style-type: none"> Director for Business Services (Assistant Chief executive) |

| Core Principle C: Defining outcomes in terms of sustainable economic social and environmental benefits | | | | |
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| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | | | | |

| Core Principle D: Determining the interventions necessary to optimize the achievement of the intended outcomes | | | | |
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| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| <ul style="list-style-type: none"> Determining interventions | <ul style="list-style-type: none"> Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided | <ul style="list-style-type: none"> Discussion between members and officers on the information needs of members to support decision making Decision making protocols Option appraisals Agreement of information that will be provided and timescales | <ul style="list-style-type: none"> Options appraisals | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts | <ul style="list-style-type: none"> Financial strategy | <ul style="list-style-type: none"> Medium Term Financial Strategy Communication and engagement strategy | <ul style="list-style-type: none"> Assistant Director: Finance (\$151 Officer) Head of communications |
| <ul style="list-style-type: none"> Planning interventions | <ul style="list-style-type: none"> Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets | <ul style="list-style-type: none"> Calendar of dates for developing and submitting plans and reports that are adhered to Annual review of processes embedded in the operating protocol | <ul style="list-style-type: none"> Wirral Plan, 20 pledges and strategies; Partnership Framework Forward Plan | <ul style="list-style-type: none"> Council Leader SLT |
| | <ul style="list-style-type: none"> Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered | <ul style="list-style-type: none"> Communication strategy | <ul style="list-style-type: none"> Communication Strategy | <ul style="list-style-type: none"> Head of communications |

| Core Principle D: Determining the interventions necessary to optimize the achievement of the intended outcomes | | | | |
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| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | | | | |
| | <ul style="list-style-type: none"> Considering and monitoring risks facing each partner when working collaboratively, including shared risks | <ul style="list-style-type: none"> Wirral plan and Partnership framework Risk management protocol | <ul style="list-style-type: none"> Wirral plan and partnership framework Risk Management Strategy | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances | <ul style="list-style-type: none"> Planning protocols | <ul style="list-style-type: none"> Wirral plan and partnership framework Corporate Operational Health Report | <ul style="list-style-type: none"> Executive Director for Strategy |
| | <ul style="list-style-type: none"> Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured | <ul style="list-style-type: none"> KPIs have been established and approved for each service element and included in the service plan and are reported upon regularly | <ul style="list-style-type: none"> Wirral Plan Corporate Operational Health Report Performance appraisals Performance management framework | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Ensuring capacity exists to generate the information required to review service quality regularly | <ul style="list-style-type: none"> Reports include detailed performance results and highlight areas where corrective action is necessary | <ul style="list-style-type: none"> Wirral Plan Corporate Operational Health Report | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Preparing budgets in accordance with objectives, strategies and the medium term financial plan | <ul style="list-style-type: none"> Evidence that budgets, plans and objectives are aligned | <ul style="list-style-type: none"> Medium Term Financial Strategy | <ul style="list-style-type: none"> Assistant Director: Finance (\$151 Officer) |
| | <ul style="list-style-type: none"> Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable | <ul style="list-style-type: none"> Budget guidance and protocols Medium term financial plan Corporate plans | <ul style="list-style-type: none"> Medium Term Financial Strategy Wirral Plan Budget and Policy Framework Procedure Rules (Constitution) Financial Regulations | <ul style="list-style-type: none"> Assistant Director: Finance (\$151 Officer) |

| Core Principle D: Determining the interventions necessary to optimize the achievement of the intended outcomes | | | | |
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| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | funding strategy | | (Constitution) | |
| <ul style="list-style-type: none"> Optimizing achievement of intended outcomes | <ul style="list-style-type: none"> Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints | <ul style="list-style-type: none"> Feedback surveys and exit/ decommissioning strategies Changes as a result | <ul style="list-style-type: none"> Medium Term Financial Strategy Wirral Plan Decommissioning policy | <ul style="list-style-type: none"> Assistant Director: Finance (\$151 Officer) |
| | <ul style="list-style-type: none"> Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term | <ul style="list-style-type: none"> Budgeting guidance and protocols | <ul style="list-style-type: none"> Budget and Policy Framework Procedure Rules (Constitution) Financial Regulations (Constitution) | <ul style="list-style-type: none"> Assistant Director: Finance (\$151 Officer) |
| | <ul style="list-style-type: none"> Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage | <ul style="list-style-type: none"> Financial strategy | <ul style="list-style-type: none"> Medium Term Financial Strategy | <ul style="list-style-type: none"> Assistant Director: Finance (\$151 Officer) |
| | <ul style="list-style-type: none"> Ensuring the achievement of 'social value' through service planning and commissioning | <ul style="list-style-type: none"> Service plans demonstrate consideration of 'social value' Achievement of 'social value' is monitored and reported upon | <ul style="list-style-type: none"> Wirral Plan Corporate Operational Health Report | <ul style="list-style-type: none"> Council Leader SLT |

| Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it. | | | | |
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| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| <ul style="list-style-type: none"> Developing the entity's capacity | <ul style="list-style-type: none"> Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness | <ul style="list-style-type: none"> Regular reviews of activities, outputs and planned outcomes | <ul style="list-style-type: none"> Elected Member / Officer induction programmes. Elected Member Training & Development Programme Skills for Wirral training programme Performance appraisal Skills for Wirral Managers Elected Member Training & Development Programme | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently | <ul style="list-style-type: none"> Utilisation of research and benchmarking exercise | <ul style="list-style-type: none"> Performance management framework | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Recognising the benefits of partnerships and collaborative working where added value can be achieved | <ul style="list-style-type: none"> Effective operation of partnerships which deliver agreed outcomes | <ul style="list-style-type: none"> The Wirral plan and strategies; Wirral partnership framework | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources | <ul style="list-style-type: none"> Workforce plan Organisational development plan | <ul style="list-style-type: none"> Organisational development plan Culture plan Training plan | <ul style="list-style-type: none"> SLT |
| <ul style="list-style-type: none"> Developing the capability of the entity's leadership and other individuals | <ul style="list-style-type: none"> Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on | <ul style="list-style-type: none"> Job descriptions Chief executive and leader pairings have considered how best to establish and maintain effective communication | <ul style="list-style-type: none"> Skills for Wirral Managers Elected Member Training & Development Programme Workforce planning | <ul style="list-style-type: none"> Assistant Director: Human Resources and Organisational Development |

| Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it. | | | | |
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| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | in the relationship and that a shared understanding of roles and objectives is maintained | | strategy <ul style="list-style-type: none"> • The Wirral Partnership and Framework • Health and Wellbeing Board • Accountability statements • New Operating Model • Public Consultation • Residents survey • Wirral plan • Old people's parliament • Teen Wirral | |
| | <ul style="list-style-type: none"> • Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body | <ul style="list-style-type: none"> • Scheme of delegation reviewed at least annually in the light of legal and organisational changes • Standing orders and financial regulations which are reviewed on a regular basis | <ul style="list-style-type: none"> • Standards and Constitutional Oversight Committee • Constitution / Schemes of Delegation | <ul style="list-style-type: none"> • Assistant Director: Law & Governance (Monitoring Officer) |
| | <ul style="list-style-type: none"> • Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority | <ul style="list-style-type: none"> • Clear statement of respective roles and responsibilities and how they will be put into practice | <ul style="list-style-type: none"> • Standards and Constitutional Oversight Committee • Constitution / Scheme of Delegation | <ul style="list-style-type: none"> • Assistant Director: Human Resources and Organisational Development • Assistant Director: Law & Governance (Monitoring Officer) |
| | <ul style="list-style-type: none"> • Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to | <ul style="list-style-type: none"> • Access to update courses/ information briefings on new legislation | <ul style="list-style-type: none"> • Induction programme • Skills for managers programme • Performance appraisal procedure • Mandatory training | <ul style="list-style-type: none"> • Assistant Director: Human Resources and Organisational Development • Assistant Director: Law & Governance (Monitoring Officer) |

| Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it. | | | | |
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| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged | | <ul style="list-style-type: none"> Workforce development plans | |
| | <ul style="list-style-type: none"> Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis | <ul style="list-style-type: none"> Induction programme Personal development plans for members and officers | <ul style="list-style-type: none"> Performance appraisals | <ul style="list-style-type: none"> Assistant Director: Human Resources and Organisational Development Assistant Director: Law & Governance (Monitoring Officer) |
| | <ul style="list-style-type: none"> Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external | <ul style="list-style-type: none"> For example, for members this may include the ability to: scrutinise and challenge recognise when outside expert advice is required promote trust work in partnership lead the organisation act as a community leader Efficient systems and technology used for effective support Arrangements for succession planning | <ul style="list-style-type: none"> The Wirral plan and strategies; Wirral partnership framework | <ul style="list-style-type: none"> Assistant Director: Human Resources and Organisational Development Assistant Director: Law & Governance (Monitoring Officer) |

| Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it. | | | | |
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| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | | | | |
| | <ul style="list-style-type: none"> Ensuring that there are structures in place to encourage public participation | <ul style="list-style-type: none"> Residents' panels Stakeholder forum terms of reference Wirral Plan and Strategic Partnership frameworks and Stakeholder engagement | <ul style="list-style-type: none"> Communication Strategy | <ul style="list-style-type: none"> Head of communications |
| | <ul style="list-style-type: none"> Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspection. | <ul style="list-style-type: none"> Reviewing individual member performance on a regular basis taking account of their attendance and considering any training or development needs Peer reviews | <ul style="list-style-type: none"> External audit reports | <ul style="list-style-type: none"> Assistant Director: Human Resources and Organisational Development Assistant Director: Law & Governance (Monitoring Officer) |
| | <ul style="list-style-type: none"> Holding staff to account through regular performance reviews which take account of training or development needs | <ul style="list-style-type: none"> Training and development plan Staff development plans linked to appraisals Implementing appropriate human resource policies and ensuring that they are working effectively | <ul style="list-style-type: none"> Performance appraisal procedure Accountability statements | <ul style="list-style-type: none"> Assistant Director: Human Resources and Organisational Development |
| | <ul style="list-style-type: none"> Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. | <ul style="list-style-type: none"> Human resource policies | <ul style="list-style-type: none"> Employee assistance programme Work Life Balance policy Occupational Health policy / procedure Staff training Attendance management policy / procedure Employee benefits programme | <ul style="list-style-type: none"> Assistant Director: Human Resources and Organisational Development |

| Core Principle F: Managing risk and performance through robust internal control and strong public financial management | | | | |
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| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| <ul style="list-style-type: none"> Managing risk | <ul style="list-style-type: none"> Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making | <ul style="list-style-type: none"> Risk management protocol | <ul style="list-style-type: none"> Modgov system Delegated portfolio decision template Members' code of conduct Officers' code of conduct Conflict of interest annual declaration. Audit & Risk Management Committee Terms of Reference. Corporate risk management policy Risk management pages on Wirral Intranet | <ul style="list-style-type: none"> Assistant Director: Law & Governance (Monitoring Officer) |
| | <ul style="list-style-type: none"> Implementing robust and integrated risk management arrangements and ensuring that they are working effectively | <ul style="list-style-type: none"> Risk management strategy/ policy formally approved and adopted and reviewed and updated on a regular basis | <ul style="list-style-type: none"> Corporate risk management policy refreshed annually E-Learning modules for management and staff | <ul style="list-style-type: none"> Assistant Director: Human Resources and Organisational Development Assistant Director: Law & Governance (Monitoring Officer) |
| | <ul style="list-style-type: none"> Ensuring that responsibilities for managing individual risks are clearly allocated | <ul style="list-style-type: none"> Risk management protocol | <ul style="list-style-type: none"> Corporate risk management policy E-Learning modules for management and staff | <ul style="list-style-type: none"> SLT |
| <ul style="list-style-type: none"> Managing performance | <ul style="list-style-type: none"> Monitoring service delivery effectively including planning, specification, execution and independent post implementation review | <ul style="list-style-type: none"> Performance map showing all key activities have performance measures Benchmarking information Cost performance (using inputs and outputs) Calendar of dates for submitting, publishing and distributing time reports that are adhered to | <ul style="list-style-type: none"> Complaints Procedure. Policy and Performance Committees – scrutiny Public access to meetings and minutes ARMC Annual Self-Assessment against “A toolkit for Local Authority Audit Committees” Monthly Capital and Revenue Monitoring Reports Wirral Plan Directorate Plans Performance | <ul style="list-style-type: none"> SLT |

| Core Principle F: Managing risk and performance through robust internal control and strong public financial management | | | | |
|---|---|---|---|---|
| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | | | Management Framework <ul style="list-style-type: none"> • Constitution • Corporate Risk Management Policy • Corporate, Directorate and Programme / Project Risk Registers • Whistle-blowing Policy • Risk Assessments • Health and Safety | |
| | <ul style="list-style-type: none"> • Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook | <ul style="list-style-type: none"> • Discussion between members and officers on the information needs of members to support decision making • Publication of agendas and minutes of meetings • Agreement on the information that will be needed and timescales | <ul style="list-style-type: none"> • Relevant risk sections in committee reports | <ul style="list-style-type: none"> • SLT |
| | <ul style="list-style-type: none"> • Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible • (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making | <ul style="list-style-type: none"> • The role and responsibility for scrutiny has been established and is clear • Agenda and minutes of scrutiny meetings • Evidence of improvements as a result of scrutiny • Terms of reference • Training for members • Membership | <ul style="list-style-type: none"> • Scrutiny reports | <ul style="list-style-type: none"> • Assistant Director: Law & Governance (Monitoring Officer) |
| | <ul style="list-style-type: none"> • Providing members and senior management with | <ul style="list-style-type: none"> • Calendar of dates for submitting, publishing | <ul style="list-style-type: none"> • Calendar of dates for submitting, publishing | <ul style="list-style-type: none"> • Managing Director for Delivery |

| Core Principle F: Managing risk and performance through robust internal control and strong public financial management | | | | |
|---|---|--|--|---|
| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | regular reports on service delivery plans and on progress towards outcome achievement | and distributing timely reports that are adhered to | and distributing timely reports that are adhered to | |
| | <ul style="list-style-type: none"> Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements) | <ul style="list-style-type: none"> Financial standards, guidance Financial regulations and standing orders | <ul style="list-style-type: none"> Medium Term Financial Strategy Budget and Policy Framework Procedure Rules (Constitution) Financial Regulations (Constitution) | <ul style="list-style-type: none"> Assistant Director: Finance (S151 Officer) |
| <ul style="list-style-type: none"> Robust internal control | <ul style="list-style-type: none"> Aligning the risk management strategy and policies on internal control with achieving objectives | <ul style="list-style-type: none"> Risk management strategy Audit plan Audit reports | <ul style="list-style-type: none"> Corporate risk management policy Annual internal audit review of the risk management framework Internal Audit Reports Internal Audit Plan Internal Audit Progress Reports to Audit and Risk Management Committee | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Evaluating and monitoring risk management and internal control on a regular basis | <ul style="list-style-type: none"> Risk management strategy/ policy has been formally approved and adopted and is reviewed and updated on a regular basis | <ul style="list-style-type: none"> Corporate risk management policy Internal Audit Reports Internal Audit Plan | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Ensuring effective counter fraud and anti-corruption arrangements are in place | <ul style="list-style-type: none"> Compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) | <ul style="list-style-type: none"> Anti-Fraud and Anti-Corruption policy Fraud awareness campaigns and proactive work | <ul style="list-style-type: none"> Assistant Director: Law & Governance (Monitoring Officer) |
| | <ul style="list-style-type: none"> Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal | <ul style="list-style-type: none"> Annual governance statement Effective internal audit service is resourced and maintained | <ul style="list-style-type: none"> Annual governance statement Chief internal auditor's annual report / annual audit opinion Internal audit reports | <ul style="list-style-type: none"> Assistant Director: Law & Governance (Monitoring Officer) |

| Core Principle F: Managing risk and performance through robust internal control and strong public financial management | | | | |
|---|---|--|--|---|
| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | auditor | | <ul style="list-style-type: none"> Internal audit plan | |
| | <ul style="list-style-type: none"> Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment -that its recommendations are listened to and acted upon | <ul style="list-style-type: none"> Audit committee complies with best practice. See Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013) Terms of reference Membership Training | <ul style="list-style-type: none"> Audit and Risk Management Committee's annual self-assessment against the "Internal Audit Toolkit for Local Authority Audit Committees" | <ul style="list-style-type: none"> Assistant Director: Law & Governance (Monitoring Officer) |
| <ul style="list-style-type: none"> Managing data | <ul style="list-style-type: none"> Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data | <ul style="list-style-type: none"> Data management framework and procedures Designated data protection officer Data protection policies and procedures | <ul style="list-style-type: none"> Information Governance policy | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies | <ul style="list-style-type: none"> Data sharing agreement Data sharing register Data processing agreements and protocols | <ul style="list-style-type: none"> Information Governance policy | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring | <ul style="list-style-type: none"> Data quality procedures and reports Data validation procedures | <ul style="list-style-type: none"> Information Governance policy | <ul style="list-style-type: none"> SLT |
| <ul style="list-style-type: none"> Strong public financial management | <ul style="list-style-type: none"> Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance | <ul style="list-style-type: none"> Financial management supports the delivery of services and transformational change as well as securing good stewardship | <ul style="list-style-type: none"> Medium Term Financial Strategy Budget and Policy Framework Procedure Rules (Constitution) Financial Regulations (Constitution) | <ul style="list-style-type: none"> Assistant Director: Finance (S151 Officer) |

| Core Principle F: Managing risk and performance through robust internal control and strong public financial management | | | | |
|--|--|---|---|--|
| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | <ul style="list-style-type: none"> Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls | <ul style="list-style-type: none"> Budget monitoring reports | <ul style="list-style-type: none"> Risk assessment within the medium term financial strategy | <ul style="list-style-type: none"> Assistant Director: Finance (S151 Officer) |

| Core principle G : Implementing good practices in transparency, reporting and audit to deliver effective accountability | | | | |
|---|--|--|---|---|
| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| <ul style="list-style-type: none"> Implementing good practice in transparency | <ul style="list-style-type: none"> Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand | <ul style="list-style-type: none"> Website Annual report | <ul style="list-style-type: none"> Members' code of conduct Officers' code of conduct Conflict of interest annual declaration. Audit & Risk Management Committee Terms of Reference. Complaints Procedure. Policy and Performance Committees – scrutiny Public access to meetings and minutes | <ul style="list-style-type: none"> SLT |
| <ul style="list-style-type: none"> Implementing good practices in reporting | <ul style="list-style-type: none"> Reporting at least annually on performance, value for money and the stewardship of resources to stakeholders in a timely and understandable way | <ul style="list-style-type: none"> Formal annual report which includes key points raised by external scrutineers and service users' feedback on service delivery Annual financial statements | <ul style="list-style-type: none"> Wirral Plan Statement of Accounts | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Ensuring members and senior management own the results reported | <ul style="list-style-type: none"> Appropriate approvals | <ul style="list-style-type: none"> Modgov system Delegated portfolio holder decision template | <ul style="list-style-type: none"> Assistant Director: Law & Governance (Monitoring Officer) |
| | <ul style="list-style-type: none"> Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing | <ul style="list-style-type: none"> Annual governance statement | <ul style="list-style-type: none"> Annual Governance Statement | <ul style="list-style-type: none"> Assistant Director: Law & Governance (Monitoring Officer) |

| Core principle G : Implementing good practices in transparency, reporting and audit to deliver effective accountability | | | | |
|---|---|--|--|---|
| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) | | | |
| | <ul style="list-style-type: none"> Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate | <ul style="list-style-type: none"> Annual governance statement | <ul style="list-style-type: none"> Annual Governance Statement | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations | <ul style="list-style-type: none"> Format follows best practice | <ul style="list-style-type: none"> Statement of Accounts | <ul style="list-style-type: none"> SLT |
| <ul style="list-style-type: none"> Assurance and effective accountability | <ul style="list-style-type: none"> Ensuring that recommendations for corrective action made by external audit are acted upon Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon | <ul style="list-style-type: none"> Recommendations have informed positive improvement Compliance with CIPFA's Statement on the Role of the Head of Internal Audit (2010) Compliance with Public Sector Internal Audit Standards | <ul style="list-style-type: none"> Annual Internal Audit Plan Chief Internal Auditor's Internal Audit Annual Report (and update reports) Internal Audit Reports | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Welcoming peer challenge, reviews and | <ul style="list-style-type: none"> Recommendations have informed positive | <ul style="list-style-type: none"> External audit reports | <ul style="list-style-type: none"> SLT |

| Core principle G : Implementing good practices in transparency, reporting and audit to deliver effective accountability | | | | |
|---|---|---|---|---|
| Sub principles | CIPFA - The code should reflect the requirement for local authorities to: | Examples of systems, processes, documentation and other evidence demonstrating compliance (also includes self-assessment tools and sources of further guidance) | Wirral source documents, good practice & evidence to demonstrate compliance | Responsible officers |
| | inspections from regulatory bodies and implementing recommendations | improvement | | |
| | <ul style="list-style-type: none"> Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement | <ul style="list-style-type: none"> Annual governance statement | <ul style="list-style-type: none"> Annual Governance Statement | <ul style="list-style-type: none"> SLT |
| | <ul style="list-style-type: none"> Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met | <ul style="list-style-type: none"> Community strategy | <ul style="list-style-type: none"> Communications & engagement strategy Wirral Plan | <ul style="list-style-type: none"> Council Leader SLT |



Audit and Risk Management Committee
Tuesday 22 November 2016

| | |
|----------------------|--|
| REPORT TITLE: | STATEMENT OF ACCOUNTS 2015/16- UPDATE |
| REPORT OF: | ASSISTANT DIRECTOR: FINANCE (S151) |

REPORT SUMMARY

This report updates the Committee on the audit progress for 2015/16 including the issuing of the Auditors Opinion and publication of the Statement of Accounts in September 2016.

RECOMMENDATION/S

That the report be noted.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Audit & Risk Management Committee has responsibility for approving the Statement of Accounts and the Annual Governance Statement on behalf of the Council which is a requirement under the Accounts and Audit Regulations 2015.

2.0 OTHER OPTIONS CONSIDERED

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

3.0 BACKGROUND INFORMATION

- 3.1 The Council Constitution allocates responsibility for the approval of the Statement of Accounts to the Audit & Risk Management Committee. The draft Statement for 2015/16 published on 30 June 2016 was subject to audit by Grant Thornton, the Councils' External Auditors, and their findings were presented within the Audit Findings Report (AFR) and approved at the Audit & Risk Management Committee on 26 September 2016. The Statement of Accounts 2015/16 was published on 30 September 2016 – the statutory deadline for publication.
- 3.2 The Accounts include the Merseyside Pension Fund (MPF) accounts as the Council is the Administering Authority for MPF. As the MPF receives a separate Audit Findings Report this was considered by Pensions Committee on 19 September 2016 and Audit & Risk Management Committee as part of the approval of the Accounts. These have been finalised, including publication and are to be reported to Cabinet for information and noting.

AMENDMENTS TO THE STATEMENT OF ACCOUNTS

- 3.3 Following the Committee on 26 September 2016 the finalisation of audit work resulted in no further changes to the Accounts.
- 3.4 The final published Statement of Accounts incorporated the Annual Governance Statement and Action plan 2015/16 approved at this Committee's meeting on 26 September. A copy can be viewed on the Councils website.

AUDITOR'S REPORT AND OPINION

- 3.5 Committee on 26 September 2016 considered the Audit Findings Report issued by Grant Thornton and, given that work was on-going; delegated to the Chair of the Committee and the Head of Financial Services, as Acting Section 151 Officer authority the finalisation of the Statement of Accounts 2015/16. This took place prior to publication of the accounts.

- 3.6 The Audit Opinion issued on 30 September 2016 stated that the financial statements gave a true and fair view of the financial position of the Council at 31 March 2016, of its expenditure and income for the year and that they had been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law. The opinions issued are set out in Appendix 1.
- 3.7 Besides commenting on the Financial Statements Grant Thornton also reported on the Councils' arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2016. For 2015/16 Grant Thornton issued a qualified conclusion in respect to the Councils arrangements for the year. This reflected the Ofsted announcement that was made on 20 September. In all other areas the Auditors found that the Council did have in place proper arrangements for Value for Money concluding that "except for the effects of the matter described in the Basis for qualified conclusion paragraph (Ofsted), we are satisfied that, in all significant respects, the Authority put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016". The auditors will review progress in implementing the Ofsted improvement plan when undertaking the audit and Value for Money conclusions for 2016/17.
- 3.8 In October the Annual Audit letter was issued detailing the audit findings and opinions issued in the previous month. This is reported as an item elsewhere on the agenda. At the time of writing this report Grant Thornton have yet to issue the certification of completion of the audit. This will formally conclude the audit. The certificate is currently outstanding due to an objection brought by a local elector and relates to the Lender Option Borrower Option (LOBO) category of borrowings held by the Council. A number of other Councils have received similar objections. The auditor's response is being co-ordinated nationally by the National Audit Office and has yet to be released. The outcome of this will not affect the opinions already issued on the Statement of Accounts and VFM.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The amendments to the Statement of Accounts 2015/16 have not changed the level of General Fund balance or reserves and provisions at 31 March 2016 which remain as reported to Cabinet on 18 July 2016.

5.0 LEGAL IMPLICATIONS

- 5.1 It is a legal requirement to publish the Statement of Accounts by 30 September 2016.

6.0 RESOURCE IMPLICATIONS

- 6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

- 7.1 If any concerns identified by Grant Thornton are not addressed by the Council then there are risks that the Council will not be able to meet its statutory requirements in respect of the Statement of Accounts as well as impacting upon Value for Money and Financial Resilience of the Council.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

- 9.1 There are none arising directly from this report.

REPORT AUTHOR: Tom Sault
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APPENDICES

Appendix 1 Independent Auditor's Report to the Members of Wirral Council

The Statement of Accounts 2015/16 (over 190 pages) are not appended to the report but can be accessed via the Council web site.

BACKGROUND PAPERS

Annual Audit Letter (see Agenda Item 11)

SUBJECT HISTORY

| Council Meeting | Date |
|--|--------------------------|
| Audit & Risk Management Committee Grant Thornton Audit Findings Report – - Merseyside Pension Fund Merseyside Pension Fund Accounts 2015/16 Grant Thornton Audit Findings Report – - Wirral Council Statement of Accounts 2015/16 | 26 September 2016 |
| Grant Thornton Audit Findings Report – - Merseyside Pension Fund Merseyside Pension Fund Accounts 2014/15 Grant Thornton Audit Findings Report – - Wirral Council Statement of Accounts 2014/15 | 28 September 2015 |

| | |
|--|---|
| <p>Pensions Committee</p> <p>Grant Thornton Audit Findings Report – - Merseyside Pension Fund</p> <p>Merseyside Pension Fund Accounts 2015/16</p> <p>Grant Thornton Audit Findings Report – - Merseyside Pension Fund</p> <p>Merseyside Pension Fund Accounts 2014/15</p> | <p>19 September 2016</p> <p>14 September 2015 & 28 September 2015</p> |
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APPENDIX 1

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL COUNCIL

(as contained in the Statement of Accounts 2015/16)

We have audited the financial statements of Wirral Metropolitan Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Financial Services and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Head of Financial Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Financial Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the

knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Basis for qualified conclusion

In considering the Authority's arrangements for securing efficiency, economy and effectiveness we identified the following matter:

In September 2016, Ofsted issued its report on the inspection of the Authority's services for children in need of help and protection, children looked after and care leavers. The overall judgement was that children's services were rated as inadequate. The inspection found widespread and serious failures in the services provided to children who need help and protection.

This matter is evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management, and for planning, organising and developing the workforce effectively to deliver strategic priorities.

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, except for the effects of the matter described in the Basis for qualified conclusion paragraph, we are satisfied that, in all significant respects, the Authority put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2016 in accordance with the requirements of the Act and the Code until we have:

- completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Act; and
- completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016.

We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

Robin Baker
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Royal Liver Building
Liverpool
L3 1PS

30 September 2016

Pension Fund

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

(as contained in the Statement of Accounts 2015/16)

We have audited the pension fund financial statements of Wirral Metropolitan Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Financial Services and auditor

As explained more fully in the Statement of the Head of Financial Services' Responsibilities, the Head of Financial Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Financial Services; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially

inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund financial statements:

- present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the audited pension fund financial statements.

Jackie Bellard

Jackie Bellard
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

29 September 2016

The Annual Audit Letter for Wirral Council

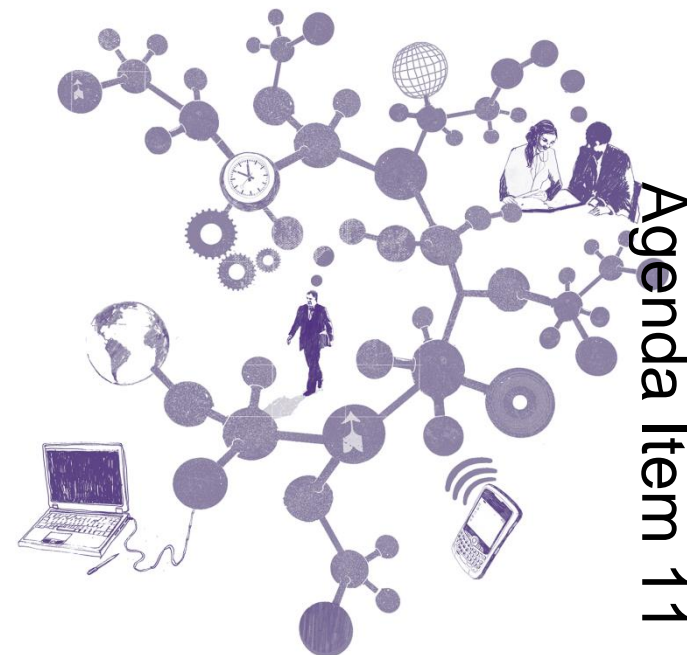
Year ended 31 March 2016

October 2016

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Agenda Item 11

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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Wirral Council (the Council) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Council and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit and Risk Management Committee as those charged with governance in our Audit Findings Report on 26 September 2016.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 30 September 2016.

Value for money conclusion

In September 2016 the Office for Standards in Education, Children's Services and Skills (Ofsted) issued its report on the inspection of the Council's services for children in need of help and protection, children looked after and care leavers. The overall judgement was that children's services were rated as inadequate. The inspection found widespread and serious failures in the services provided to children who need help and protection.

The report is evidence of weaknesses in the Council's arrangements. The Council has accepted the findings of the report and has developed an action plan to address the identified weaknesses

We were satisfied that the Council had put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016 except for the matter set out above. We therefore issued a qualified 'except for' value for money conclusion in our audit report on 30 September 2016.

Use of additional powers and duties

We are required under the Act to give electors the opportunity to raise questions about the Council's accounts and we consider and decide upon objections received in relation to the accounts.

On 10 August 2016, we received an objection to the accounts in respect of the Council's Lender Option, Borrower Option borrowing. We understand that similar objections have been received by a number of councils nationally. At the time of preparing this report our work on this objection remains on-going.

Certificate

We are currently unable to certify that we have completed the audit of the accounts of Wirral Council due to the outstanding objection.

Whole of government accounts

We completed work on the Council's consolidation return following guidance issued by the NAO and issued an unqualified report on 19 October 2016.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2016. We will report the results of this work to the Audit and Risk Management Committee in our Annual Certification Letter.

Looking Ahead

The Council recognises that it continues to face significant financial challenges going forward. The Council has a track record of delivering required savings to date although the challenges faced going forward are arguably getting tougher. Appropriate arrangements are in place to plan finances effectively alongside reliable financial reporting to support the delivery of the Council's strategic priorities. Overall, the Council has responded positively to the challenging financial environment during the year and has set out in the MTFS a clear view of what needs to be done in 2016/17 and beyond

In July 2015 the Council approved a new Wirral Council Plan: A 2020 Vision. The Plan sets out the key priority areas and desired outcomes for both people and place and underpinning the priorities are twenty outcomes to be delivered by 2020. The plan has been endorsed by partner organisations who are integral to delivery of the Wirral Plan. The Council acknowledges that, given the challenging financial position, difficult decisions remain to be made to ensure both the successful delivery of the Wirral Plan and achievement of statutory responsibilities.

The Council will need to finalise and then monitor the implementation of the improvement plan in response to the Ofsted findings to secure required improvements in children's services. We will review the progress made by the council as part of our on going audit and take into account improvements achieved when considering our 2016/17 VFM conclusion.

Working with the Council

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2016

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £13.7m which is 1.9% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

As we reported in our audit plan, we identified the following items where we undertook audit procedures, irrespective of value as these are key elements in the accounts that should be correct:

- Officers' remuneration, salary bandings and exit packages
- Members allowances
- Auditor remuneration
- Related Party transactions

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts on which we give our opinion. We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based. We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

| Risks identified in our audit plan | How we responded to the risk |
|---|--|
| <p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition</p> | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Wirral Council we have determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including Wirral Council, mean that all forms of fraud are seen as unacceptable. <p>We did not identify any issues to report</p> |
| <p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p> | <p>As part of our audit work we:</p> <ul style="list-style-type: none">• reviewed entity controls in relation to journal transactions• tested journal entries• reviewed accounting estimates, judgements and decisions made by management• reviewed unusual significant transactions <p>We did not identify any issues to report</p> |

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

| Risks identified in our audit plan | How we responded to the risk |
|---|--|
| <p>Valuation of property, plant and equipment</p> <p>The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value.</p> <p>The CIPFA Code of Practice has implemented IFRS 13 for the 2015/16 financial statements. The Council is required to include surplus assets within property, plant and equipment in its financial statements at fair value, as defined by IFRS13. The basis on which fair value is defined for investment property is also different to that used in previous years.</p> <p>These issues represent significant estimates and change in the estimation basis of these balances by management in the financial statements.</p> <p>There are also extensive disclosure requirements under IFRS 13 which the Council needs to comply with.</p> | <p>As part of our audit work we:</p> <ul style="list-style-type: none"> reviewed management's processes and assumptions for the calculation of estimates. reviewed the competence, expertise and objectivity of any management experts used. reviewed the instructions issued to valuation experts and the scope of their work discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding. tested revaluations made during the year to ensure they are input correctly into the Council's asset register evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. reviewed the disclosures made by the Council in its financial statements to ensure they are in accordance with the requirements of the CIPFA Code of Practice and IFRS 13 <p>We did not identify any issues to report. We confirmed that the Council has a 5 year rolling programme for valuing its land and buildings assets that complies with the CIPFA Code of Practice. For assets not re-valued in year, Council officers undertake an annual assessment of those assets to satisfy themselves that the carrying value is not materially different to the fair value at the 31st March 2016.</p> |
| <p>Valuation of pension fund net liability</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p> | <p>As part of our audit work we:</p> <ul style="list-style-type: none"> identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. assessed whether the controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out. undertook procedures to confirm the reasonableness of the actuarial assumptions made. reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. <p>We did not identify any issues to report.</p> |

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 30 September 2016. The Council made the accounts available for audit in line with the agreed timetable and our audit did not identify any adjustments affecting the Council's reported financial position. The draft accounts were again prepared to a good standard, however not all supporting working papers were available at the start of the audit. We will continue to work with Finance staff to identify further improvements to the efficiency of the accounts production and audit processes to enable the earlier deadlines for 2017/18 to be met, which will require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Audit and Risk Management Committee on 26 September 2016. The key messages arising from our audit of the Council's financial statements were:

- no significant issues were identified
- a small number of disclosure adjustments were agreed to ensure compliance with accounting practices and to improve the presentation of the financial statements.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines. Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Other work completed

Council Finance staff attended a workshop we provided in November 2015 on the early closure of local authority accounts. Council Finance staff also attended a workshop we provided jointly with CIPFA in February 2016 covering changes to accounting standards and the Code of Practice, and emerging issues and future developments, to support officers involved in the preparation of the Financial Statements.

Whole of Government Accounts (WGA)

We carried out work on the Council's consolidation schedule in line with instructions provided by the NAO. We issued a group assurance certificate which did not identify any issues for the group auditor to consider.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

On 10 August 2016, we received an objection to the accounts under sections 26 and 27 of the Local Audit and Accountability Act 2014. The objector has requested that we prepare a public interest report and apply to the courts for a declaration that Wirral Council's Lender Option, Borrower Option (LOBO) borrowing as referenced in the 2015-2016 accounts is unlawful.

In keeping with objections received by several authorities the objector raises concerns in respect of the

- rationality of the decision to borrow on LOBO terms;
- adequacy of the information on which the Council based their decisions to enter into LOBO arrangements;
- scale of borrowing on LOBO terms and associated exposure to interest rate increases;
- alleged improper speculation on future interest rate changes; and
- use of advisers with alleged undisclosed financial incentives to promote LOBOs.

Our work in respect of the objection is on-going.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work. The key risks we identified and the work we performed are set out in table 3 overleaf.

Ofsted Inspection

In September 2016 the Ofsted, issued their report to the Council following an inspection of the Council’s services for children in need of help and protection, children looked after and care leavers and review of the effectiveness of the Local Safeguarding Children Board. The report concluded that the overall arrangements for ensuring the effectiveness of Children's Services at the Council and the Local Safeguarding Board in the Wirral Council area were judged to be inadequate. Ofsted’s conclusion followed on from a three week inspection process, conducted in July 2016.

Ofsted delivered key judgements on a four point grading scale of ‘outstanding’, ‘good’, ‘requires improvement’ and ‘inadequate’ with each finding from the inspection at the Council set out in Table 2.

Table 2 -

| Area of assessment | Ofsted Assessment |
|---|----------------------|
| 1. Children who need help and protection | Inadequate |
| 2. Children looked after and achieving permanence | Requires improvement |
| - 2.1 Adoption performance | Requires improvement |
| - 2.2 Experiences and progress of care leavers | Inadequate |
| 1. Leadership, management and governance | Inadequate |

Value for Money conclusion

The report highlighted a number of issues including:

- there were widespread and serious failures in services provided to children who need help and protection
- despite an awareness of failings there was a failure to recruit and retain a permanent head of service
- there were too many changes of social worker to allow appropriate relationships to develop
- plans to restructure services to respond better to children's needs were delayed for a year due to competing priorities
- case recording is poor and it was not always possible to determine the basis of decisions
- accuracy of performance data is sometimes compromised by absent or faulty records
- the governance arrangements of the Wirral Safeguarding Children Board did not ensure that it was independent of influence, as required by statutory guidance

The Council has fully accepted the findings of the inspection and has taken immediate action following receipt of the report from Ofsted on 20 September 2016 to formulate an action plan in response to the findings with detailed actions set out that include:

- Immediate £2m investment to recruit additional social workers and improve management arrangement
- Established a cross party Improvement Board with discussion being held with the Local Government Association to ensure a suitably qualified Chair is appointed.

We note that the Council is taking Ofsted's report very seriously, and we will monitor the Council's progress in delivering required improvements as part of our 2016/17 audit.

Overall VfM conclusion

We are satisfied that, in all significant respects, except for the matter we identified above, the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

Value for Money

Table 2: Value for money risks

| Risk identified | Work carried out | Findings and conclusions |
|--|--|---|
| Delivery of the required savings and the establishment of revised financial governance arrangements | <p>We reviewed</p> <ul style="list-style-type: none"> the Council's arrangements for identifying and agreeing savings plans alongside the communication of key findings to Cabinet and Council the financial governance arrangements established by the Council to consider how the Council is managing and monitoring these key financial risks | <p>The Council has delivered required financial savings to date and now has a Medium Term Financial Strategy (MTFS) in place that covers a 5 year period to 2020/21. This is consistent with the delivery period and scope of the Corporate Plan Wirral 2020. Between 2011/12 and 2014/15 the Council achieved savings of some £134m and the 2015/16 budget set out required savings of £38m. The budget for 2016/17 set out savings of some £26.8m including a clear recognition of the difficulties faced by the Council in to deliver the 2015/16 savings requirement. The Council identified that almost £18 million of the projected 2016/17 budget gap of £24 million could be met through generating more income and making changes in how the Council operates.</p> <p>Detailed revenue and capital budget monitoring reports are provided to Members with the revenue reports clearly and succinctly setting out the budget pressures faced by directorates. The Council recognise that the delivery of agreed savings is critical to it's financial health and progress is tracked at both a Council wide and Directorate level. Reports to Members set out progress achieved against the annual budget implementation plan incorporating a RAG rating.</p> <p>The Council reported a £1.3m underspend against the revised revenue budget for 2015/16. However the original 2015/16 revenue budget was revised during the year to increase the planned use of balances and reserves. The Budget for 2015/16 acknowledged that the savings programme was "ambitious". At the end of Quarter 1 it was recognised that £28 million of savings would be achieved with a potential shortfall of £9.6 million. Cabinet recommended to Council that the shortfall in savings be re-profiled to 2016/17 and the shortfall was met from Reserves (£5.4 million) and from Balances (£4.2m) in 2015/16. The 2016/17 revenue budget monitoring report for quarter 1 sets out a forecast overspend of some £1.1m. This revenue budget included a budget contingency of £12m to mitigate the financial risks associated with demand pressures and the delivery of previously agreed savings. Continuing budgetary pressures relating to Adult Social services, Children's services and Transformation and Resources have led to £11.1m of that contingency being allocated</p> <p>Savings plans are in place and progress is monitored through a combination of arrangements established ahead of 2015/16 alongside the development of a Transformation Programme that reports to Cabinet on a quarterly basis. Our review confirmed that proposed savings were subject to rigorous challenge process. Finance staff provided support throughout this exercise to co-ordinate the process and ensure consistent standards were applied across the Council. Results from Scrutiny committee findings were fed into Cabinet's considerations and informed its final budget recommendations to Council in March 2016.</p> <p>Members and management team have maintained a focus on financial requirements and take a clear lead on the achievement of required savings. Financial reporting has a high profile especially through the revenue monitor and savings tracker reports that are provided to Members. The responsibility for managing risk is through the Audit and Risk Management Committee. Corporate risk register includes financial resilience and other related financial issues. During the year internal audit completed a review of risk management arrangements and identified that they were developing well.</p> <p>We concluded that the Council has proper arrangements to plan finances effectively and provide reliable financial reporting to support the delivery of its strategic priorities. Overall, the Council has responded appropriately to the challenging financial environment during the year and has set out in the MTFS a clear view of what needs to be done in 2016/17 and beyond.</p> |

Working with the Council in 2016/17

We will continue to work closely with you during 2016/17 with a particular focus on important accounting developments, with timely feedback on any emerging issues.

Highways Network Asset

The Code of Practice on Local Authority Accounting (the Code) requires authorities to account for Highways Network Asset (HNA) at depreciated replacement cost (DRC) from 1 April 2016. The Code sets out the key principles and requires compliance with the requirements of the Code of Practice on the Highways Network Asset (the HNA Code), which defines the assets or components that will comprise the HNA. This includes roads, footways, structures such as bridges and street furniture. These assets should always have been recognised within Infrastructure Assets.

This is expected to have a significant impact on the Council's 2016/17 accounts, both in values and levels of disclosure, and may require considerable work to establish the opening inventory and condition of the HNA as at 1 April 2016. Councils may need to develop new accounting records to support the change in classification and valuation of the HNA. The nature of these changes means that Finance officers will need to work closely with colleagues in the highways department and potentially also to engage other specialists to support this work.

We have met with the Council to consider the accounting, financial reporting and audit assurance implications arising from these changes. We have shared Client Briefings with Officers. This significant accounting development is likely to be a significant risk for our 2016/17 and we will continue to meet with Officers and issue further briefings during the coming year to update the Council on key developments and emerging issues.

The audit risks associated with new developments and the work we plan to carry out to address them will be reflected in our 2016/17 audit plan.

We will also continue to work with you and support you over the next financial year through our focus on:

- **An efficient audit** – continuing to deliver an efficient audit
- **Improved financial** processes – we will focus our work on the actions and measures you put in place to achieve the required savings.
- **Understanding your operational health** – we will continue to focus our value for money conclusion work on the on going financial challenges that the Council faces and monitoring the plans that the Council has in place to deliver the required savings.
- **Audit Updates** – we will continue to provide regular Audit Committee updates covering best practice and emerging issues in the sector

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

| | Planned £ | Actual fees £ | 2014/15 fees £ |
|-------------------------------------|----------------|------------------|-------------------|
| Statutory audit of Council | 159,863 | 159,863* | 213,150 |
| Housing Benefit Grant Certification | 24,920 | 24,920 | 31,800 |
| Total fees (excluding VAT) | 184,783 | 184,783 | 244,950 |

* - We will confirm the final fee once our consideration of the objection is complete.

Reports issued

| Report | Date issued |
|-----------------------|----------------|
| Audit Plan | March 2016 |
| Audit Findings Report | September 2016 |
| Annual Audit Letter | October 2016 |

Fees for other services

| Service | Fees £ |
|--|----------------|
| Audit related services: <ul style="list-style-type: none">Certification of Teachers Pension ReturnReport on Skills Funding Agency Sub contracting arrangements | 4,200 3,950 |
| Non-audit services | nil |



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Audit and Risk Management Committee Tuesday, 22 November 2016

| | |
|----------------------|--|
| REPORT TITLE: | REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) |
| REPORT OF: | ASSISTANT DIRECTOR: LAW & GOVERNANCE (MONITORING OFFICER) |

REPORT SUMMARY

This report summarises the use of covert surveillance by the Council between 1 June and 1 November 2016.

It also invites the Committee to agree to additions to the Policy and Procedure Guidance on the Council's use of covert surveillance.

This report was requested in the work plan for the Committee.

RECOMMENDATION/S

- 1) That the Committee note the contents of this report on the use of covert surveillance.
- 2) That the Committee approve the amendments and additions to the Policy and Guidance Document contained in Appendix 1.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The Home Office Code of Practice on covert surveillance requires every Council to report quarterly on its use of RIPA.
- 1.2 It is important to provide guidance to officers as to when covert surveillance is lawful where RIPA does not apply.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 None

3.0 BACKGROUND INFORMATION

- 3.1 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.
- 3.2 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).
- 3.3 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 where the legislation applies.
- 3.4 The Office of Surveillance Commissioners (OSC) is responsible for overseeing the operation of RIPA. The OSC inspected the Council on 13 May 2015. The outcome of that inspection was reported to the Committee on 22 September 2015. The Committee approved amendments to the Council's Policy and Guidance Document made in response to the Report.

THE USE OF RIPA BY THE COUNCIL

- 3.5 Since the meeting on 13 June 2016 the Council has obtained on 20 October 2016 approval from a magistrate to use covert surveillance to detect suspected illegal fly tipping at a site in Wirral.

CHANGES IN LEGISLATION

3.6 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.

ANNUAL TRAINING

3.7 This took place on 18 October 2016 and was conducted by Stephen Morris an acknowledged expert in this field.

3.8 It was attended by Applying and Authorising Officers who are required to undertake refresher training every 2 years.

3.9 Mr Morris dealt in detail with the requirements for authorisations of surveillance under RIPA.

3.10 He also drew to our attention gaps in the legislation where RIPA is not available to authorise covert surveillance eg where a local authority is exercising an ancillary and not a core statutory function such as disciplinary proceedings against an employee suspected of theft. Another example would be the use of evidence obtained from covert surveillance in civil proceedings such as care proceedings when such evidence is necessary and proportionate to protect children from the risk of suffering significant harm.

3.11 In those instances the covert surveillance would have to be authorised under and be compliant with the fair and lawful processing of personal data prescribed by the Data Protection Act 1998 and Article 8 of the European Convention on Human Rights.

ADDITIONS TO THE POLICY AND PROCEDURE GUIDANCE DOCUMENT

3.12 This document is attached as an Appendix to the report.

A new paragraph 10 has been added in the light of the training delivered by Mr Morris which sets out the procedure to be followed if covert surveillance can only be authorised under the Data Protection Act 1998 and not under RIPA.

4.0 FINANCIAL IMPLICATIONS

4.1 None at present.

5.0 LEGAL IMPLICATIONS

- 5.1 The Protection of Freedoms Act 2012 which restricts local authorities use of covert surveillance came into force on 1 November 2012.
- 5.2 In suitable cases where the RIPA legislation does not apply, covert surveillance could be authorised under the Data Protection Act 1998 and Article 8 of the European Convention on Human Rights (which balance the value of the surveillance against intrusions into people's private lives).

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

None at present.

7.0 RELEVANT RISKS

These have been discussed in previous reports.

- 7.1 There is a risk that some investigations of anti-social behaviour will not be able to use covert surveillance under RIPA because the suspected criminal behaviour does not carry a custodial sentence of 6 months or more.
- 7.2 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).
- 7.3 Where RIPA does not apply but covert surveillance would be legitimate necessary and proportionate then it would have to be authorised by the Authorising Officers in accordance with the Data Protection Act 1998 eg to supply evidence in disciplinary or care proceedings as explained in paragraph 10 of the amended Policy and Procedures Guidance Document.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 None

9.0 EQUALITY IMPLICATIONS

- 9.1 None

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APPENDICES

Appendix 1 – Policy and Procedure Document

REFERENCE MATERIAL

None

SUBJECT HISTORY (last 3 years)

| Audit and Risk Management Committee | Date |
|--|----------------|
| A report on Regulation of Investigatory Powers Act 2000 (RIPA) is presented to each meeting of the Committee | 28/1/14 |
| | 18/3/14 |
| | 17/9/14 |
| | 27/1/15 |
| | 8/6/15 |
| | 22/9/15 |
| | 17/2/16 |
| | 13/6/16 |

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POLICY AND PROCEDURE ON THE USE OF POWERS UNDER THE REGULATION OF INVESTIGATORY POWERS ACT

1. INTRODUCTION

- 1.1 *"Surveillance plays a necessary part in modern life. It is used not just in the ~ targeting of criminals but as a means of protecting the public from harm and ~ preventing crime."*

From the Foreword to the Home Office's Code of Practice on Covert Surveillance

- 1.2 The use of covert surveillance by public authorities, particularly local authorities has been the subject of much recent debate. The use of covert surveillance is properly a matter of public concern. The purpose of this policy is to set out exactly how the Council will use its surveillance powers and comply with best practice.
- 1.3 **Councils may only use covert surveillance for the purpose of preventing or detecting crime and where doing so is in the public interest.** The Council uses covert surveillance to support its enforcement activities. It has been used principally by the then Regeneration Department in dealing with anti-social behaviour and trading standards cases. This has resulted in many successful cases being brought which might otherwise not have been possible bringing rogue traders to account and improving the lives of Wirral residents suffering from severe anti-social behaviour. In 2014/15 twenty authorisations for directed surveillance were granted by the Council's authorising officers.
- 1.4 The Council approved a policy and procedure for the use of covert surveillance in 2004. The Council has been inspected five times by the Office of the Surveillance Commissioner in 2003, 2007, 2009, 2012 and 2015. The use of surveillance was also the subject of a review by the Council's Internal Audit Team in 2008. The need to revise and update the Council's Policy and Procedure was identified as part of that review.

2. RELEVANT LEGISLATION

2.1 The Human Rights Act 1998 (HRA)

- 2.1.2 The HRA gives effect to the rights and freedoms guaranteed under the European Convention on Human Rights and Fundamental Freedoms ("the Convention"). Article 8 of the Convention is relevant in the context of covert

surveillance in that everyone has the right to respect for his/her private and family life, home and correspondence. It is now clear from decided cases that this right extends to activities of a professional or business nature and so includes employees. Article 6 of the Convention is relevant in the context of covert surveillance in that everyone has the right to a fair trial, including internal procedures or hearings, and fairness extends to the way in which evidence is obtained.

2.1.3 Consequently, there is to be no interference with the exercise of these rights by any public authority, except where:

Such interference is in accordance with the law and is necessary in a democratic society in the interests of:

- national security
- public safety
- the economic well-being of the country
- for the prevention of disorder or crime
- for the protection of health or morals
- the protection of the rights and freedoms of others.

The Council is a public authority. However, as mentioned above (and explained in more detail in section 3 below), local authorities may **only** undertake covert surveillance for the purpose of preventing or detecting crime.

2.1.4 The HRA can be found at:

www.opsi.gov.uk/ACTS/acts1998/19980042.htm

2.2 **The Regulation of Investigatory Powers Act 2000 (“RIPA”)** (and associated Regulations)

2.2.1 RIPA was introduced shortly after the HRA to ensure that the use by public bodies of surveillance was codified. Prior to RIPA there was only limited regulation of the use by public bodies of surveillance. RIPA was passed to ensure a consistency of approach and to set in place safeguards to ensure that the use of surveillance is proportionate.

2.2.2 RIPA was passed well before the terrorism attacks on September 11 and was not introduced to deal with terrorism. RIPA and its associated regulations also follow the philosophy of recent legislation in trying to strike a balance between community responsibilities, including effective law enforcement, and individual rights and freedoms.

3.0 COVERT SURVEILLANCE

3.1 The term surveillance includes

- Monitoring, observing or listening to people, their movements, their conversations or their other activity or communication;
- Recording anything monitored, observed or listened to in the course of surveillance;
- Surveillance by or with the assistance of a surveillance device.

3.2 **Covert** surveillance is surveillance that is carried out in a manner calculated to ensure that the persons subject to the surveillance are unaware that it is or may be taking place. This needs to be contrasted with the deployment of **overt** surveillance. The use of such surveillance in places to which the public has access is increasingly commonplace. The Council has employed it in the form of CCTV monitoring of its offices, car parks and the town centres. CCTV monitoring is undertaken in accordance with the Council's Code of Practice for the operation of CCTV. CCTV is usually clearly marked through the use of signage. The Council must have regard to the Code of Practice on the use of CCTV published by the Secretary of State in June 2013.

3.3 RIPA applies where any covert surveillance of an identifiable or named person is carried out by a public authority carrying out an investigatory function. RIPA includes a local authority within the description of public authority.

3.4 Covert surveillance can be either

- (a) **intrusive**, that is, carried out in relation to anything that is taking place on any residential premises or in any private vehicle by an individual or a surveillance device on the premises or in the vehicle; or
- (b) **directed**, that is, undertaken for the purposes of a specific investigation or operation and involving the observation of a person or persons in order to gather information about them.

3.5 **Local authorities are not authorised to conduct intrusive surveillance.**

3.6 **Directed** covert surveillance that is likely to result in obtaining private information about a person is permitted by RIPA and its associated regulations **if** such surveillance has been authorised in the manner provided by the Act, the Home Office Code of Practice and the prescribed standard forms. Private information is any information relating to a person's private or family life. It includes the way in which a person conducts himself in his working life.

3.7 An authorising officer for a public authority may only grant authorisation to carry out directed surveillance if it is necessary in the interests of:

- national security (**not** applicable to local authorities);

- preventing or detecting crime;
- public safety (**not** applicable to local authorities);
- protecting public health (**not** applicable to local authorities);
- assessing or collecting any tax, duty, levy or other imposition, contribution or charge payable to a government department (**not** applicable to local authorities); or
- is specified by regulations.

3.8 **Local authorities may only authorise use of covert directed surveillance on the ground that it is necessary in the interests of preventing or detecting crime or of preventing disorder.** The use of surveillance must also be proportionate to what is being sought to achieve and a magistrates approval required as set out below.

3.9 From 1 November 2012 a magistrates approval will also be required for the Council's use of RIPA and will be in addition to the authorisation needed from an authorising officer. Magistrates may only grant approval for the use of covert directed surveillance where the criminal offence under investigation carries a maximum custodial sentence of six months or more except in relation to the offences of under age sales of alcohol and tobacco where this threshold will not apply. That restriction does not however apply to the use of covert human intelligence sources (see 4.0 below) or to the acquisition of communications data (see 5.0 below) where the offence need not carry a maximum custodial sentence. A magistrates approval is required both for an authorisation and for a renewal of an authorisation which has expired.

3.10 Authorisation is not required to record things which are not planned but arise in the course of an investigation. For example if an enforcement officer is attending a property to visit a witness and observes a neighbour causing criminal damage he/she can record what they saw without authorisation.

3.11 Particular care needs to be taken when the surveillance may give rise to the obtaining of **confidential information**. In this context confidential information means:

- Where legal professional privilege applies;
- Confidential personal information; or
- Confidential journalistic material

Legal professional privilege will apply to oral and written communications between a professional legal adviser and his/her client made in connection with the giving of legal advice or in connection with or contemplation of legal proceedings.

Confidential personal information is information held in confidence about a person's physical or mental health or to spiritual counselling or assistance. The information must have been created or acquired in the course of a trade, business or profession or for the purpose of any paid or unpaid office.

Confidential journalistic material includes material acquired or created for the purposes of journalism and held subject to an undertaking to hold it in confidence.

If the purpose of the surveillance is likely to obtain confidential information then this will need to be approved by the Assistant Director: Law and Governance and the Chief Executive. If in the course of an operation confidential material is obtained through surveillance this must be notified immediately to the Assistant Director: Law and Governance. It must be retained and provided to the inspector from the Office of the Surveillance Commissioner at the next inspection.

- 3.12 An applying officer wishing to use directed surveillance must complete **FORM RIPADS1** (all forms are attached to this policy). The applying officer must fully complete all parts of the form. The officer should refer as necessary to the Home Office Code of Practice, available as set out in paragraph 3.18 below.
- 3.13 The applying officer must consider the proportionality of the use of surveillance. The officer must consider the seriousness of the matter being investigated, the impact that any evidence obtained through the surveillance will have on the investigation and the level of intrusion which will be caused. The officer must take steps to ensure that any intrusion is kept to the minimum level necessary. Any intrusion in to the private life of persons not the subject of the investigation (e.g. family or visitors) should be minimised.
- 3.14 The completed form should be referred to an **authorising officer**. All Chief Officers may designate officers within their department as authorising officers for the purposes of RIPA. On receipt of the form the authorising officer will contact the Assistant Director: Law and Governance to obtain a unique reference number. The authorising officer must be a Director or Head of Service or Service Manager. The authorising officer will place the form on the central register. The register is an electronic folder with access rights limited to authorising officers (for their area only) and the Assistant Director: Law and Governance or his/her nominated representatives (to all contents). When an authorising officer places a form on the register he/she will also separately notify the Assistant Director: Law and Governance by e-mail that this has been done. If the authorising officer does not have access to the register he or she will e-mail the form to the Assistant Director: Law and Governance who will arrange for it to be placed on the register. All forms for authorised applications shall be placed on the register immediately. All applications shall remain on the register for at least 3 years. Officers should ensure that when they complete the authorisation forms they comply with the following requirements:

- (a) the information on which an investigation is based must be clearly identified
- (b) applications should state clearly why the covert activity is believed to be necessary and proportionate.
- (c) Authorising Officers should clearly state why they consider the covert activity is necessary and proportionate (including the steps to be taken to minimise intrusions into privacy, particularly of those persons not suspected of crime or disorder). They must never be granted retrospectively.
- (d) Authorising Officers must describe accurately all the covert activity which they are authorising so as to ensure that the limits are not infringed.
- (e) Technical feasibility studies should be presented to the Authorising Officer along with the application for authorisation. They should be attached to the authorisation. If the authorisation is granted, the person carrying out technical installations (e.g. of cameras and sound recording equipment) must see the relevant parts of the authorisation prior to the installation of any surveillance equipment.
- (f) Review dates should be stipulated by Authorising Officers at the time they authorise the covert surveillance for any extended period. This is to ensure that the need for continuation of the surveillance is regularly assessed and recorded on Form RIPADS2 and that (where appropriate) authorisations are either renewed (before they expire) on Form RIPADS4 or cancelled on Form RIPADS3.
- (g) Cancellations of authorisations should be made promptly when the need for covert surveillance has ceased. The cancellation should contain a full description of the activity which has been authorised, what the results of the surveillance were, and how and when any products of the surveillance will be stored, retained or destroyed.
- (h) The designated authorising officers are currently Mike Cockburn (Lead Commissioner:Environment), Gillian Vicary (Operations Manager, Trading Standards), Caroline Laing (Constituency Manager), Robert Clifford (Senior Manager:Commissioning) and Mark Smith (Strategic Commissioner:Environment). Other officers may be designated from time to time in accordance with the Council's Scheme of Delegation. They have delegated authority to apply to the magistrates for approval of covert surveillance and to authorise named officers to make such applications on behalf of the Council. They also have delegated authority to authorise covert surveillance in the circumstances set out in paragraph 10 (non RIPA authorisations).

3.15 Urgent Oral Applications

- 3.15.1 It is no longer possible to grant urgent oral authorisations. All authorisations have now to be in writing and approved by a magistrate.

3.16 **Review/Cancellation**

3.16.1 Written authorisations will lapse automatically unless they are renewed after **3 months**. However, authorisations should be reviewed on a regular basis and cancelled when they are no longer required for the purpose for which they were granted. In each case the authorising officer within each public authority should determine how often a review should take place. This should be as frequently as is considered necessary and practicable. On carrying out a review the authorising officer should complete a **Form RIPADS2**. Once completed the form should be placed on the central register immediately either by the authorising officer directly or via the Assistant Director: Law and Governance. If the form is placed directly on the register the authorising officer must notify the Assistant Director: Law and Governance that this has been done by e-mail.

3.16.2 If upon review the need for directed surveillance no longer exists then the authorisation will be cancelled immediately. On cancellation the authorising officer shall complete **Form RIPADS3**. The completed form shall be placed on the central register either by the authorising officer directly or via the Assistant Director: Law and Governance. If the form is placed directly on the register the authorising officer must notify the Assistant Director: Law and Governance that this has been done by e-mail.

3.17 **Renewal**

If the authorisation is due to lapse it may be renewed for a period of a further 3 months provided the need for the surveillance continues. If a renewal is required a **Form RIPADS4** shall be completed. If an authorisation is renewed for a further period of 3 months it should be reviewed during that period. All renewals will require the approval of a magistrate.

3.18 **Audit Checks**

The Assistant Director: Law and Governance shall carry out a regular audit of authorisations contained on the central register at least once every 3 months.

3.19 **Code of Practice**

The Home Office Code of Practice on the Use of Covert Surveillance can be viewed at: <http://security.homeoffice.gov.uk/ripa/publication-search/general-publications/ripa-cop/index.html>

3.20 The following examples illustrate the circumstances in which it is necessary and appropriate to obtain authorisation for covert surveillance:

3.20.1 Residents report to the Anti-social Behaviour Team that the occupants of a neighbouring property are disturbing them at night by engaging in noisy parties or quarrels fuelled by the consumption of alcohol and threaten them with violence when they protest.

In such circumstances covert surveillance (e.g. by means of a camera and sound recording devices unobtrusively fitted to an adjoining property) would be necessary to prevent crime and disorder (because witnesses are likely to be intimidated) and proportionate (the disturbance is frequent and at a high level). The recording device must not be capable of picking up conversations at a normal level within the home targeted (and consequently is not intrusive). The Authorising Officer must therefore have available a technical feasibility study.

The amount of collateral intrusion on the privacy of the persons should be low (if the device is directed only at the targeted property) and if the need for continual surveillance is regularly reviewed by the Authorising Officer to ensure that the recording device is removed (when, for example it becomes apparent that the antisocial behaviour has ceased or significantly diminished) Those fitting the recording device must be shown that part of the authorisation which defines the permitted coverage of the camera so that the limits of the authorisation are not infringed.

3.20.2 The police approach the operators of the Council's CCTV cameras and ask them to train their cameras on a particular part of a public place where they suspect drug dealers are doing business. Council staff may only comply with the request of the police if they are satisfied that the police officers have obtained the necessary authorisation for directed surveillance from their superiors. Whilst the cameras are overt, they would be used for the purposes of a specific investigation or specific operation and therefore that use would require authorisation. Members of the public would not normally expect public cameras to be trained on specific individuals or on specific public places for protracted periods and therefore their use in that instance would be covert. The same principles would apply if Trading Standards Officers requested the use of CCTV cameras to monitor the activities of suspected illegal traders in a prohibited street. Authorisation for directed surveillance would be required before the CCTV cameras could be used for that purpose.

3.21 The Assistant Director: Law and Governance will compile and maintain electronically a central record of authorisations granted by authorising Officers. That central record shall contain the following information about the authorisation:

- (a) Whether it is for Directed Surveillance or Covert use of Human Intelligence Source.
- (b) Its unique reference number.
- (c) Applicant's name and title.
- (d) Department and Section.
- (e) Identity of Target and the title of the investigation.
- (f) Date of authorisation.

- (g) Renewal Date and name and/or title of Authorising Officer.
- (h) Review Date.
- (i) Whether the investigation is likely to result in obtaining confidential information.
- (j) Date of approval by magistrate of authorisation/renewal.
- (k) Cancellation Date.

The information contained in the Central Record will be used by the Assistant Director: Law and Governance to monitor the use by departments of RIPA. It will be a standing item on the agenda of the quarterly meetings of the Coordinators Group referred to in paragraph 7.1.

- 3.22 The Assistant Director: Law and Governance has been appointed the Senior Responsible Officer to perform the duties of that office set out in the Home Office Codes of Practice. These include liaising with OSC Inspectors and taking steps to ensure compliance with RIPA and the Codes by authorising officers.

4.0 COVERT HUMAN INTELLIGENCE SOURCES (CHIS)

- 4.1 The use of CHISs is also regulated by RIPA. A CHIS is a person who establishes or maintains a relationship with someone in order to obtain information, to provide another person with access to information or to disclose information as a consequence of that relationship. Should an officer consider the use of a CHIS as necessary, they must liaise with the Assistant Director: Law and Governance. If the use of a CHIS is deemed necessary, special arrangements will be made for their use in accordance with the Home Office Code of Guidance on Covert Human Intelligence Sources (see paragraph 4.5 below). It is not anticipated that CHISs will be used often by the Council. However, if professional witnesses are used they may fall within the definition of CHISs. Only the Chief Executive can authorise the use of a CHIS, if it will involve the likely disclosure of confidential information or the use of juveniles.
- 4.2 If an investigating officer does believe that the use of a CHIS is necessary in the course of an investigation he/she should complete **FORM RIPACHIS1**. The officer must consider the safety and welfare of a person acting as a source and must carry out a risk assessment before authorisation is granted. The use must be proportionate to what is intended to be achieved. The authorisation will lapse automatically if not renewed after a period of **12 months**.
- 4.3 It should be borne in mind that a person can become a covert human intelligence source if he regularly supplies information to the Council without being asked to do so provided he obtains the information by virtue of his personal relationship with the suspect or his associates and not for example

by merely noting down passively evidence of crime or disorder as a member of the public. In such circumstances legal advice should be sought before acting on the information received from the informant.

4.4 Special considerations apply if the person to be used as a source is **vulnerable** or a **juvenile**. In such circumstances advice should be sought from the Assistant Director: Law and Governance. Authorisation may only be granted by the Chief Executive, as Head of Paid Service.

4.5 The same procedures outlined above in respect of directed surveillance of:

- Maintenance of a central register
- Confidential information
- Review
- Cancellation
- Renewal; and
- Audit checks

Shall also apply to the use of CHISs. The following forms shall be used **FORM RIPACHIS2** (review), **FORM RIPACHIS3** (cancellation) and **FORM RIPACHIS4** (renewal)

4.6 The following examples illustrate the circumstances in which it is necessary and proportionate to obtain authorisation for the use of a CHIS (Covert Human Intelligence Source).

4.6.1 The Anti-Social Behaviour Team engage a private detective to pose as a tenant of a Housing Association in order to form a relationship with a group of tenants suspected of committing acts of serious anti-social behaviour, including criminal damage to property, drug dealing and intimidation of other tenants. The purpose of establishing a relationship is to obtain information admissible in possession proceedings (e.g. by covert tape recordings of conversations) or to assist the police or the Anti-Social Behaviour Team to anticipate the future criminal behaviour of the tenants under suspicion. No potential witnesses are willing to co-operate with the Anti-Social Behaviour Team by installing cameras in the properties. Authorisation would be required in such circumstances since the private detective will be establishing a personal relationship with the subjects to obtain and disclose information to the Anti-Social Behaviour Team in a manner that is calculated to ensure that the subjects are unaware of the purpose of the personal relationship. This example also illustrates the difficulties, dangers (and expense) of using a CHIS in the circumstances where evidence cannot be obtained by other methods.

4.6.2 A trading standards officer enters a shop and makes a “test purchase” from a retailer suspected of selling “counterfeit goods”. No authorisation would be required for a CHIS because he would not be establishing a personal relationship with the retailer (although if he had attached to his person a concealed camera it would be necessary for him to obtain authorisation for directed surveillance). If on the other hand, the trading standards officer

struck up a conversation with the retailer whilst posing as a member of the public in order to ascertain whether the retailer (without any encouragement from the Trading Standards Officer) would offer to sell him (or another customer) counterfeit goods, then he would be acting as a CHIS and authorisation would be required. The essence of a CHIS is that he obtained information by winning someone's confidence on a false basis

- 4.6.3 The Anti-Social Behaviour Team regularly receives information from a member of the family of a suspected perpetrator who volunteers to provide evidence without being requested to do so. The informant is performing the function of a CHIS if the information has been obtained as a result of the family relationship.

4.7 Code of Practice

The Code of Practice relating to the use of CHISs can be found at:
<http://security.homeoffice.gov.uk/ripa/publication-search/general-publications/ripa-cop/index.html>

5.0 COMMUNICATIONS DATA

- 5.1 Requests for communications data will be dealt with by **designated persons**. Those persons who are authorising officers for the purposes of directed surveillance and CHISs shall also be designated persons for the purposes of obtaining communications data. Each local authority must have its own **Single Point of Contact (SPOC)**, to whom applicants can submit their requests for communications data. This is to ensure there is a specific point of accountability in each authority requesting data for reasons connected with RIPA and the HRA etc. The SPOC for Wirral Council is the Trading Standards Manager
- 5.2 It is important to note that we are not referring here to the interception of communications or the **content** of communications. The Council does not have power to intercept communications or acquire content.
- 5.3 There are 3 types of communications data;
- traffic data;
 - service use data; and
 - subscriber data.
- 5.4 More information on what constitutes these types of communication data is set out in the Home Office Code of Practice (see paragraph 5.9 below). Advice can also be sought from the Assistant Director: Law and Governance. Local authorities are only able to seek disclosure under RIPA of service use data and subscriber data **not** of traffic data.

5.5 Applications may be made for service use data e.g. itemised bills or subscriber data e.g. whether a person uses a particular network, who is the user of a particular number. A request for such information can only be made where it is necessary for the purpose of preventing or detecting crime or preventing disorder. The request must be proportionate. The form for completion for disclosure of communications data including guidance on completion is attached as **FORM RIPACD 1**. An authorisation or notice remains valid for **one month**. A valid authorisation or notice may be renewed for a further period of one month.

5.6 An authorisation or notice must be cancelled as soon as it is no longer necessary for the service provider to comply with the notice or the conduct required by the notice is no longer proportionate to what was sought to be achieved.

5.7 The **Senior Responsible Officer** must be responsible for:

- the integrity of the process in place within the public authority to acquire communications data;
- compliance with Chapter II of Part I of the Act and with this code;
- oversight of the reporting of errors to the Interception of Communications Commissioners Office (IOCCO) and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors;
- engagement with the IOCCO inspectors when they conduct their inspections; and
- where necessary, overseeing the implementation of post-inspection action plans approved by the Commissioner.

In Wirral the Senior Responsible Officer is the Assistant Director: Law and Governance.

5.8 In Wirral there has been very limited use of these powers and none in 2015/16.

5.9 The Home Office Code of Practice on the use of Communications Data can be viewed at: <http://security.homeoffice.gov.uk/ripa/publication-search/ripa-cop/acquisition-disclosure-cop.pdf>

6.0 REPORTING AND REVIEW

6.1 The Council recognises the public interest in the use by it of these powers. It is essential that it regularly monitors and reviews the use of these powers. Therefore, this policy and procedure shall be subject to a review on at least an annual basis. The Assistant Director: Law and Governance shall report annually to the Chief Officers Management Team and to the Cabinet and quarterly to the Audit and Risk Management Committee in accordance with the Codes of Practice.

7.0 COORDINATION AND TRAINING

- 7.1 All Departments that use or may use the Council's powers under RIPA shall nominate a Departmental Coordinator under this Policy. The Departmental Coordinators (or their nominees) shall meet at least once a quarter to review the operation of this policy, share best practice and consider training needs. Those meetings shall be chaired by the Assistant Director: Law and Governance or his/her nominated representative. The departmental co-ordinators and authorising officers are listed in paragraph 3.14(h). That list may be amended from time to time as new Senior Officers are appointed. The current list can be obtained from the Assistant Director: Law and Governance.
- 7.2 The Council shall ensure that adequate training is provided to officers in the use of the powers. A training register shall be maintained and all authorising/designated officers will receive training at least every 2 years. A copy of the register can be obtained from the Assistant Director: Law and Governance. If an authorising/designated officer has not attended any training for a period of 2 years they shall **automatically cease** to be a responsible/authorised officer.

8.0 APPLICATIONS TO A MAGISTRATE FOR APPROVAL OF RIPA AUTHORISATIONS AND RENEWALS

- 8.1 These are governed by Rules 6.27 and 6.28 of the Criminal Procedure Rules 2012 (SI2012 No. 1726). No court fee is currently payable.
- 8.2 Home Office Guidance on local authority applications for approval by Magistrates was given in October 2012 and may be viewed on the Internet.
- 8.3 Annex B of the Home Office Guidance contains a model application form and a model form of order by the magistrates. These forms should be used when applying to a magistrate.
- 8.4 Paragraphs 84 to 98 of the Home Office Guidance set out the procedure. Applications should be made by investigating officers designated by the Authorising Officer. The hearing will be in private. The authorisation must be completed in sufficient detail to make the case for approval by itself without the need for additional oral evidence.
- 8.5 The Magistrate should record his/her decision on the form of order and retain a copy of the RIPA authorisation. He/she must be satisfied that there are reasonable grounds to believe the authorisation or renewal was both necessary and proportionate and continues to be so at the hearing. He/she must also be satisfied that the person within the Council granting the authorisation was of sufficient seniority by holding a post described in paragraph 3.14. A certificate signed by the Council's Monitoring Officer

should be produced for that purpose verifying the identity of the person granting the authorisation and the post he or she holds.

9.0 SOCIAL NETWORKING SITES

- 9.1 During the course of an investigation officers may view what persons have said on various forms of social media eg Twitter, Facebook.
- 9.2 No prior authorisation of directed covert surveillance will be required if the person's communications are to the world at large (ie open source) because there can be no reasonable expectation of privacy in such cases. Repeat viewing of open source sites for the purpose of intelligence gathering for a specific investigation will however constitute directed surveillance and will require prior authorisation.
- 9.3 No prior authorisation of the use of a covert human intelligence source would be required if the officer made no attempt to win the person's confidence on a false basis eg by falsely posing as a potential friend.
- 9.4 If however the conditions in 9.2 and 9.3 do not apply then the appropriate authorisation under RIPA would be required.

10.0 COVERT SURVEILLANCE WHEN RIPA AUTHORISATIONS ARE NOT AVAILABLE

- 10.1 It is not possible to use RIPA authorisations when surveillance by a local authority is required not for one of its core statutory functions but for an ancillary function (eg disciplinary proceedings against an employee suspected of theft).
- 10.2 Equally as explained above RIPA authorisation is not available if the purpose of the covert surveillance is not to detect a criminal offence but to further some other legitimate aim eg to monitor the household of a family whose children may be at risk of significant harm by the covert visits of a person whose presence is reasonably believed to be detrimental to the children's welfare.
- 10.3 In such circumstances covert surveillance will only be lawful if it is carried out in accordance with the fair processing of personal data provisions of the Data Protection Act 1998. In particular:
 - 10.3.1 Legal advice must first be obtained.
 - 10.3.2 A privacy impact assessment must be carried out by using the RIPA form for authorising directed surveillance.
 - 10.3.3 The privacy impact assessment must identify the adverse impact on privacy of any person and enable the authorising officer to determine whether the aim of

the covert surveillance is legitimate, and whether such surveillance is necessary and proportionate to achieve that aim having regard to the importance of its purpose, the adverse effect on the privacy of persons, and the possibility of using other less intrusive methods of investigation.

10.3.4 Any applicable guidance from the Information Commissioner eg the Employment Practices Code should be followed.

10.3.5 Only authorising officers are authorised to approve such covert surveillance which is outside the scope of RIPA.

10.3.6 A record of any such approved non RIPA covert surveillance must be submitted promptly to the Senior Responsible Officer together with a summary of the outcome. The Senior Responsible Officer shall include such authorisations in his regular reports to the Audit and Risk Management Committee.

DATE: November 2016

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