



Audit and Risk Management Committee

Date:	Monday, 28 March 2011
Time:	6.15 pm
Venue:	Committee Room 1 - Wallasey Town Hall

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AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

2. MINUTES (Pages 1 - 12)

To receive the minutes of the meeting held on 17 January 2011.

3. BUDGET PROJECTIONS 2012 - 2015 (Pages 13 - 18)

4. STRATEGIC CHANGE PROGRAMME - REPORTING TIMESCALES (Pages 19 - 22)

5. ANNUAL GOVERNANCE STATEMENT 2010/2011 (Pages 23 - 40)

6. ANNUAL REPORT (Pages 41 - 52)

7. SELF ASSESSMENT (Pages 53 - 64)

8. INTERNAL AUDIT UPDATE (Pages 65 - 74)

9. INTERNAL AUDIT PLAN 2011-2012 (Pages 75 - 98)

10. CORPORATE RISK AND INSURANCE MANAGEMENT (Pages 99 - 104)

- 11. ACCOUNTS AND AUDIT REGULATIONS (Pages 105 - 108)**
- 12. AUDIT COMMISSION PROGRESS REPORT (Pages 109 - 152)**
- 13. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)
(Pages 153 - 156)**
- 14. MEMBERS TRAINING (Pages 157 - 160)**
- 15. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 17 January 2011

Present: Councillor S Mountney (Chair)

Councillors L Rowlands J Crabtree
RL Abbey D Dodd
P Reisdorf A Brighthouse
C Povall

In attendance: Councillors J Green

56 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

No such declarations were made.

57 MINUTES

Resolved – That the minutes of the meeting held on 22 November 2010, be approved.

58 INTERNAL AUDIT UPDATE

The Chief Internal Auditor reported that in order to assist in effective corporate governance and fulfil statutory requirements, the Internal Audit Section of the Finance Department reviewed management and service delivery arrangements within the Council as well as financial control systems. Areas were selected for review on the basis of risks identified in the Corporate Risk Register and as assessed by Internal Audit in consultation with Chief Officers and Managers. His update report identified and evaluated the performance of the Internal Audit Section and included details of the actual work undertaken during November 2010. Items of note during the period related to Managing Fraud, the Strategic Change Programme and a BT Data Analysis Audit. However, there were no items of significance identified during the audit process that required action by Members.

The Internal Audit Plan for 2010/2011 was approved by the Committee in March 2010 and revised in November 2010 (minute 46 refers). He indicated that the Plan identified all audits that were required to provide the Council with adequate assurance regarding the effectiveness of its systems to manage and mitigate identified risks to the achievement of the Council's objectives. He commented that it was essential that the Audit Plan was delivered to ensure that the 'annual assurance opinion' on the effectiveness of the Council's control environment supported the delivery of the Annual Governance Statement. He was confident of achieving the objective by year end.

Members commented upon the deliverability of the objectives of the Strategic Change Programme (SCP) and sought assurances from officers that risks associated with the achievement of savings within planned timescales had been fully assessed. The Director of Finance indicated that details of projects to be included within the SCP would be presented to the Cabinet in due course and that it would be more appropriate to evaluate the associated risks at that time.

In response to a further comment from a Member, the Chief Internal Auditor agreed to provide to Members direct, details of the recommendations agreed with regard to audits undertaken at Children's Centres in Liscard, Birkenhead and Tranmere and Bidston and St James.

Resolved –

- (1) That the report be noted.**
- (2) That a report be presented to the next meeting of the Committee upon timescales for the presentation of reports to the Cabinet on projects to be included within the Strategic Change Programme.**

59 **CORPORATE RISK AND INSURANCE MANAGEMENT**

The Director of Finance provided information upon recent progress made against the existing objectives for Corporate Risk and Insurance Management and highlighted the anticipated developments in the coming months. In response to comments from Members with regard to significant costs to the Insurance Fund of flooding incidents as a result of burst pipes in schools, the Director referred to the particularly deep and severe frost at the end of 2010. He commented that consideration would be given to an evaluation of the costs of repairs against the significant costs of prevention measures being put in place for the future.

In response to further comments from Members in relation to the steps that were required to be taken in order for an adequate front line service to be maintained in the light of significant budgetary challenges facing the Council, the Director advised Members that all Chief Officers would be undertaking a review of key risks, which would be presented to the Cabinet and subsequently to a future meeting of this Committee.

Resolved – That the report be noted.

60 **RISK MANAGEMENT STRATEGY**

The Director of Finance presented the Risk Management Strategy, which had been approved by the Cabinet (minute 231 (25 November 2010) refers) and reported upon a number of proposed minor changes to it following a recent review to ensure that the Strategy was brought up to date to reflect current practice. He reported also upon an in-depth project being undertaken to review the overall approach to risk and uncertainty.

Resolved – That the revised Risk Management Strategy be noted.

61 PROTECTING THE PUBLIC PURSE

The Chief Internal Auditor reported that in the recent national report '*Protecting the Public Purse 2010*', the Audit Commission had commended the Council's Internal Audit Team for the impressive work undertaken in the fight against fraud. The Commission noted that, although the Council had previously identified many areas of good practice in its counter-fraud activities, it had decided to create a corporate counter-fraud team within Internal Audit. Subsequently, the Council had updated its counter-fraud policies, improved the specialist skills of team members and included fraud, for the first time, in the Council's risk register. The Director indicated that the Commission had recommended that others learn from Wirral's approach.

In response to comments from Members, the Director referred to the role of the National Fraud Initiative (NFI) and highlighted the significant loss in the fight against fraud if the NFI was not maintained. He commented also that Wirral did not suffer significantly from fraud, compared to other local authorities due, no doubt in part, to work undertaken in its active prevention and prosecution.

Resolved –

- (1) That the report be noted.**
- (2) That further developments in the area of counter-fraud be reported to future meetings of the Audit and Risk Management Committee.**

62 SELF ASSESSMENT

Further to minute 53 (22 November 2010), the Chief Internal Auditor reported upon the requirement for the Chair to complete an annual evaluation of the role and effectiveness of the Audit and Risk Management Committee as part of the systems of internal audit and in compliance with best practice. The CIPFA publication '*A Toolkit for Local Authority Audit Committees*' recommended the use of a self assessment checklist to achieve the task and the he presented for Members' consideration the draft self assessment checklist that had been completed by the Chair.

Resolved –

- (1) That the thanks of the Committee be accorded to the Chair for the completion, on its behalf, of the Self Assessment Checklist.**
- (2) That any additional comments to be included in the document be forwarded to the Chair within the next seven days.**

63 ANNUAL REPORT

Further to minute 53 (22 November 2010), the Chief Internal Auditor presented for Members' consideration a draft Annual Report to Cabinet on the work undertaken by the Committee during 2010/2011, which would be completed by the Chair in accordance with best practice identified in the CIPFA publication '*A Toolkit for Local Authority Audit Committees*'. The Chair requested Members to review the document and to notify him of any comments or suggested amendments to it within the next seven days.

Resolved – That, having regard to any representations received by the Chair, the Annual Report 2010/2011 be completed for presentation to the Cabinet.

64 **ICT STRATEGY 2010-2013**

The Director of Finance presented an updated draft of the rolling three year Information and Communication Technologies (ICT) Strategy, which had been agreed by the Cabinet (minute 232 (25 November 2010) refers). The Council was a large user of ICT and as such, required a policy to manage and control investment and to ensure that it was aligned with and supported the Corporate Plan, corporate priorities, the Medium Term Financial Strategy and other corporate strategies.

He outlined the areas contained within the strategy document and highlighted the changes that had been made to it and the reasons for those changes. In response to a comment from a Member in relation to Service Level Agreements associated with the provision of ICT to Members, the Director proposed to present to the next meeting of the Committee the minutes of the Members IT Working Party, which was the support forum for Members' ICT issues, attended by senior Members and officers.

Resolved – That the updated Information and Communication Technologies (ICT) Strategy 2010/2013, be noted.

65 **IFRS ACCOUNTS RE-STATEMENT**

The Director of Finance submitted an update report and gave a presentation on the progress of the implementation of the International Financial Reporting Standards (IFRS), which had been implemented by Local Government in stages from 2007/2008. He set out the framework for reporting and outlined the key changes that were required by IFRS and the changes to the accounting policies that had been required to ensure compliance.

The Director reported that IFRS was to be implemented in full from 2010/2011 but the transition date was 1 April 2009. He commented that the adoption of the standards for the first time required the inclusion in the Statement of Accounts for 2010/2011 of revised financial information for 2009/2010 and the first stage was to restate the Balance Sheet as at 1 April 2009. The Director outlined the work that had been undertaken in specific areas to gather the new financial information and highlighted the main areas of change to the Balance Sheet in relation to Fixed and Surplus Assets, Investments, Creditors, Lease Liability and Reserves.

In response to comments from Members in relation to training requirements and the provision of comparative data, the Director proposed to arrange a training session that would be specific to the requirements and implications of IFRS compliance.

Resolved –

(1) That the restated Balance Sheet at 1 April 2009 and the proposed changes to the accounting policies be noted.

- (2) That a training session for Members and deputies of the Committee be arranged at the earliest opportunity.**

66 **PROGRESS REPORT ON REIMBURSEMENT IN RELATION TO PUBLIC INTEREST DISCLOSURE ACT 1998 (PIDA)**

Further to minute 25 (28 September 2010), the Interim Director of Adult Social Services presented an update on the progress of reimbursement to certain residents and former residents of Bermuda Road, Curlew Way and Edgehill Road, following the agreement of the Cabinet (minute 256 (14 January 2010) refers) to the recommendations of this Committee in relation to the PIDA report into the Adult Social Services Charging Policy. Of the 16 individuals affected, four were now deceased and their relatives had received reimbursement. Each of the remaining 12 individuals had been provided with an advocate and, subsequently, in July 2010, reimbursement was paid to one of the twelve who had capacity. Reimbursement had subsequently been paid to another three individuals, who did not have capacity and for whom the Interim Director of Adult Social Services had been appointed deputy by the Court of Protection, in the absence of anyone else being able or willing to do so.

The Interim Director reported that, where issues of capacity had arisen, liaison had taken place with the Compliance and Regulation Unit of the Office of the Public Guardian (OPG) to agree the actions to be taken on those cases. The OPG had advised that capacity assessments should be completed on all individuals and the Interim Director set out the results of the assessments that had been undertaken, all of which were at various stages. He outlined the contact that had been made with individuals and their relatives and indicated that the department had agreed to become deputy for ten of the twelve individuals. For two relatives who wished to become deputy, support and assistance had been made available to them within the department. In response to a comment from a Member, the Interim Director referred to the significant responsibility of taking on the role of deputy. All families had been given the option, but most had indicated that they were unable to do so.

He reported upon the continuing work being undertaken by the advocates and commented that once all of the individuals had been reimbursed, the project would be closed. He expected that, with the exception of one case that was likely to be subject to a short delay, all payments would be made by 31 March 2011, contingent on the Orders being made by the Court of Protection. He commented that of the total cost of reimbursement of £243,460, some £130,990 had been paid to date.

With the agreement of the Committee, Sandra Gilbert of Wirral Mind, who had provided advocacy services for ten individuals, outlined the role of the advocate. She referred to the use of assistive technology to establish clear communication and discussed the use of non-instructive advocacy, to intervene on behalf of individuals with capacity issues. She commented also that advocates would continue to be involved after repayments were made to ensure that reimbursement monies paid would be used in the best interests of the individuals.

The Interim Director commented also, in response to further questions, that significant work had been undertaken with the Department for Work and Pensions (DWP) in relation to minimising the impact on benefit eligibility of reimbursement payments. However, in some cases, the amount of money was so substantial that benefits entitlement would be affected.

Resolved –

- (1) That the report be noted.**
- (2) That a further update report be presented to the Committee when the final reimbursement payment is made.**
- (3) That the thanks of the Committee be accorded to Wirral Mind and the other advocates for their work with Council officers in supporting the individuals affected.**

67 **UPDATE REPORT - CARE QUALITY COMMISSION (CQC) REPORT ON SAFEGUARDING AND ADULTS WITH A LEARNING DISABILITY**

Further to minute 24 (28 September 2010), the Interim Director of Adult Social Services reported and gave a detailed presentation in relation to progress in addressing the service issues that were raised by the Care Quality Commission (CQC) Inspection of Adult Social Services in May 2010. He commented upon the judgements that had been made with regard to performance, which indicated that, although the Department had performed well for the majority of outcomes, it had been assessed as poor in relation to Choice (Personalisation) and Dignity (Safeguarding). He commented upon the need to ensure that the pace of improvement was sufficient for Wirral to meet its milestones rapidly and he expressed his belief that improvement targets would be achieved by 31 March 2011. However, he commented that the CQC had since changed its remit and would not now return to Wirral to assess progress against the improvement plan. Instead, the North West Joint Improvement Partnership would provide a monitoring function but it had not yet advised how its assessment would be conducted. He reaffirmed the significant improvements being made within the Department but stressed the need for external validation to confirm to officers and Members the extent of progress made.

He referred to the considerable work that was being undertaken in relation to policies, practices and safeguarding; integrated working and localism; personalised support; and early intervention and prevention; all of which were underpinned by the Medium Term Financial Strategy, Communication and Engagement Strategy and the Workforce Strategy.

The Interim Director referred also to the financial challenge faced by the Department and, in particular, the need to reduce the projected overspend in the current financial year. In view of the expected budget reduction from £85m to £74m in 2011/2012, the Interim Director set out a number of measures that he considered to be necessary to reduce costs. These included stopping being a provider of certain services to becoming an intelligent commissioner and to make greater use of the voluntary and independent sector. In response to comments from Members, the Interim Director indicated that tendering was being undertaken for a variety of services, including respite care. He anticipated that a range of offers would result in an increased range of choice for service users and commented that quality would be monitored both by the Department and by the CQC.

Resolved – That the report and presentation be noted.

68 **CIPFA AUDIT COMMITTEE UPDATE**

The Director of Finance reported upon recent developments outlined in the *CIPFA Better Governance Forum Audit Committee Update Issue 3*, dated October 2010. The developments referred to within the update were in relation to Housing Fraud, the Role of the Head of Internal Audit, Audit Commission Update, Protecting the Public Purse, the Importance of Good Governance and Leadership and Pensions Governance.

Resolved – That the report be noted.

69 **INSURANCE AND RISK MANAGEMENT - INSURANCE SERVICES**

The Director of Finance reported that, each year, the Council received several hundred claims for compensation from members of the public and, in the majority of cases, the person who had been injured or had suffered damage or loss, appointed a solicitor to act on their behalf. He commented that under existing Civil Procedure Rules, if legal liability was established against the Council, then the Council was responsible for paying not only the damages for injury but also the claimant legal costs which could exceed the figure paid in damages.

He reported upon a contract recently entered into with a company (itsmyclaim.com), on a trial basis, which would enable members of the public to pursue claims against the Council via Citizens Advice Bureaux without engaging solicitors. The Director set out the rationale for his decision and outlined the possible benefits and risks. In response to concerns expressed by Members at not having had the opportunity to review the documentation, the Director confirmed that officers had made enquiries, which ascertained that at present no other organisation offered such a service. The relationship with Citizens Advice Bureaux also removed 'claims farmers' from the process, thereby providing a more ethical route to compensation. The total cost of the one year trial of the service was £7500, which had been met from the Insurance Fund budget, and he reported that whilst there were potential savings, they could not at this stage be quantified. However, during the trial period, officers would monitor claims generated through the mechanism and evaluate whether it resulted in overall savings or any other benefits.

Resolved –

- (1) That the decision of the Director of Finance to enter into a one year trial with itsmyclaim be noted.**
- (2) That a further report be presented to the Committee in twelve months upon the outcome of the evaluation exercise.**

70 **AUDIT COMMISSION - PROGRESS REPORT 2010/2011**

The District Auditor presented a progress report upon ongoing work at the Council during 2010/2011. Key messages within the report were in relation to rebated and reduced fees, the statement of accounts, value for money and work associated with the Public Interest Disclosure Act (DASS and HESPE). Reference was made also to

grant claims and returns work, the Annual Audit Letter, key audit contacts and Members' Resources.

Resolved – That the Audit Commission Progress Report 2010/2011 be noted.

71 **AUDIT COMMISSION - ANNUAL AUDIT LETTER 2009/2010**

The District Auditor presented the Annual Audit Letter, which summarised his findings from the 2009/2010 audit. The first element of the audit was in relation to his unqualified opinion by the statutory deadline on both the Council's and the Merseyside Pension Fund (MPF) 2009/2010 financial statements. He had also given an unqualified opinion on the Whole of Government Accounts consolidation pack on 1 October 2010. The second element of the audit was in relation to an assessment of the Council's arrangements to achieve value for money and the District Auditor confirmed that he had given an unqualified value for money conclusion confirming that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

He commented upon the audit fees and referred also to current and future challenges associated with fast moving and far reaching cuts in public finances that had been set in motion by the coalition Government. The District Auditor set out a number of corporate and service pressures that would make the achievement of savings challenging for the Council and he commented that the coming months would be a defining period as the Council strived to maintain continuity of services and implement massive cost reductions, whilst ensuring that vulnerable groups were not subject to disadvantage or multiple impacts.

In response to a comment from a Member with regard to compliance with the International Financial Reporting Standards (IFRS), the District Auditor confirmed that the direction of travel from Red to Amber was continuing.

Resolved – That the Annual Audit Letter 2009/2010 be noted.

72 **AUDIT COMMISSION - CERTIFICATION OF GRANT CLAIMS AND RETURNS ANNUAL REPORT 2009/2010**

The District Auditor presented his Certification of Claims and Returns Annual Report 2009/2010. The grants claim programme was successfully completed in 2009/2010 and all claims were submitted and certified on time. Funding from government grant-paying departments was an important income stream for the Council and Wirral received around £185m funding from various grant paying departments. However, the funding could be at risk if the Council was not able to evidence that it had met conditions attached to the grants. He highlighted the significant findings from the audit and reported that relevant Council officers had already agreed to the recommendations contained within the action plan.

In response to a comment from the Chair in relation to certification fees, the District Auditor indicated that although they had been reduced from an anticipated £168,035 to £120,000, there remained scope for further reduction through improvements to the control environment, working papers and quality assurance.

Resolved – That the report be noted.

73 CERTIFICATION OF GRANT CLAIMS AND RETURNS

The Director of Finance reported upon how issues had been addressed that had been raised in the Audit Commission report *Certification of Claims and Returns*, relating to the 2009/2010 financial year (see minute 72 ante). In 2009/2010 the Authority received nine grants which required claim forms to be submitted and audited and he set out the Audit Commission findings on a claim by claim basis. The report referred to continuing improvements in grant claim preparation and co-ordination and included a number of recommendations. The Director indicated those issues of greater significance and reported that, in addition to the steps contained within the agreed action plan, the Authority was continuing to take a pro-active approach to encourage good grant claim practice.

Although the actions taken should reduce the need for amendments in the future, he commented that the Housing Benefit claim was large and complex and always likely to be subject to some form of amendment. In terms of the qualification letters that were produced when the auditor wished to raise an issue with the paying body, the Director commented that they did not necessarily imply that there was an error with any claim. Four were issued in 2009/2010 and the issues raised had no impact on grant entitlement as, in each case, the grant paying body was satisfied with the action taken by the Council and paid out all money claimed.

Resolved – That the report be noted.

74 AUDIT COMMISSION - AUDIT PLAN 2010/11 - WIRRAL COUNCIL

The District Auditor presented the Audit Plan 2010/2011, which set out the audit work proposed to be undertaken for the audit of financial statements and the value for money conclusion 2010/2011. The plan was based on a risk-based approach to audit planning and reflected audit work specified by the Audit Commission for 2010/2011, current national risks relevant to local circumstances and local risks. The fee for the audit was £392,000, which was 8% above the scale fee and within the normal level of variation specified by the Commission. He highlighted various assumptions that had informed the fee level and set out specific actions the Council could take to reduce its audit fees.

The District Auditor had considered additional specific and significant risks that were appropriate to the current opinion audit and he commented that the most significant was related to International Financial Reporting Standards (IFRS) transition (see minute 65 ante). He set out the key milestones and deadlines and commented also that the Council was required to prepare and approve the financial statements by 30 June 2011 and he was required to complete the audit and issue the opinion and value for money conclusion by 30 September 2011. In response to comments from Members, the District Auditor agreed to make every effort to ensure Members received the documentation as early as possible.

Resolved – That the Audit Plan 2010/2011 be noted.

75 **AUDIT PLAN**

The Director of Finance reported that the Audit Plan set out the work that the Audit Commission was proposing to perform in relation to the audit of the Council financial statements and the value for money assessment for 2010/2011 (see minute 74 ante). He commented that whilst the approach being undertaken and the underlying issues were primarily for officers involved in the process, there were five key topics for Members' consideration, which would be reported to the Committee during the course of the year. Those were the Annual Governance Statement, Statement of Accounts, Value for Money Conclusion, Annual Governance Report and the Auditor's Report (Audit Opinion). He advised Members that the complexity of the Accounts was such that the statutory deadlines of 30 June and 30 September often meant that the formal reports could not be presented to the Committee in accordance with normal reporting deadlines. Whilst every attempt would be made to meet those deadlines, it was more likely that the reports would be available in the week preceding the June and September meetings. In both instances the reports would be accompanied by a presentation.

Resolved –

- (1) That having regard to the key role of the Committee in the Audit Plan process, officers be requested to make presentations to accompany the written reports on the key topics identified for Members consideration.**
- (2) That, in recognition of the complexity of the Statement of Accounts, the Committee notes that the reports to be presented to the June and September 2011 meetings of the Committee are not likely to be presented to Members until the week preceding the meetings.**

76 **INSURANCE FUND BUDGET 2011/2012**

The Director of Finance reported upon the various elements which made up the Insurance Fund, the cost of running the Risk and Insurance Section and the Budget for 2011/2012. The headline from the Budget agreed by the Cabinet (minute 230 (25 November 2010) refers) was a reduction in estimated insurance costs for 2011/2012 of almost £0.9m (22%), which was due partly to the better terms that arose from a major procurement exercise and continuing improvements in the claims experience.

Resolved – That the report be noted.

77 **BUDGET PROJECTION 2011/2012**

The Director of Finance presented an update on the projected budgets for 2011/2012 and 2012/2013, taking into account the Spending Review and the provisional Local Government Finance Settlement, presented to the Cabinet on 13 January 2011 (minute 276 refers). He reported upon the various assumptions which underpinned the projections and commented upon negotiations that had taken place on a number of specific grants. He set out also the latest position in relation to balances and savings agreed by the Cabinet and reported a projected surplus of £3.3m for 2011/2012 and a projected shortfall of £26.5m for 2012/2013.

In response to comments from Members with regard to price inflation currently at 3.7%, the Director reported that at its meeting on 9 December 2010, the Cabinet (minute 248 refers) agreed that no provision would be built in for price inflation in 2011/2012, with income to continue to increase by 3% per annum. In addition, pay awards would be limited to £250 for those employees earning less than £21,000 per annum for 2011/2013.

Resolved – That the budget projections be kept under review and an update report be presented to the next meeting of the Committee.

78 **ROLE OF THE HEAD OF INTERNAL AUDIT**

The Director of Finance reported that in December 2010, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a '*Statement on the role of the Head of Internal Audit [HIA] in public service organisations*'. Subsequently, because of the statutory responsibility of specific postholders in relation to internal audit and governance, CIPFA issued a further draft Statement describing '*The Role of the Head of Internal Audit in Local Government*'. Both Statements had the status of best practice.

The Director outlined the draft statement, which set out five principles that defined core activities and behaviours that belonged to the HIA and the organisational arrangements needed to support them. He presented a suggested response to the draft CIPFA statement for Members' consideration and, in response to comments, outlined the mechanism by which the HIA worked well with statutory postholders.

Resolved – That the suggested response to CIPFA be endorsed as the Committee's formal response to the consultation process.

79 **AUDIT COMMISSION - AUDIT PLAN 2010/11 - MERSEYSIDE PENSION FUND**

The District Auditor presented the Merseyside Pension Fund (MPF) Audit Plan, which set out the work that he proposed to undertake for the audit of the financial statements of the MPF in 2010/2011. He reported that the Plan had been considered and endorsed by the Pensions Committee (minute 63 (11 January 2011) refers). However, as the Pension Fund accounts remained part of the financial statements of Wirral Council as a whole, the Audit and Risk Management Committee retained ultimate responsibility for receiving, considering and agreeing the audit plans, as well as receiving and considering any reports arising from the audit.

Resolved – That the Audit Plan 2010/2011 for the Merseyside Pension Fund be approved.

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WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

28 MARCH 2011

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

1.0 EXECUTIVE SUMMARY

1.1 Following the agreement of the budget for 2011-12 at the Council meeting on 1 March 2011, this report presents the projected budget for 2012-15. It was agreed by the Cabinet on 17 March 2011.

2.0 RECOMMENDATION

2.1 That the budget projections be regularly reviewed.

3.0 REASON FOR RECOMMENDATION

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

4.0 BACKGROUND AND KEY ISSUES

4.1 Assumptions Underpinning the Projections

- a) Inflation - Provision is made for price inflation of 2% per annum with income to continue to increase by 3% per annum. Pay awards will be limited to those employees earning less than £21,000 per annum for 2012-13 and are assumed to increase by 2% per year from 2013.
- b) Capital Financing - Cabinet on 21 February 2011 agreed a capital programme at an increased revenue cost of £1.9m in 2012-13.
- c) Pension Fund - the increase arising from the actuarial valuation including the impact of the outsourcing of the highways and engineering services contract will increase the contribution by £0.3m in 2012-13 and by £0.3m in 2013-14.
- d) Waste Disposal - Landfill Tax is increasing by £8 per ton per annum, an increase of 50% between 2010-11 and 2014-15. The levy is assumed to increase by £1.5m per year from 2013.
- e) Merseytravel - the levy is to increase in 2011-12 by £1.6m, the element of the grant receivable for concessionary travel. From 2013 it is assumed to increase by £1m per year.

- f) Schools - it is assumed that the Schools Budget will vary in line with the Dedicated Schools grant.
- g) Efficiency Investment - in order to continue to deliver efficiencies in future years it will be necessary to continue to invest and therefore £2m per annum has been provided.
- h) Other Unavoidable Growth - a number of items of unavoidable growth of less than £0.2m will arise. These usually total about £1m per annum.

4.2 Grant Negotiations

- 4.2.1 The Local Government Finance Settlement for 2011-12 incorporated a provisional settlement for 2012-13. The Formula Grant will be reduced by £14m.
- 4.2.2 The Spending Review 2011-15 incorporated four year projections for local government expenditure. However the Finance Settlement only provided figures for 2011-13. Figures for 2013-15 will be subject to the outcome of a Local Government Resources Review to be concluded by July 2011. Clearly this will have a major impact on the budget projections for 2013-15 included in the appendix.

4.3 Other Legislative Issues

- 4.3.1 Independent Public Service Pensions Commission - Due to report in March 2011.
- 4.3.2 Welfare Reform Bill – Implementation of Universal Credit due to commence in 2013.
- 4.3.3 Localism Bill - Will require a local referendum if a proposed Council Tax increase is considered to be excessive from 2012-13.
- 4.3.4 Council Tax Revaluation - This has been deferred until after 2015.
- 4.3.5 **Census** - During the course of this budgeting period the results of the Census 2011 will become available and will be incorporated into the grant distribution formulae. The Office for National Statistics has released the Mid 2009 estimated populations. The reduction for Wirral since the Census 2001 is greater than for any other metropolitan or unitary authority. If this is confirmed in the Census 2011 then the reduction in grant receivable could be significant.

4.4 Balances

- 4.4.1 The budget for 2011-12 includes balances of £14m.
- 4.4.2 The final phase of the Early Voluntary Retirement/Voluntary Severance Scheme covering those staff due to depart in early 2011-12 is projected to utilise £4.4m of the balances.

4.4.3. The budget for 2011-12 will utilise £2.8m of the balances to fund one-off expenditure.

4.4.4. Therefore the balances are projected to be £6.8m at 31 March 2012.

4.5. **Savings**

4.5.1. Cabinet has previously agreed to the following savings:-

	2012-13	2013-14	2014-15
	£000	£000	£000
Human Resources IT System	474	100	20
Integrated Transport	340	250	
Family Group Conferencing	130		
IT Services	400	400	400
Benefits	<u>1,200</u>	<u>750</u>	<u>420</u>
	2544	750	420

4.5.2. The full year effect of the Early Voluntary Retirement/Voluntary Severance scheme savings totalling £24m will be achieved in 2012/13. This will increase to £27m after the cost of the pensions have been met.

5.0 **RELEVANT RISKS**

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

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

6.0 **OTHER OPTIONS CONSIDERED**

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

7.0 **CONSULTATION**

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

8.0 **IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

8.1 There are no direct implications arising from this report.

9.0 **RESOURCE IMPLICATIONS – FINANCIAL**

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

10.0 LEGAL IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report.

FNCE/69/11

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APPENDICES

Budget Projections 2012-15

REFERENCE MATERIAL

Budget - HM Treasury - March 2010 and June 2010
Independent Public Service Pensions Commission Interim Report - October 2010
Spending Review - HM Treasury - October 2010
Medium Term Financial Strategy 2011-14 - November 2010
Local Government Finance Settlement 2011-13 - DCLG - January 2011
Council Budget 2011-12 - March 2011

SUBJECT HISTORY

Council Meeting	Date
Cabinet	17 March 2011
Budget Cabinet	21 February 2011
Cabinet	13 January 2011
Cabinet	9 December 2010
Cabinet	25 November 2010
Cabinet	4 November 2010
Cabinet	14 October 2010
Cabinet	23 September 2010
Cabinet	2 September 2010
Cabinet	22 July 2010

**Wirral Council
Budget Projections 2012-15**

	2012-13	2013-14	2014-15
	£m	£m	£m
Base Budget	293.9	279.5	265.7
Increased Requirements			
Pay Inflation	1.0	3.5	3.5
Price Inflation	4.2	4.2	4.2
Capital Financing	1.9	2.0	2.0
Pension Fund	0.3	0.3	2.5
Waste Disposal	-	1.5	1.5
Merseytravel	-	1.0	1.0
Other Unavoidable Growth	1.0	1.0	1.0
Efficiency Investment	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
	304.3	295.0	283.4
Reduced Requirements			
Income Inflation	-1.0	-1.0	-1.0
Savings Agreed	<u>-2.5</u>	<u>-0.7</u>	<u>-0.4</u>
	300.8	293.3	282.0
Resources			
Formula Grant	144.8	131.0	117.0
Council Tax Grant	3.3	3.3	3.3
Council Tax	131.4	131.4	131.4
Forecast Resources	279.5	265.7	251.7
Shortfall	21.3	27.6	30.3

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WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

28 MARCH 2011

SUBJECT:	STRATEGIC CHANGE PROGRAMME – REPORTING TIMESCALES
WARD/S AFFECTED:	ALL
REPORT OF:	Director of Technical Services / Programme Director (Strategic Change)
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR JEFF GREEN
KEY DECISION? <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i>	NO

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to submit to the Committee timescales for the presentation of reports to Cabinet on the Strategic Change Programme as previously requested.

2.0 RECOMMENDATION

2.1 Members note timescales for the submission of progress reports to Cabinet as detailed.

3.0 REASON FOR RECOMMENDATION

3.1 Audit & Risk Management Committee resolved on 17th January 2011 that a report be presented to the next meeting of the Committee on the timescales for the presentation of reports to the Cabinet on the Strategic Change Programme.

4.0 BACKGROUND AND KEY ISSUES

4.1 The Strategic Change Programme was identified by this Committee at its meeting on 22 November 2010 as a critical issue for the Council and should therefore be included to the current year's audit plan; the plan was subsequently amended to reflect this.

4.2 The update from internal audit to this committee on 17th January 2011 outlined the role of internal audit in providing independent assurance to the Strategic

Change Programme. Members commented upon the deliverability of the objectives of the Strategic Change Programme and sought assurances from officers that risks associated with the achievement of savings within planned timescales had been fully assessed. The Director of Finance indicated that details of projects included within the Strategic Change Programme would be presented to the Cabinet in due course and that it would be more appropriate to evaluate the associated risks at that time.

4.3 Members consequently asked for the reporting timetable to be submitted to this Committee.

4.4 REPORTING TIMESCALES

4.4.1 Cabinet received an initial report on the content and progress of the Strategic Change Programme on the 4th February 2011. Further updates on progress of the Strategic Change Programme will be submitted to Cabinet on a six monthly basis.

4.4.2 An overall assessment of the progress of the Programme will also be reported quarterly through the Council's performance management framework.

4.4.3 The schedule of reports for submission to Cabinet is detailed below:

Cabinet meeting	Reporting
4 th February 2011	Content and progress of SCP (initial report)
21 st July 2011	Quarter 1 - Progress against Corporate plan
3 rd November 2011	Quarter 2 - Progress against Corporate plan
13 th October 2011	Content and progress of SCP (6 month review)
2 nd February 2012	Quarter 3 - Progress against Corporate plan
12 th April 2012	Content and progress of SCP (6 month review)
May 2012 (date to be confirmed)	Quarter 4 Progress /Year end outturn - Progress against Corporate plan

4.4.4 The schedule relates to the reporting of the programme overall, which will be undertaken by the Director of Technical Services/Programme Director (Strategic Change). Chief Officers may report to Cabinet separately for decisions specifically relating to individual projects, as detailed within the forward plan. Overview & Scrutiny Committees may also wish to examine projects within their work programme, which will be facilitated by the responsible project manager or Chief Officer.

5.0 RELEVANT RISKS

5.1 The main risk is the non-delivery of benefits, particularly financial, of the Strategic Change Programme. This is mitigated by careful monitoring by the Strategic Change Programme Board, supported by the Strategic Change Programme Office. Risks registers are maintained by project managers. Risks managers can no longer control are escalated as issues, through a prescribed process. The Strategic Change Programme Board maintains a risk register for the programme.

5.2 The Director of Finance undertakes a quality assurance function for the Strategic Change Programme, the results of which are reported to the Programme Director (Strategic Change). Matters are subsequently referred to the Strategic Change Programme Board by exception.

6.0 OTHER OPTIONS CONSIDERED

6.1 Whilst deliberating the frequency of reporting, consideration was given to the balance between being frequent enough to advise members of progress, but not so frequent that it becomes meaningless to members - given the scale of the projects - as well as costly to undertake. The Strategic Change Programme Board provides oversight to the programme between Cabinet submissions.

7.0 CONSULTATION

7.1 The reporting timetable has been developed in consultation with the Strategic Change Programme Board and Corporate Planning, Communications and Engagement.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 Not applicable.

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

9.1 The resources required to report progress of the Strategic Change Programme are currently being met through existing staff resources.

10.0 LEGAL IMPLICATIONS

10.1 Not applicable

11.0 EQUALITIES IMPLICATIONS

11.1 Equality Impact Assessment (EIA)

(a) Is an EIA required? No.

(b) If 'yes', has one been completed?

12.0 CARBON REDUCTION IMPLICATIONS

12.1 Not applicable

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 Not applicable

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REFERENCE MATERIAL

Internal Audit Update, Audit & Risk Management Committee, 17 January 2011

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet	07 February 2008
	10 December 2008
	23 April 2009
	15 October 2009
	14 January 2010
	24 June 2010
	22 July 2010
	4 th February 2011
Council Excellence Overview & Scrutiny	28 October 2010
Audit & Risk Management Committee	17 January 2011

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

28 MARCH 2011

SUBJECT:	ANNUAL GOVERNANCE STATEMENT (AGS) 2010/11
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR SIMON MOUNTNEY
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2003 (amended 2006).
- 1.2 This report explains the requirement for the Authority to produce the Annual Governance Statement declaring the degree to which it meets the Governance Framework.
- 1.3 Attached at Appendix A is a draft Annual Governance Statement for 2010/11.

2.0 RECOMMENDATION

- 2.1 That subject to any comments from this Committee, the Annual Governance Statement for 2010/11 is included in the Statement of Accounts 2010/11.

3.0 REASON FOR RECOMMENDATION

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

4.0 BACKGROUND AND KEY ISSUES

4.1 Regulatory Framework

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

4.1.2 The Accounts and Audit Regulations 2003 were amended in 2006, and CIPFA/SOLACE produced the Delivering Good Governance in Local Government Framework (“the Framework”). This required the production and publication of an Annual Governance Statement by the Council to replace and subsume the Statement on Internal Control from 2008. A report was prepared for this Committee on the Framework and the requirements for this organisation on 27 September 2007.

4.2 Governance

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

4.2.2 Effective governance arrangements ensure that:

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

4.2.3 The Framework identifies six core principles of good governance:

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

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

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

4.3 Process

4.3.1 Within the Council there is an existing, well established process for the review of the control system and preparation of the Annual Governance Statement, managed by Internal Audit and reported through the Deputy Director of Finance to the Corporate Governance Group and the Executive Team.

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

4.3.3 The process includes:

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

4.3.4 A draft Annual Governance Statement for 2010/11. This is attached at Appendix A. Subject to any comments from this Committee, the Annual Governance Statement for 2010/11 will be included in the Statement of Accounts 2010/11.

5.0 RELEVANT RISKS

- 5.1 Potential failure of the Council to comply with the statutory requirement of Regulation 4 of the Accounts and Audit Regulations 2003 (Amended 2006).
- 5.2 Failure to manage risks identified may prejudice the achievement of corporate objectives.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 No other options considered.

7.0 CONSULTATION

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

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are none arising from this report.

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

9.1 There are none arising from this report.

10.0 LEGAL IMPLICATIONS

10.1 There are none arising from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising from this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising from this report.

FNCE/64/11

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APPENDICES

Appendix A - Draft Annual Governance Statement 2010/11

REFERENCE MATERIAL

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

SUBJECT HISTORY (last 3 years)

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

1. Scope of Responsibility

- 1.1 Wirral Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Wirral Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Wirral Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Wirral Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the code is on our website at www.wirral.gov.uk. This statement explains how Wirral Council has complied with the code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It can not eliminate all risk of not fully achieving policies, aims and objectives; and therefore provides a reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Wirral Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place for a number of years at Wirral Council and, in particular, for the year ended 31 March 2011.

3. The Governance Framework

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

3.2 Developing and Communicating our Purpose and Vision

- The development of the Authority's purpose and vision is undertaken through corporate and business planning, linked to wider community planning for Wirral through the Local Strategic Partnership (Sustainable Community Strategy / LAA).
- A new Corporate Plan for 2011-14 is being developed, to ensure that it remains fit for purpose taking into account the outcomes of the consultation exercise carried out in December 2010 "Wirral's future – be a part of it" when shaping the future of the Council's services.
- The establishment of five key Corporate Objectives:
 - 1 To create more jobs, achieve a prosperous economy and regenerate Wirral.
 - 2 To create a clean, pleasant, safe and sustainable environment.
 - 3 To improve health and well being for all, ensuring people who require support are full participants in mainstream society.
 - 4 To raise the aspirations of young people.
 - 5 Create an excellent Council.
- A Marketing and Engagement Strategy, in line with the Council's Corporate Plan objectives, has now been developed to promote how the Authority's purpose and vision is being delivered for local people.
- The Local Area Agreement for 2008-11 is included in the Sustainable Community Strategy which sets out Wirral's 'Story of Place' and shared understanding of local needs.

3.3 Ensuring that users receive a high quality of service

- The Council has an objective performance management framework. The system is driven by the Corporate Plan, which focuses attention on corporate priorities. This is cascaded through departmental service plans, individual employee key issue exchanges and action plans. It is clearly laid out in the annual service and financial planning and performance management cycle.
- All National Indicators, local indicators, projects and activities contained within the departmental plans are reported to the relevant scrutiny committee.

- Data quality training has now been provided to over 100 staff across the council.
- The Council's Customer Access Strategy provides the framework for the development of all Wirral Council's access channels. The overall aim is to make information and high quality services more accessible to our customers in the most efficient and effective way.
- Wirral-wide customer surveys will take place every two years and will be complemented by the involvement of VCAW (Voluntary and Community Action Wirral). Published data will be anonymous. A survey undertaken in 2010/2011 has been utilised by the One Stop Shops to drive improvements within this area.
- Feedback from customers and other performance information will be considered every quarter by the Customer Services Group and will inform the proposed quarterly corporate engagement report. Integration into the Council's cycle of service review and planning will enable further improvement of access to and quality of services. An annual customer services report is also collated.

3.4 Measuring performance and value for money

- The Council has in place a Medium Term Financial Strategy, updated annually to support the medium term aims of the Corporate Plan. This ensures the economical, efficient and effective use of resources, and secures continuous improvement in the way in which its functions are exercised.
- A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated.
- The Council has continued to undertake, as part of its public duties, Equality Impact Assessments (EIA's) on strategies, policies, services, projects and procedures. This process ensures that the Council optimises the impact of services for stakeholders.

3.5 Roles and Responsibilities

- Wirral Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios.
- The roles of the Executive members are clearly defined in the Constitution, including responsibility for leadership and activities of the Authority.
- The roles and responsibilities of all members of the Authority, along with remuneration details, are clearly defined in the Constitution.

- The roles and responsibilities of all senior officers, along with remuneration details, are documented in contracts of employment and job specifications.
- The Constitution complies with and includes all the requirements as listed within the CIPFA/Solace “Delivering Good Governance in Local Government” guidance, however there are a number of areas that need to be updated.
- The Scheme of Delegation has been reviewed to keep pace with changes in the organisational structure and will continue to be reviewed as and when any further changes occur.

3.6 Member/Officer Relations

- A full Scheme of Delegation is included in the Constitution.
- The Constitution includes the delegation of functions to individual cabinet members.
- The responsibility of the Chief Executive for all aspects of operational management is clearly stated in the Constitution.
- Protocol on Member and Officer relations is clearly stated within the Codes and Protocols of the Constitution.
- Arrangements are in place to ensure conformity with ethical standards, and to monitor their continuing effectiveness in practice.

3.7 Partnership Arrangements

- A Partnership Framework and Toolkit has been developed and approved, however, it is yet to be publicised throughout the Authority.
- The Council’s single equality scheme, a key activity within the Corporate Plan, was developed in full consultation with Wirral’s communities, and details the actions that will be taken across the whole Council to eliminate any discriminatory practices and to promote equality and recognise diversity within employment and service delivery, including in partnership working.
- The Council has produced a local Code of Corporate Governance detailing how the Authority complies with the principles of good governance. However, there are a number of areas that need to be updated.

- The results from the Residents Survey Spring 2010 fed into the priority areas consulted on as part of "Wirral's future – be a part of it". The Corporate and Departmental Plans are being developed based upon the findings of the 'Wirral's Future' consultation. The departmental plans will take account of the needs, views and priorities of individual areas and communities.

3.8 Standards of Conduct

- The Standards Committee, which operated effectively during the 2010/11, has a number of roles and functions, which include promoting and maintaining high standards of conduct by councillors and employees.
- There is a corporate conflict of interest form for completion by Members and Officers. Members' Conflict of Interest forms are now input in to the 'Mod Gov' system which adds to transparency as the system provides online public access.
- Financial Regulations and Contract Procedure Rules are contained within the Council Constitution.

3.9 Demonstrating the Values of Good Governance

- The Chair of the Standards Committee is an independent member of the public. The number of independent members is now four which exceeds the statutory requirement for 25 % of the Committee to be independent.
- The Council has a call-in procedure, which allows members to 'call-in' decisions made by committees of the Council for further consideration by the relevant review committee.
- The transparency of the decision making process is served through the publication of agendas and minutes of all Council committees, other than those areas designated as being exempt which are now, where possible, included as an appendix so allowing the rest of the report to be viewed.

3.10 Transparency of the Decision Making Process

- The Cabinet takes the majority of the Council's key decisions, but these are then subject to scrutiny by one of the six Overview and Scrutiny Committees. Some functions fall outside the Cabinet and Scrutiny Committee arrangements, these include planning applications and licensing matters, and separate committees are in place to deal with them.
- The public has access to all meeting minutes with the exception of exempt items.
- Codes of Conduct for Members and employees are in place.

- An Audit and Risk Management Committee provides independent assurance on risk management and control and the effectiveness of the arrangements the Council has for these matters.
- A Corporate Complaints Procedure is in place.

3.11 Quality of Reporting

- Risks now have a separate section within committee reports.

3.12 Risk Management

- The Council has systems for identifying and evaluating all significant risks, developed and maintained with the participation of those involved in planning and delivering services.
- A Corporate Risk Register is in place, which is monitored on an ongoing basis, and the Authority has in place a Risk and Insurance Team.
- A Confidential Reporting (Whistleblowing) Policy is in place. However a number of findings relating to the policy have been identified e.g. it should gain a higher profile, monitoring of its effectiveness and training and guidance issued where required.
- The Council adopted an updated Risk Management Strategy in 2010. This explains the methodology for the management of risk throughout the Authority.

3.13 Use of legal powers to benefit citizens and communities

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

3.14 Development of members and officers

- All members receive an induction and attend a specifically organised event to introduce them to the Council and its departments.
- All employees to the Council are invited to a corporate and departmental induction.
- There is a Programme for Member Development which is decided and set a year in advance and reflects the civic year. The decision on what is included in the programme is taken by the Member Training Steering

Group (a cross- party group) and is reflective of the development needs of Members as identified in Personal Development Plans.

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

3.15 Developing the capacity of people with governance responsibilities

- The Audit and Risk Management Committee undertakes an annual self assessment exercise, utilising CIPFA's checklist, in order to assess its role and effectiveness.
- The Key Issues Exchange (KIE) process which is provided to all Council employees helps to highlight the requirement to develop skills and improve performance.

3.16 Encouraging involvement in the membership of the authority

- There is an Older Person's Parliament and Young Person's Parliament which seek to obtain views from these sections of the community.
- The Council engages with communities through eleven Area Forums; providing an opportunity to shape services in their neighbourhood.
- The You Decide and Winter Resilience programmes enable residents to vote on what additional council services they would like to see in their area and tell us what they feel the priorities are.
- A single Wirral Council Consultation Database is being developed to reduce duplication when conducting consultations and make more effective use of the information obtained.

3.17 Stakeholder Engagement and Scrutiny

- A Comprehensive Engagement Strategy (CES), approved by the Local Strategic Partnership (LSP), is in place to help provide a framework approach within which Wirral's LSP works to create a new environment for partnership development and working.
- A programme of transfer of a number of Council-owned Community Centres to community ownership is underway.
- The Council is establishing a Big Society Unit. The Unit will have a particular focus on increasing the involvement of the voluntary, community and faith sector in the delivery of services and to ensure that the Council works closely with this sector to benefit local people and communities. The Unit will be the central point of contact for engaging with the voluntary, community and faith sector.

3.18 Public dialogue and accountability

- The Council has established an Equality Watch membership scheme which sets out a clear commitment to ensuring that no person accessing Council services experiences discrimination of any kind.
- The Authority's commitment to openness can be demonstrated in, for example:
 - Constitution of the Council, publicising the Council's approach to decision-making and standards of conduct.
 - Approach to the Freedom of Information Act
 - Customer Care Guidelines / Customer Services Strategy.
 - Availability of committee minutes to the public except in those areas where it is inappropriate.
 - Area Forums, covering the whole of the borough, which give local people a voice.
- A Sustainable Community Strategy and framework for reviewing partnership delivery of Wirral's long term vision has been implemented.
- An Annual Performance and Financial report is produced following the end of the financial year.

3.19 Responsibility to staff

- There is a Consultation and Negotiation Policy in place, which deals with the role of workers' unions and their representatives within the decision making process in matters affecting changes in conditions, working practices and personnel policies.
- The Chief Executive has met with staff via his 'roadshows'.
- The Council achieved Level 3 of the Equality Standard – now 'Achieving' status during 2009/10, and is striving to achieve 'Excellent' status, under the Equality Framework for Local Government, by November 2011.

4. Review of Effectiveness

4.1 Introduction

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

4.2 Corporate Review

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

4.3 Statutory Officer Responsibilities

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

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

4.3.2 The Council has designated the Director of Law, HR and Asset Management as the Monitoring Officer. The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles operate effectively and an annual report is submitted to Cabinet.

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

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

4.4 Audit and Risk Management Committee

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

4.5 Standards Committee

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

4.6 Internal Control

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

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

4.7 Internal Audit

4.7.1 The arrangements for the provision of internal audit are contained within the Financial Regulations included within the Constitution. The Director of Finance is responsible for ensuring that there is an adequate and effective system of internal audit of the accounting and other systems of internal control as required by the Accounts and Audit Regulations 2006. The internal audit provision is managed by the Chief Internal Auditor and, as verified by the Audit Commission, operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.

4.7.2 From the work undertaken in 2010/11 the Chief Internal Auditor was able to provide 'reasonable assurance' on the key areas of risk management, corporate governance and financial control.

4.8 External Audit

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

5. Significant Governance Issues

5.1 Summary

Internal Audit has concluded that, based on the work undertaken, overall throughout the Council there are sound systems of internal control in place. However, improvements in the internal control environment can always be made and reports have been produced and discussed with Chief Officers and Members during the year that recommend appropriate actions to be taken within an agreed timescale to address weaknesses and improve systems of control in key areas.

The following have been identified as part of the review of governance.

5.1.1 Governance

Wirral Council's Code of Corporate Governance is to be reviewed and updated to ensure it includes all relevant areas from the CIPFA/SOLACE guidance. In addition to this, a means of promoting and communicating the Code is to be introduced.

The Constitution of the Council is also to be reviewed so as to ensure it reflects accurately the current governance arrangements.

5.1.2 Single Status

The Council has partially completed the Single Status Review and it is anticipated to be completed during the forthcoming financial year.

5.1.3 Change Programme

The Council's ongoing commitment to introduce efficiencies and service improvements is evidenced through the Strategic Change Programme. During the year, there have been changes to the structure of the Programme. Regular progress reports have been presented to the Council's committees including Council Excellence Overview and Scrutiny Committee and Cabinet.

5.1.4 Partnership Working/ Shared Services

The Council continues to be actively involved in developing the way it works with partners and organises itself to deliver services. A Partnership Framework and Toolkit has been compiled and approved, however its effectiveness needs to be reviewed to ensure it is being adopted Authority wide.

A strategy also needs to be developed for implementing and communicating the Partnership Framework and Toolkit.

A full review of the Partnership Register is also required to ensure that details of all partnerships have been recorded. The Register will then need to be monitored and maintained on an ongoing basis.

5.1.5 Restructuring the Council's Departments

The Council has undergone, and continues to undergo, significant change resulting from the loss of a number of staff through the Early Voluntary Retirement (EVR) and voluntary severance exercise. A corporate approach is being developed through reviewing performance management arrangements and Human Resources policies and the Council's Executive Team is tasked with monitoring the effectiveness of the arrangements in place.

5.1.6 Anti-Fraud and Corruption

During a period of organisational change, the requirement for robust anti-fraud and corruption policies is heightened. The Council will continue to ensure that there are suitable and effective approaches to, for example, confidential reporting (“whistleblowing”), conflict of interest and anti-money laundering procedures. The Council has established a dedicated team within Internal Audit with anti-fraud responsibilities.

5.1.7 Information Management

The reorganisation of the Information Technology section will assist in the development of the Council’s approach to the management of information.

5.1.8 Public Interest Disclosures

Work continues to be ongoing to address the weaknesses identified in the Public Interest Disclosure report on charging in Adult Social Services.

Lessons learned from the Public Interest Disclosure report on the Highways and Engineering Services Procurement Exercise (HESPE) are being addressed via an action plan relating to the ongoing Parks and Countryside Services Procurement Exercise (PACSPE).

5.1.9 Vulnerable Adults

The Care Quality Commission’s report highlighted concerns in the areas of “safeguarding adults” and “adults with learning disabilities”. A comprehensive action plan has been developed and progress is continuing.

5.1.10 International Financial Reporting Standards (IFRS)

The Council continues to work towards the implementation of IFRS for the 2010/11 Statement of Accounts. This includes the work around fixed assets; vehicles, plant and equipment; community and infrastructure assets.

6. Conclusion

We have been advised on the implications of the review of the effectiveness of the governance framework by the Audit and Risk Management Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

To the best of our knowledge, the governance arrangements, as defined above, have been operating effectively during the year with the exception of the key areas identified above.

We propose over the coming year to take any necessary steps to ensure that all of the above matters are addressed as appropriate to enhance our governance arrangements further. Many improvement actions represent work already in progress. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: _____ Date: _____

Chief Executive

Signed: _____ Date: _____

Leader of the Council

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Agenda Item 6

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

28 MARCH 2011

SUBJECT:	ANNUAL REPORT ARMC
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR SIMON MOUNTNEY
KEY DECISION ?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The meeting of this Committee on 17 January 2011 considered a statement by the Chair regarding the requirement to complete an annual report to Cabinet on the work undertaken by the Audit and Risk Management Committee.
- 1.2 Attached at Appendix A is the Annual Report prepared by the Chair in consultation with Internal Audit.

2.0 RECOMMENDATION

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

3.0 REASON FOR RECOMMENDATION

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

4.0 BACKGROUND AND KEY ISSUES

- 4.1 The Department for Communities and Local Government (DCLG) issued amended regulations in 2006, to the 2003 Accounts and Audit Regulations – 'The Accounts and Audit (Amendment) (England) Regulations 2006.
- 4.2 One of the amended regulations impacts on the process for preparing the Statement of Internal Control (SIC) which is subsumed within the Annual Governance Statement (AGS) and relates specifically to the the systems of internal audit in operation. This is:-
 - Regulation 6 requires bodies to regularly review their system of internal audit, and for the findings to be considered by a committee of the body, or by the body as a whole.
- 4.3 Advice from CIPFA includes the assertion that the "systems of internal audit" can be considered to include the role and effectiveness of the Audit Committee which therefore should be assessed and evaluated.

- 4.4 To assist Councils in this evaluation exercise CIPFA has provided a self assessment checklist and recommended that this be completed annually by the Committee.
- 4.5 In November 2009 this Committee considered the findings of the self assessment exercise and agreed to the preparation of an Annual Report.
- 4.6 An annual report for 2010/11 has been prepared by the Chair in consultation with Internal Audit and is attached at Appendix A for consideration and approval by the Members.

5.0 RELEVANT RISKS

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

6.0 OTHER OPTIONS CONSIDERED

- 6.1 No other options considered.

7.0 CONSULTATION

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

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are none arising from this report.

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

- 9.1 There are none arising from this report.

10.0 LEGAL IMPLICATIONS

- 10.1 There are none arising from this report.

11.0 EQUALITIES IMPLICATIONS

- 11.1 There are none arising from this report.

12.0 CARBON REDUCTION IMPLICATIONS

- 12.1 There are none arising from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 13.1 There are none arising from this report.

FNCE/62/11

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APPENDICES

Appendix A - Audit and Risk Management Committee Annual Report 2010/11

REFERENCE MATERIAL

CIPFA Publication 'A Toolkit for Local Authority Audit Committees'

SUBJECT HISTORY (last 3 years)

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

AUDIT AND RISK MANAGEMENT COMMITTEE

ANNUAL REPORT 2010/11

Councillor S Mountney, Chair
Councillor L Rowlands, Vice-Chair

AUDIT AND RISK MANAGEMENT COMMITTEE:

ANNUAL REPORT 2010/11

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1. INTRODUCTION

This is the first Annual Report produced by Wirral Council's Audit and Risk Management Committee. It has been prepared in accordance with the CIPFA best practice publication 'A Toolkit for Local Authority Audit Committees' and shows that the Council is committed to working as an exemplar organisation, operating the highest standards of governance. The report shows how the Audit and Risk Management Committee has successfully fulfilled its terms of reference and has improved the Council's governance and control environments.

2. SOME KEY INFORMATION

2.1. Audit and Risk Management Committee Membership

The Audit and Risk Management Committee has 8 Members:

Councillor Simon Mountney - Chair
Councillor Les Rowlands - Vice-Chair
Councillor Ron Abbey - Spokesperson
Councillor Peter Reisdorf - Spokesperson
Councillor Cherry Povall, JP
Councillor Jim Crabtree
Councillor Darren Dodd
Councillor Alan Brighthouse

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

2.2. Key Features of the Audit Committee and its Operation

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

Best Practice	Expectation	Met	Comment
Independence	Independent from the executive and scrutiny	√	The Committee reports to the Council
Number of Members	3 to 5 members	√	The Committee has 8 Members
Number of meetings	Aligned to business needs	√	The frequency of meetings, 5 times a year enables all business to be considered in a timely manner
Co-option	To be considered relative to skills	√	Training is provided to increase Members' skills
Terms of Reference	Accord with suggested best practice	√	The Committee has adopted the CIPFA recommended model ToR.
Skills and training	Members have sufficient skills for the job	√	General and specific training is provided to increase Members' skills

2.3. Meetings and Attendance

The Audit Committee normally meets 5 times per year in January, March, June, September and November. There have been 3 meetings to date and a further 2 scheduled during the 2010/11 financial year.

Attendance by Members and approved deputies (for June, September and November) was 92%

3. CORE ACTIVITY 2010/11

3.1. Terms of Reference

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

Internal Audit

The Audit and Risk Management Committee:

- Approved the Chief Internal Auditor's audit plan
- Considered regular reports produced by the Chief Internal Auditor, highlighting internal audit work completed, internal audit performance against key indicators and any significant issues arising during the period
- Considered the Chief Internal Auditor's Annual Report and assurance opinion on the Council's control environment
- Considered reviews of the effectiveness of the systems of internal audit
- Ensured internal and external audit plans were complementary and provided optimum use of the total audit resource
- Considered a report on the CIPFA statement on "*the Role of the Head of Internal Audit*"
- Considered and approved revisions to Chief Internal Auditors Audit Plan
- Considered the Chief Internal Auditors Annual Report on the implementation of recommendations identified in Audit Commission reports.

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

External Audit

The Audit and Risk Management Committee:

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

- Received and considered all of the external auditors reports on the Merseyside Pension Fund
- Considered the external auditors Annual Report on Governance.

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

Risk Management

The Audit and Risk Management Committee:

- Received details of the risk management system, how it works and arrangements in place for mitigating risks
- Considered reports on the departmental and corporate risk registers and promoted risk management across the Council
- Enquired about specific risks and the application of risk management arrangements within departments

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

Internal Control and Governance

The Audit and Risk Management Committee:

- Considered reports on the CIPFA statements on “*the Role of the Chief Finance Officer in the Public Sector*” and “*Head of Internal Audit*”
- Agreed the Council’s Annual Governance Statement and action plans to improve identified weaknesses
- Considered and supported changes to the Council’s Anti-Fraud and Corruption Strategy
- Reviewed the effectiveness of the Council’s Anti-Fraud and Corruption arrangements
- Supported work undertaken as part of the Audit Commission’s National Fraud Initiative
- Considered and supported amendments to the Council’s Money Laundering Policy.

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

Accounts

The Audit and Risk Management Committee:

- Agreed the Council’s accounting policies
- Agreed the Annual Statement of Accounts
- Received and considered the external auditor’s report on the accounts, and ensured that the Council responded to the auditor’s comments
- Agreed the annual Merseyside Pension Funds accounts
- Received and reviewed a report on the Insurance Fund Actuarial review
- Considered the implications of the introduction of International

- Financial Reporting Standards (IFRS) within local government
- Reviewed the Council's progress towards the implementation of the IFRS.
- Considered financial reports on budget projections for 2011/15.

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

Specific Issues

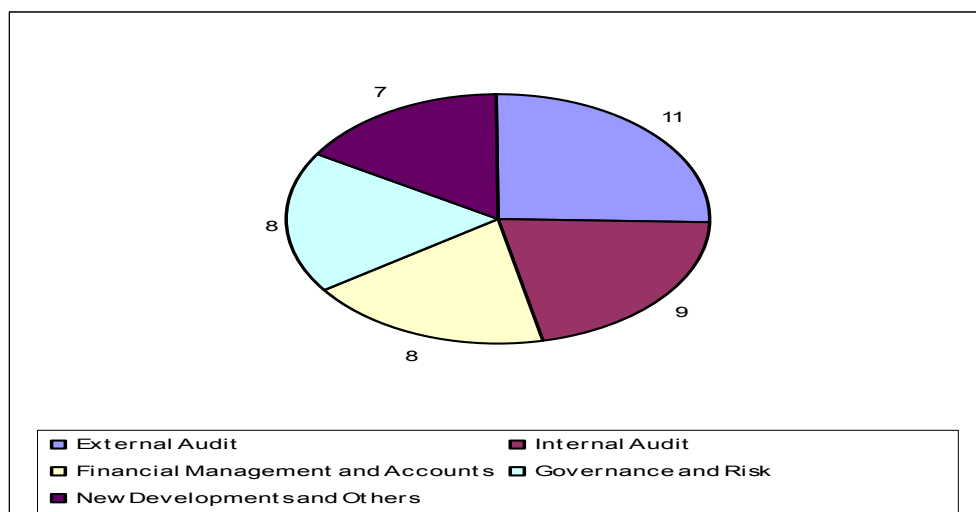
The Audit and Risk Management Committee also considered reports on the following specific issues which arose in the period:

- Regulation of Investigatory Powers Act 2000
- Insurance arrangements and performance
- Care Quality Commission report on Safeguarding Adults with a Learning Disability
- ICT Strategic Review
- HESPE PIDA Follow Up
- SOCITM Review of ICT Provision
- Consideration of a range of publications relevant to the Audit Committee's terms of reference

To give a flavour of our business during the year, the following shows the types and numbers of reports considered between May 2010 and November 2010:

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

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



4. OTHER ACTIVITIES

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

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

5. OUTCOMES

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

- Oversaw work on the Statement of Accounts which received a clean opinion from the external auditor
- Agreed the production of the Council's corporate Risk and Insurance strategy.
- Encouraged and presided over a strengthening of the control environment, specifically by overseeing reviews of Corporate Governance and the production of the Annual Governance Statement
- Encouraged and presided over the development of the Council's Counter Fraud arrangements by overseeing the CIPFA Managing Fraud self assessment exercise as acknowledged by the Audit Commission's recognition of good practice in a national publication.
- Oversaw and contributed to credible performance in the revised Use of Resources assessment

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

6. PLANS FOR 2011/12

The Audit and Risk Management Committees priorities are to continue to meet our duties as specified in the Constitution by developing and building on our current status in a very challenging and changing environment. For 2011/12 we will:

- Continue to drive up standards and meet the demanding requirements of the external inspection and assessment regime
- Continue to review all governance arrangements to ensure the Council adopts the very latest best practice.
- Continue to support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations

- Ensure we maintain and further improve our standards in relation to the production of accounts
- Closely monitor the implementation of the International Financial Reporting Standards
- Review the process for the appointment of auditors to replace the Audit Commission,
- Monitor the reduction in the performance reporting requirements and assess the suitability of the remaining performance measures following the decision by central government to reduce the requirements for local authorities in this area,
- Continue to help the Council to manage the risk of fraud and corruption
- Continue to develop the Wirral Council Audit and Risk Management Committee to review governance, risk and partnerships' issues and safeguard public sector interests
- Equip existing and any new Members to fulfil our responsibilities by providing refresher training on financial arrangements and risk management.

During 2010/11 we have consolidated the progress we made in previous years, and going forward we look to continue to be a champion of good governance.

Councillor Simon Mountney (Chair)
Wirral Council Audit and Risk Management Committee
March 2011

7. APPENDIX 1

AUDIT AND RISK MANAGEMENT COMMITTEE

TERMS OF REFERENCE

1. To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
2. The Committee has the following duties, powers and authorities:
 - 2.1. approval of the Council's statement of accounts;
 - 2.2. the responsibilities of the Council under section 151 of the Local Government Act 1972 to make proper provision for its financial affairs;
 - 2.3. to consider and make recommendations to Council or Cabinet as appropriate on;

- 2.3.1. the annual Audit Report and the Management Letter of the external auditor;
- 2.3.2. any other statutory report of the external auditor;
- 2.3.3. any internal audit report that may be referred to the committee by the Chief Executive, the Director of Finance or the Head of Legal and Member Services (as Monitoring Officer);
- 2.3.4. summaries of specific internal audit reports as requested;
- 2.3.5. the effectiveness and adequacy of the response by the Council, the Cabinet, any committee or sub-committee of the Council or of any officer to any internal or external audit report or management letter;
- 2.3.6. the systems of control and the arrangements for the prevention of fraud and corruption within the Council;
- 2.3.7. any other matter relevant to the audit of the Council's accounts and financial records or its systems for the control and safeguarding of all the Council's assets;
- 2.3.8. a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale; and
- 2.3.9. the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements;
- 2.4. to approve (but not direct) the strategy, plan and performance of the Council's internal audit service;
- 2.5. to oversee the production of the Authority's Statement on Internal Control and recommend its adoption;
- 2.6. to maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and to make recommendations to Council or Cabinet, as appropriate;
- 2.7. to monitor the Council's policies on "Raising Concerns at Work", to the anti-fraud and corruption strategy and the complaints procedure;
- 2.8. to liaise with the Audit Commission over the appointment of the Council's external auditors.
3. The Chair of the Audit and Risk Management Committee shall act as the Council's Risk Management Champion.
4. Executive Members will not normally be members of the Audit and Risk Management Committee

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

28 MARCH 2011

SUBJECT:	SELF ASSESSMENT
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR SIMON MOUNTNEY
KEY DECISION ?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The meeting of this Committee on 17 January 2011 considered a statement by the Chair regarding the requirement to complete an annual evaluation of the role and effectiveness of the Audit and Risk Management Committee as part of the systems of internal audit.
- 1.2 The CIPFA publication 'A Toolkit for Local Authority Audit Committees' recommends the use of a self assessment checklist to achieve this task. The Chair has completed the checklist which is attached at Appendix 1.
- 1.3 Attached at Appendix 2 is an Action Plan developed following the exercise and identifying two recommendations relating to external audit performance assessment and Member training to improve existing systems in operation. Implementation will be monitored by Internal Audit and an update report on this provided to a future meeting of this Committee.

2.0 RECOMMENDATION

- 2.1. That the self assessment checklist be considered and approved.

3.0 REASON FOR RECOMMENDATION

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

4.0 BACKGROUND AND KEY ISSUES

- 4.1 The Department for Communities and Local Government (DCLG) issued amended regulations in 2006, to the 2003 Accounts and Audit Regulations – 'The Accounts and Audit (Amendment) (England) Regulations 2006.
- 4.2 One of the amended regulations impacts on the process for preparing the Statement of Internal Control (SIC) which is subsumed within the Annual Governance Statement (AGS) and relates specifically to the the systems of internal audit in operation. This is:-

- Regulations require bodies to regularly review their systems of internal audit, and for the findings to be considered by a committee of the body, or by the body as a whole.

4.3 Advice from CIPFA includes the assertion that the “systems of internal audit” can be considered to include the role and effectiveness of the Audit Committee.

4.4 To assist Councils in this evaluation exercise CIPFA has provided a self assessment checklist and recommends that this be completed annually.

5.0 RELEVANT RISKS

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

6.0 OTHER OPTIONS CONSIDERED

6.1 No other options considered.

7.0 CONSULTATION

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

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are none arising from this report.

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

9.1 There are none arising from this report.

10.0 LEGAL IMPLICATIONS

10.1 There are none arising from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising from this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising from this report.

FNCE/61/11

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APPENDICES

Appendix 1 – Self-Assessment Checklist
Appendix 2 – Self-Assessment Action Plan

REFERENCE MATERIAL

CIPFA Publication 'A Toolkit for Local Authority Audit Committees'

SUBJECT HISTORY (last 3 years)

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

Wirral Council

Audit and Risk Management Committee

Self-Assessment Checklist

ESTABLISHMENT OPERATION AND DUTIES					
Role and Remit					
Priority	Issue	Yes	No	N/a	Comments/action
1	Does the audit committee have written terms of reference?	X			
1	Do the terms of reference cover the core functions of the audit committee as identified in the CIPFA guidance?	X			
1	Are the terms of reference approved by the council and reviewed periodically?	X			
1	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	X			
1	Can the audit committee access other committees and full council as necessary?	X			
1	Does the authority's statement on internal control include a description of the audit committee's establishment and activities?	X			
2	Does the audit committee periodically assess its own effectiveness?	X			

Priority	Issue	Yes	No	N/a	Comments/action
2	Does the audit committee make a formal annual report on its work and performance during the year to full council?	X			
Membership, induction and training					
1	Has the membership of the audit committee been formally agreed and a quorum set?	X			
1	Is the chair independent of the executive function?	X			
1	Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risks management, accounting concepts and standards, and the regulatory regime?	X			
1	Are new audit committee members provided with an appropriate induction?	X			
1	Have all members' skills and experiences been assessed and training given for identified gaps?		X		See attached Action Plan
1	Has each member declared his or her business interests?	X			
2	Are members sufficiently independent of the other key committees of the council?	X			
Meetings					
1	Does the audit committee meet regularly?	X			
1	Do the terms of reference set out the frequency of meetings?	X			
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	X			

Priority	Issue	Yes	No	N/a	Comments/action
Meetings (continued)					
1	Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	X			
1	Are members attending meetings on a regular basis and if not, is appropriate action taken?	X			
1	Are meetings free and open without political influences being displayed?	X			
1	Does the authority's S151 officer or deputy attend all meetings?	X			
1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	X			
INTERNAL CONTROL					
1	Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	X			
1	Does the audit committee have responsibility for review and approval of the SIC and does it consider it separately from the accounts?	X			
1	Does the audit committee consider how meaningful the SIC is?	X			
1	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	X			

Priority	Issue	Yes	No	N/a	Comments/action
Internal Control (Continued)					
1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	X			
1	Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"	X			
1	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	X			
2	Does the audit committee review the authority's strategic risk register at least annually?	X			
2	Does the audit committee monitor how the authority assesses its risk?	X			
2	Do the audit committee's terms of reference include oversight of the risk management process?	X			
FINANCIAL REPORTING AND REGULATORY MATTERS					
1	Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	X			
1	Does the audit committee consider specifically: <ul style="list-style-type: none"> • the suitability of accounting policies and treatments • major judgements made • large write-offs • changes in accounting treatment • the reasonableness of accounting estimates the narrative aspects of reporting?	X			

Priority	Issue	Yes	No	N/a	Comments/action
Financial Reporting and Regulatory Matters (continued)					
1	Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	X			
1	Does the audit committee review management's letter of representation?	X			
2	Does the audit committee annually review the accounting policies of the authority?	X			
2	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	X			
2	Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	X			
INTERNAL AUDIT					
1	Does the audit committee approve, annually and in details, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	X			
1	Does internal audit have an appropriate reporting line to the audit committee?	X			

Priority	Issue	Yes	No	N/a	Comments/action
Internal Audit (continued)					
1	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	X			
1	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	X			
1	Does the audit committee hold periodic private discussions with the Head of Internal Audit?	X			
1	Is there appropriate cooperation between the internal and external auditors?	X			
1	Does the audit committee review the adequacy of internal audit staffing and other resources?	X			
1	Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal audit in Local Government in the United Kingdom?	X			
2	Are internal audit performance measures monitored by the audit committee?	X			
2	Has the audit committee considered the information it wishes to receive from internal audit?	X			

Priority	Issue	Yes	No	N/a	Comments/action
EXTERNAL AUDIT					
1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	X			
1	Does the audit committee hold periodic private discussions with the external auditor?	X			
1	Does the audit committee review the external auditor's annual report to those charged with governance?	X			
1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	X			
1	Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	X			
1	Does the audit committee assess the performance of external audit?		X		See attached Action Plan
1	Does the audit committee consider and approve the external audit fee?	X			
ADMINISTRATION					
Agenda Management					
1	Does the audit committee have a designated secretary from Committee/Member Services?	X			
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	X			

Priority	Issue	Yes	No	N/a	Comments/action
Agenda Management (continued)					
2	Are outline agendas planned one year ahead to cover issues on cyclical basis?	X			
2	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	X			
Papers					
1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	X			
2	Does the audit committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?	X			
Actions arising					
1	Are minutes prepared and circulated promptly to the appropriate people?	X			
1	Is a report on matters arising made and minuted at the audit committee's next meeting?	X			
1	Do action points indicate who is to perform what any by when?	X			

ACTION PLAN**AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT****File Ref: ARM 26/01/11**

Ref	Recommendations	Priority	Officer Responsible	Agreed	Planned Action Date	Client Comments	Date Verified (For Audit use only)
R.1	Ensure that all Members' skills and experiences are periodically assessed and training is provided for any identified gaps.	Medium	Director of Law, HR & Asset Management	Y	31/03/2011 -	Issue currently being addressed by Director of Law, HR and Asset Management	
R.2	The Audit and Risk Management Committee should assess the performance of the external audit providers.	Medium	Chair of Audit and Risk Management Committee	Y	31/03/2011	This action is currently being implemented through the presentation of regular progress reports to ARM.	

Agenda Item 8

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

28 MARCH 2011

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

1.0 EXECUTIVE SUMMARY

- 1.1 In order to assist in effective corporate governance and fulfil statutory requirements, the Internal Audit Section of the Finance Department reviews management and service delivery arrangements within the Council as well as financial control systems. Work areas are selected for review on the basis of risks identified on the Corporate Risk Register and as assessed by Internal Audit in consultation with Chief Officers and Managers.
- 1.2. This report identifies and evaluates the performance of the Internal Audit Section and includes details of the actual work undertaken during the period. There are no items of significance identified during the audit process that require action by the Members for this period although a number of items are included for their attention at 4.5.
- 1.3. The Internal Audit Plan for 2010/11 was approved by this Committee at its meeting in March 2010 and revised in November 2010.
- 1.4. The Internal Audit Plan identifies all audits required to provide the Council with adequate assurance regarding the effectiveness of its systems to manage and mitigate identified risks to the achievement of the Council's objectives. It is essential therefore that the audit plan is delivered to ensure that the 'annual assurance opinion' on the effectiveness of the Council's control environment supports the delivery of the Annual Governance Statement. I am confident of achieving this objective by year end.

2.0 RECOMMENDATION

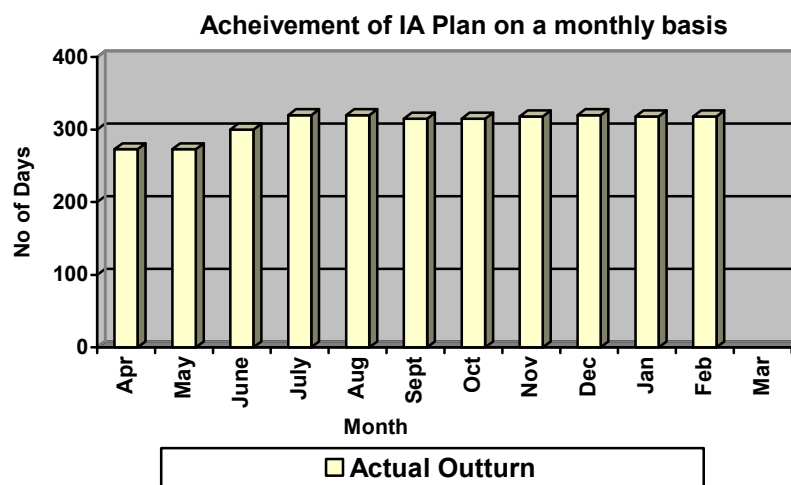
- 2.1. That the report be noted and appropriate action be taken by the Members as deemed necessary.

3.0 REASON FOR RECOMMENDATION

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

4.0 BACKGROUND AND AUDIT OUTPUT

- 4.1. This report summarises the audit work completed during the period 1st December 2010 to 28 February 2011. The specific nature of the work that has been undertaken or is currently ongoing is identified in Appendix I. 70 audits were undertaken during this period identifying 161 high and medium priority recommendations to address risks and improve systems in operation across the Council. Management has agreed to implement all of the recommendations made within a satisfactory timescale and follow up audits are scheduled to monitor progress. Those reports identifying high priority recommendations are analysed in more detail in section 4.4 of this report.
- 4.2. The Service constantly evaluates the effectiveness of its performance including a number of performance indicators in key areas as identified for the period 2010/2011 financial year.
 - 4.2.1. To ensure that the Internal Audit Plan is delivered by the 31 March 2011.

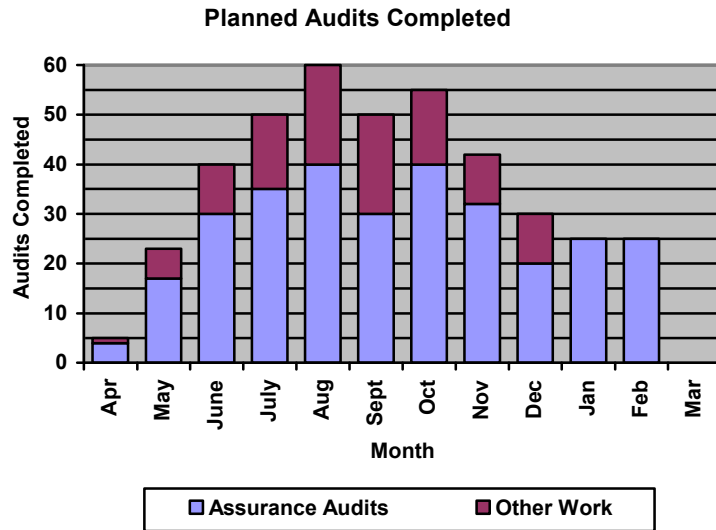


- (a) This is an input based measure i.e. the estimated number of days required each month to deliver the whole of the Internal Audit Plan. 4250 days were identified at the start of the year as being necessary to deliver the plan, equating to approximately 355 days per month. As can be seen from the graph, approximately 300 days on average have been available each month to date. This is mainly due to a slight shortfall in staff resources as a result of vacancies and some members of staff being deployed undertaking investigations that were not included in the plan. This shortfall is not considered significant and the Service is confident of achieving its identified targets.

- (b) Following the recent severance/retirement exercise it has been necessary to reorganise how the Internal Audit Plan will be delivered. The reduction in staffing has been offset by a reprioritisation of resources and increased efficiencies, to ensure that an effective Audit Plan can be delivered.

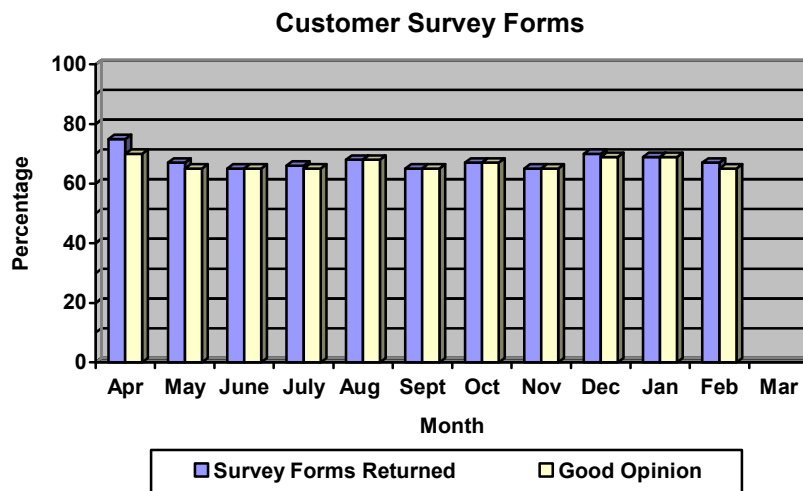
4.2.2 To ensure that all planned audits are completed.

- (a) The Internal Audit Plan as agreed by this Committee at its meeting on 24 March 2010 comprised a substantial number of audits essential to the provision of the 'annual assurance opinion' and was designed to review the key risks to Council systems at the time of writing. Delivery of the identified audits accounted for 3030 days of the plan. The remainder of the plan, 1220 days, related to audits designed to evaluate the effectiveness of the Council and the achievement of its overall objectives and, whilst important, were not regarded as being essential to support the actual assurance opinion. This 'other' work is considered essential to the well being of the organisation and complies with CIPFA best practice guidance.
- (b) Following significant changes to the structure and organisation of the Council allied to changes in the economic and financial environment a number of substantial risks have emerged. Consequently, changes have been made to the Internal Audit Plan and workloads reprioritised. It is essential to ensure that all risks identified are given due consideration, thereby enhancing the overall assurance process. Committee considered some of these issues at its meeting in November and agreed the following amendments to the Internal Audit Plan for 2010/11:
- Strategic Change Programme
 - Care Quality Commission's recommendations in respect of the Department of Adult Social Services
 - Governance
 - ICT strategic Review
 - Centralisation of Financial Services
 - Personal Budgets
 - Counter Fraud
- (c) The graph below shows the planned work completed and the assurance provided.



- (d) To date over 400 audits have been undertaken representing 90% of those planned for the period to date. This figure reflects the staffing resources available to the service during the year to date and includes necessary seasonal adjustments.
- (e) Overall performance is only slightly below target, primarily as a result of requests for audits and investigations not originally included in the audit plan and a slight shortfall in the staffing resource available during the year.
- (f) The chart clearly indicates that of the audits completed to date, a significant proportion represent work undertaken to support the 'annual assurance opinion'. All of these planned audits for 2010/11 have now been completed and the performance target for completion of these by the year end achieved.

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



- (a) Customer survey forms are completed by the clients following the completion of an audit and pose a number of questions relating to the usefulness and value added by the actual audit and its findings, as well as the conduct of the

auditor. The chart identifies the percentage of those forms returned that indicate a positive opinion of the service. This clearly indicates that the Internal Audit Service is viewed very positively by its clients and is regarded as adding real value to the systems that it audits. Where feedback from clients identifies issues appropriate measures have been taken by management to address these and prevent any re-occurrence.

4.3 Follow up Audits

- (a) To comply with current best practice and Audit Commission recommendations, follow-up audits are undertaken up to six months after the completion date, to confirm the implementation of agreed recommendations. It is the responsibility of managers and Chief Officers to ensure that any weaknesses in control or any areas identified for improvement are addressed in accordance with the audit action plan and timescale provided. If, in the opinion of the auditor appropriate action is not taken then the issues are brought to the attention of the relevant Chief Officer, the Section 151 Officer, the Chief Executive and ultimately this Committee for further action.
- (b) For this period no significant delays in implementing recommendations have been identified and no outstanding issues require the attention of the Audit and Risk Management Committee.

4.4 Audits Identifying High Priority Recommendations

- (a) The following table identifies audits undertaken over the period which include recommendations of a high priority nature. The table also indicates the audit opinion provided on the effectiveness of the control environment, where 4* indicates an excellent rating.

Audit	Total Recs Agreed	Recs Not Agreed	Audit Opinion Provided
Computer Forensics & Investigations	5	-	2*
Pension Fund – Investments, Governance and Strategy	6	-	2*
Pension Fund – Sources of Income	1	-	2*
Pension Fund – Tendering Procedures	1	-	2*
Print Room Income	4	-	2*
NNDR Write Offs	1	-	3*
Housing and Council Tax Benefits Assessments	1	-	2*
St Paul's RC School	10	-	2*
Brackenwood Junior School	18	-	2*
Stanley School	13	-	2*

Sacred Heart School	3	-	3*
Creditors System	2	-	3*
Pension Fund - Administration	1	-	4*
Community Engagement	3	-	2*
Debtors – IDEA Testing	2	-	2*
Printing	5	-	2*
Information Assurance	8	-	1*
Mobile Phones	7	-	1*
Tender Procedures – Birkenhead Park	2	-	2*

- (b) All of the action plans in respect of the audits identified have been returned fully completed and identify appropriate timescales for the implementation of recommendations agreed to mitigate or remove weaknesses.

4.5 Items of Note

(a) Annual Governance Statement

A significant amount of work has been undertaken by the Internal Audit service this period to evaluate the effectiveness of governance arrangements in operation across the Council as part of the annual process to ensure that statutory requirements identified in the Accounts and Audit Regulations 2006 are met. This well established process for reviewing the control system, collating information and contributing to the compilation of the Annual Governance Statement is implemented in full compliance with the CPFA/SOLACE best practice framework. Reports identifying issues raised have been produced for Chief Officer's that include areas for improvement and discussions have taken place to agree any actions required. Issues of significance identified have been considered and included within the governance statement for the Authority which is included on the agenda for this Committee. Further ongoing work is scheduled during 2011/12 to assist management in the improvement of these systems and processes in line with developing best practice and regular updates will be provided to Committee during the year.

5.0 RELEVANT RISKS

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

6.0 OTHER OPTIONS CONSIDERED

6.1 No other options considered.

7.0 CONSULTATION

7.1 Members of this Committee are consulted throughout the process of delivering the internal audit plan and the content of this regular routine report.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are none arising from this report.

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

9.1 There are none arising from this report.

10.0 LEGAL IMPLICATIONS

10.1 There are none arising from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising from this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising from this report.

FNCE/68/11

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APPENDICES

Appendix 1: Internal Audit Work Conducted/Ongoing – Dec 2010 to Feb 2011

REFERENCE MATERIAL

Internal Audit Plan 2010/11

SUBJECT HISTORY (last 3 years)

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

INTERNAL AUDIT PLAN 2010/11

WORK CONDUCTED/ONGOING – DECEMBER 2010 TO FEBRUARY 2011

1. SYSTEMS

- (a) Finance
 - Creditors
 - Council Tax - Bailiff Services
 - Housing Benefits - Overpayments
 - Housing Benefits - Payments
 - Benefits (HB & CT) – Quality Assurance Program
 - Benefits (HB & CT) Assessments
 - Treasury Management
 - Pensions – Investment Management & Monitoring
 - Pensions – Contracts
 - Pensions – Sources of Income
 - Pensions – Risk Management
 - Pensions - Administration
 - VAT Compliance
 - NNDR – Write Offs
 - Call Centre
 - Print Unit Income
 - Fixed Assets Accounting System

- (b) Law, HR and Asset Management
 - Corporate Governance

- (c) Children & Young People
 - Schools - Reviews
 - Children's Centres

- (d) Technical Services
 - Final Accounts

- (e) Adult Social Services
 - Procurement
 - Care Quality Commission review
 - Personal Budgets

- (f) Corporate Systems
 - Corporate Governance
 - Annual Governance Statement
 - National Fraud Initiative
 - Mayors Charity Fund
 - Community Engagement
 - Strategic Change Programme

2. **SCHOOLS**

- (a) 8 Schools audited
- (b) Schools Statement on Internal Control

3. **ICT**

- (a) Mobile Telecommunications
- (b) Information Assurance
- (c) Non Staff Access to Wirral ICT Infrastructure
- (d) Email Retention and Archiving
- (e) Publishing Public Sector Information
- (f) Computer Forensics and Investigations
- (g) ICT Strategic Review

4. **ANTI-FRAUD**

- (a) National Fraud Initiative
- (b) Anti Fraud Team set up.
- (c) IDEA – Debtors
- (d) Overseas Travel
- (e) Batch Payments
- (f) Receipt of Tenders
- (g) Fraud Awareness exercise

5. **INVESTIGATIONS**

- (a) Pensions
- (b) DASS
- (c) Multicultural Centre
- (d) Children’s Care Home

6. **OTHER**

- (a) Wirral Methodist Housing Association
- (b) Family Housing Association
- (c) 2 Final Accounts (totalling £1m examined)

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WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

28 MARCH 2011

SUBJECT:	INTERNAL AUDIT PLAN 2011/12
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
RESPONSIBLE PORTFOLIO HOLDER:	COUNCILLOR SIMON MOUNTNEY
KEY DECISION ?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report sets out the plan of work for Wirral Council's Internal Audit Section for 2011/12.
- 1.2 Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 requires the Council to conduct a review at least once in a year of the effectiveness of its systems of internal control and to prepare a statement of internal control in accordance with proper practices. CIPFA and SOLACE have jointly determined that the preparation and publication of an Annual Governance Statement, published with the financial statements, is necessary to meet this statutory requirement. The scope of this governance statement incorporates consideration of not just internal control, but also risk management and other aspects of governance.
- 1.3 The regulations also require the findings of the review to be considered by a committee of the Council – the Audit Committee – or else by the Council as a whole.
- 1.4 The responsibility for implementing, maintaining and reviewing the system of internal control clearly rests with the Council, but the process by which the effectiveness of its system of internal control is reviewed, and the governance statement is made, includes obtaining assurances on the effectiveness of key controls. In practice, these assurances will be substantially drawn from the work of Internal Audit.
- 1.5 The Internal Audit Plan is therefore focussed on reviewing the critical areas and providing assurances to the Chief Executive and Leader of the Council who are jointly required to sign the Annual Governance Statement.
- 1.6 The plan amounts to a total planned resource of **3814** audit days, of which **2709** days will support the provision of the annual assurance opinion on the

effectiveness of the Council's control systems and the Annual Governance statement.

2.0 RECOMMENDATION

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

3.0 REASON FOR RECOMMENDATION

3.1 To provide the Members with assurance that the Council is taking appropriate measures to comply with statutory requirements to provide an adequate and effective internal audit service.

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

4.0 BACKGROUND AND INTERNAL AUDIT OUTPUT

4.1 The Audit and Risk Management Committee is required by its terms of reference to advise on the adequacy of the Council's strategic risk management, internal control and governance processes.

4.2 The Committee is also required to review and approve the Council's Statements of Account, including the Governance Statement made annually by the Chief Executive and Leader of the Council. The Committee's terms of reference also oblige it to consider and challenge the annual Internal Audit Plan and the Statement of Internal Control, now subsumed within the Annual Governance Statement.

4.3 Appendix 1 sets out the Internal Audit Plan and explains the audit resources available to deliver the service and provide management with sufficient assurance for the Annual Governance statement.

4.4 In developing this plan the Internal Audit Section has:

- Considered the Council's corporate and individual departments' risk registers;
- Regularly met with the Chief Executive, Chief Officers, Members and departmental management teams to discuss their risks and related controls.
- Made its own assessment of the risks facing the Council.

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

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

- 4.6 The basis, on which the Internal Audit Plan has been prepared, specifically the risk based approach and the approach to the audit of corporate systems, has been discussed and agreed with the Audit Commission.

5.0 RELEVANT RISKS

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

- 5.1 Of the Council not achieving its corporate objectives.
- 5.2 Of the potential failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner.
- 5.3 To meet statutory requirements to provide adequate and effective systems of internal audit.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 No other options considered.

7.0 CONSULTATION

- 7.1 Members of this Committee, Chief Officers and other stakeholders are consulted throughout the process of developing and delivering the Internal Audit Plan.
- 7.2 The Audit Commission has been approached for their views on the document.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are none arising from this report.

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

- 9.1 There are none arising from this report.

10.0 LEGAL IMPLICATIONS

- 10.1 There are none arising from this report.

11.0 EQUALITIES IMPLICATIONS

- 11.1 There are none arising from this report.

12.0 CARBON REDUCTION IMPLICATIONS

- 12.1 There are none arising from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 13.1 There are none arising from this report.

FNCE/72/11

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APPENDICES

Appendix 1: Internal Audit Plan 2011/12

REFERENCE MATERIAL

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

SUBJECT HISTORY (last 3 years)

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

WIRRAL COUNCIL

INTERNAL AUDIT SERVICE

ANNUAL PLAN 2011/12

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

CONTENTS

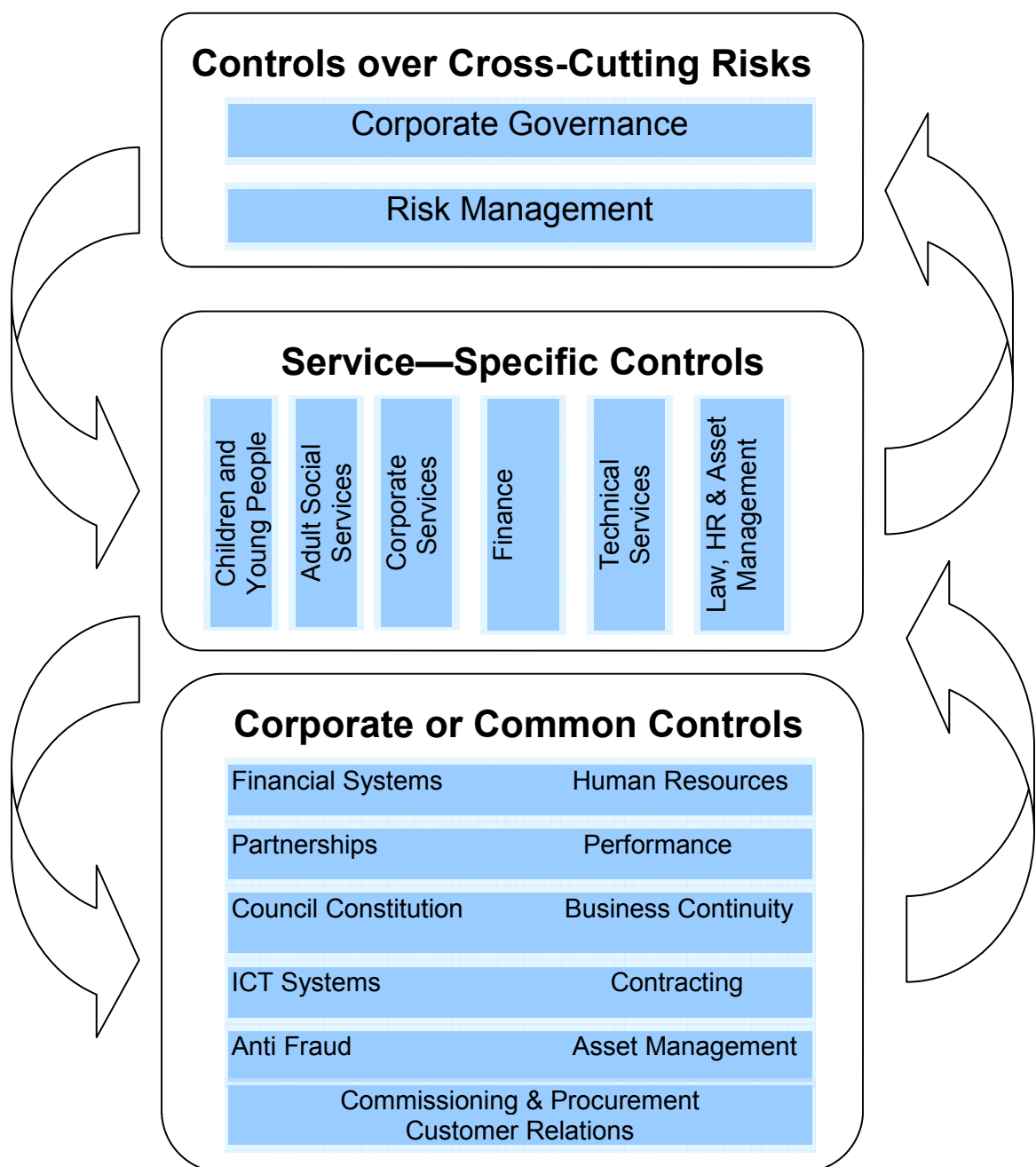
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1. EXECUTIVE SUMMARY

- 1.1 The Council provides a wide range of services and its senior management teams will be aware both of the risks to achieving their service objectives and the risks inherent in their work. Each of these risks is managed by a set of controls designed to reduce the risk to an acceptable level and intended to operate effectively and consistently in practice. Likewise there are a number of corporate objectives and activities that affect individual departments, that bring their own risks and which are similarly subject to control.
- 1.2 The Audit and Risk Management Committee, and ultimately the Council, needs assurance that these controls have been adequately designed and are operating effectively in practice. Annually the Chief Executive and the Leader of the Council jointly sign an Annual Governance Statement which refers to the effectiveness of both the system of internal audit and internal control.
- 1.3 The assurance needed to make this statement is available from a variety of sources including external regulators, but also from the Council's Internal Audit Service. The audit plan identifies those areas where assurance is required but not otherwise available.
- 1.4 This Annual Internal Audit Plan for Wirral Council is intended to provide the assurance that the Chief Executive and Leader of the Council need that the risks to the Council's objectives are being adequately identified and effectively controlled.
- 1.5 The principles on which it has been developed and the corporate issues in particular have been discussed with the Chief Executive, the Director of Finance, Chief Officers and their management teams, Members and the Audit Commission.
- 1.6 In preparing this plan due recognition has been taken of the current financial pressures on the Council and the recent ongoing changes in the operating environment, in particular those arising from funding constraints and increased risks in those areas.
- 1.7 The Internal Audit Service has implemented a revised organisational structure to reflect the changes that have either been made or are planned across the Council. The audit establishment has been reduced by 6 members of staff to 19, most of who are employed on full time contracts and the plan based on this available resource.
- 1.8 The plan recognises and aims to provide assurance over the following controls and audit teams have now been structured to deliver this more effectively:
 - Cross-cutting controls: These controls manage the risks arising from the Council's over-arching business objectives that cut across all service areas and departments.
 - Service-specific controls: The controls designed to manage the risks arising in individual service areas or departments.
 - Corporate, or common, controls: These are the controls that under-pin the Council's work whatever service is being provided and in whatever service area or department.

- 1.9 The plan amounts to a total resource input to Wirral Council of **3814 audit days** of which **2709** days are required to deliver those audits essential to provide the annual assurance opinion and support the delivery of the Annual Governance Statement.
- 1.10 This has enabled the service to identify and target audits to address all of the risks presented in the most efficient and effective manner. The service is fully committed to reviewing its own costs and service delivery on an ongoing basis to continue to provide the best value for money service possible in a very challenging environment.
- 1.11 The building blocks of our Audit Plan, are illustrated below.

The Council's Control Framework



2. BACKGROUND

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

The requirement for assurance over the operation of key controls

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

The framework of assurance

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

3. DEPLOYMENT OF INTERNAL AUDIT RESOURCES

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



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

CONTROLS ASSURANCE	Estimated Audit Days	
Controls Over Cross Cutting Risks		
Corporate Governance	255	432
Risk Management	90	
Other Work (See Section 4)	87	
Service Specific Controls		
Adult Social Services	180	1037
Children and Young Peoples (Incl Schools)	370	
Technical Services	130	
Corporate Services	174	
Law, HR and Asset Management	83	
Finance – Pension Fund	100	
Corporate or Common Controls		
Financial Systems	500	1240
ICT Systems	170	
Anti-Fraud	200	
Commissioning and Procurement	60	
Human Resource	40	
Partnerships	20	
Constitution	20	
Asset Management	40	
Contracting	120	
Customer Services & Cash Collection	70	
Total - Controls Assurance Opinion		2709
Other Areas of Work (incl Follow Ups)	920	
Management and Contingencies	185	1105
Total Audit Plan		3814

4. CONTROLS OVER CROSS-CUTTING RISKS

- 4.1 There are a number of important areas that cut across all the work of the Council and that should always form part of the Audit Plan; governance and risk management in particular. Audits are scheduled to be completed in those areas that include;
- Ongoing input throughout the year to the Council's governance processes, working with managers to ensure that systems and procedures are effective and efficient. Included within this initiative will be detailed reviews and testing of existing arrangements and the formulation of actions required to improve current operations in line with best practice.
 - The annual governance exercise to be completed in compliance with the CIPFA/ SOLACE document "Delivering Good Governance in Local Government" (2007), encompassing obtaining assurances from Chief Officers and senior managers, review of some key elements of the governance structure, and the review of external reports. The results of the review are used to inform the production of the Annual Governance Statement for publication in the Council's Statement of Accounts.
 - A review of the implementation of recommendations identified in Audit Commission reports, especially the Annual Audit and Inspection letter.
 - A review of the Council's risk management arrangements is to be completed during the year in accordance with the CIPFA publication "It's a Risky Business" to evaluate the degree to which these systems are embedded into the culture of the organisation.
 - A number of reviews of the Budgetary Control systems in operation including working with Financial Services to evaluate the centralised Accountancy function and individual audits within departments to ensure that budget setting, monitoring and reporting of issues are accurate, timely and relevant.
- 4.2 There are other areas that may also be regarded as critical and require periodic review, for example the Council's role as the accountable body for substantial government funding to other organisations in the area, and partnership working which is a recurring theme.
- 4.3 A review of the Council's arrangements to reduce its Carbon footprint is scheduled for 2011/12 to evaluate the likely effectiveness of the planned measures identified.
- 4.4 We therefore plan to spend **432** days in total reviewing controls over cross-cutting risks.

5. SERVICE SPECIFIC CONTROLS

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

Adult Social Services

- 5.4 The department continues to operate in a challenging environment where it is under pressure to examine the services it provides and those it commissions to deliver positive outcomes for service users in an efficient and effective manner within constrained resources. Our work will focus on a number of initiatives underway in the department to respond to these key pressures.
- 5.5 The department is still working towards the implementation of the Personalisation Agenda, which is changing the organisation of social care into directed support, with the further roll out of individual service user budgets to achieve take-up targets set by the Department of Health. This radical change to more directed support will continue to place an emphasis on partnership working between families, individuals, services, local authorities, central government and many other organisations. Significant control issues arise as a result of this fundamental shift towards providing individuals with substantial resources to provide for their own needs and this must be effectively managed and controlled both in terms of service provision and finance. We plan therefore to review the complete operation of the system and to provide specific guidance, advice and assurance regarding the efficiency, and effectiveness of controls over the ongoing work of the department.
- 5.6 We will also continue to monitor the various actions taken by the department in response to the PIDA investigation and subsequent reviews.
- 5.7 Service user finances continue to be a key risk area to the department. Our work will include the review and testing of the control arrangements put in place around financial assessments so as to minimise the risks of loss to vulnerable service users and the Council.
- 5.8 A review of the effectiveness of the Department's planning; risk and performance management has been requested by Senior Management. This

review is particularly pertinent given the recent structural changes in the Department and the introduction of new management systems.

- 5.9 A review is planned to ensure that robust controls exist over Inter-Authority payments made for care placements.
- 5.10 Other scheduled work includes evaluating controls over residential, nursing and domiciliary accredited providers in use from 1st April 2011.
- 5.11 Our planned work for 2011/12 amounts to **180** days.

Children and Young People

- 5.12 The review of Schools is to be undertaken via two strategies. Firstly, by completing full audit reviews of the controls at a sample of schools assessed as “high risk” following an evaluation exercise utilising key risk factors. Secondly, important cross-cutting themes will be reviewed across a number of schools so as to enable more timely assurances to be provided on controls in key systems, such as Payroll and Personnel, and Budget and Treasury Management.
- 5.13 A review of the funding arrangements for Institutions Providing Education to the 16-19 Age Group is planned. This is particularly pertinent in the light of existing and planned changes to the Central Government systems for providing such funding.
- 5.14 A review of the effectiveness of the system of Foster Care is planned. This will focus on the controls over the financial procedures, monitoring and assessment.
- 5.15 The financial controls and ongoing monitoring of Out of Borough Social Care placements is planned. This is a particular challenge for the Department, in both budgetary and care terms.
- 5.16 Our planned work for 2011/12 for the department amounts to **370** days including **200** on Schools.

Technical Services

- 5.17 Highways Maintenance continues to present risks to the Council and, as such we plan to appraise the operation of the arrangements with Colas Ltd to ensure that agreed commitments are being delivered. We also intend to evaluate the effectiveness of the control arrangements in place over monitoring, management and payment, in addition to providing ad hoc advice over relevant control issues.
- 5.18 Work is planned relating to the departments arrangements for claiming Local Transport Plan grant funding and the approval of schemes identified to receive this funding. The work will involve an examination of outcomes across all of the identified schemes such as signage, traffic calming and cycle routes, for relevance and appropriateness and include an evaluation of the monitoring and reporting systems currently in place.
- 5.19 A review of the financial procedures within the Cultural Services Division of the Department is planned, so as to provide assurance that the Division is applying corporate and departmental systems appropriately.

- 5.20 Given its prominence on the Corporate Risk Register, Health and Safety procedures are to be reviewed so as to provide an assurance that established control measures to mitigate the significant risks are effective.
- 5.21 Ongoing advice and guidance will be provided to support the appraisal of options for the provision of Indoor Recreation Facilities. A number of visits to these centres are actually planned during the year to evaluate the effectiveness of the current systems in operation.
- 5.22 Improving death and serious injury rates on Wirral's roads is a key corporate priority, and a review of Road Safety Initiatives will evaluate how the Council works with partners so as to achieve this objective.
- 5.23 We have allocated **130** days to carry out our planned work for 2011/12.

Corporate Services

- 5.24 A range of grant-funded initiatives, including Working Wirral and elements of the European Social Fund will be reviewed to ensure that effective governance is in operation, and that appropriate procedures are in place for the completion and evidencing of claims.
- 5.25 A review of the effectiveness of key controls within the Housing Division of the Department has been requested by Senior Management. This is particularly pertinent in the light of recent staffing changes.
- 5.26 Evaluation of procedures underpinning the application for, and payment of, Grants to local businesses is to be undertaken. Given the current economic climate, such grants are likely to be in high demand and so robust controls need to be in operation so as to ensure effective utilisation of available funds.
- 5.27 At this stage **174** days have been allocated within the audit plan for this service.

Law, HR and Asset Management

- 5.28 Key risks identified in this area of service delivery are predominantly associated with systems that are identified as being of a corporate or common nature. Work identified in the audit plan for 2011/12 to evaluate the efficiency and effectiveness of arrangements in place have been identified at Section 6 of this report and include such things as Partnerships, Severance Schemes and Absence Management.
- 5.29 A review of the Department's arrangements for planning, risk and performance management is planned, so as to provide assurance that effective controls exist.
- 5.30 A review of the Debt Recovery function within Legal Services is to be undertaken, so as to provide assurance that income from sundry debtors is maximised and that any legal action is cost effective and appropriate.
- 5.31 Our planned coverage for 2011/12 amounts to **83** days.

Finance Department

- 5.32 Our work in this department during the year will continue to focus predominantly on audits of the key financial systems. More detail can be found regarding scheduled work in this area at Section 6 of this report. In addition to this, a number of audits are scheduled to evaluate the controls in operation

across other services currently managed by the department that present a risk to the organisation, for example Information Management which includes Records Management and Freedom of Information systems.

Pensions

- 5.33 The Pension Fund presents significant risks to the organisation due to the very complex, high profile nature of the work undertaken and the significant monetary value of the fund. Our work in 2011/12 will continue to focus on three distinct areas:
- Governance of the Pension Fund;
 - Management of the fund's assets; and
 - Pension's Administration and Payroll – processes and systems.
- 5.34 Our planned coverage for 2011/12 amounts to **100** days.

6. CORPORATE CONTROLS

- 6.1 The Council's work is underpinned by controls are operated in common across the whole organisation. We have discussed what other corporate or common controls exist to manage the Council's key risks with the Director of Finance, the Members and Chief Officers during the course of our planning process.
- 6.2 The audit plan therefore includes provision for **1240** days on corporate or common controls, broken down as follows:

Financial Control Systems

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

- Main Financial Information systems,
- Payroll,
- Treasury Management,
- Housing Benefits
- Revenue systems i.e. Council Tax, Business Rates and Sundry Debtors.

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

- 6.4 We plan to continue to audit each system from the corporate centre to individual services and back to ensure that we address each system as a whole. This approach, agreed with the Audit Commission will allow them to place more reliance on our work both as part of their assessment of the Council's overall risk and control environment, and to obtain audit evidence over the systems by which the Council's financial reports are generated.
- 6.5 The plan includes **500** days to cover the Council's key financial systems, including work on centrally operated controls and those operated within departments, and work using computer assisted audit techniques to test the data processed through these systems.

ICT Systems and Controls

- 6.6 The plan includes **170** days on the key corporate ICT and information systems and, together with our work on the financial systems; these areas will provide the core assurance required by the Director of Finance as the Section 151 Officer.
- 6.7 In the light of ongoing national government initiatives, such as the Government ICT Strategy and the Protection of Freedoms Bill, we will continue to advise on the controls being developed for the protection of personal and sensitive information that is transferred or shared with bodies both within and outside of the Council.

- 6.8 Changes in departmental structures and roles & responsibilities, resulting from the recent severance exercise may expose ICT systems to significantly increased risks in some areas. We will review the control environment to ensure that it remains robust and effective and that where controls are dramatically weakened appropriate actions including compensating controls are implemented to negate the threat presented.

Commissioning and Procurement

- 6.9 To provide services which meet the needs of the people of Wirral, and develop improved outcomes cost effectively, it is essential that the Council has effective procurement arrangements. We intend to review the effectiveness of the current arrangements operated within the central function and in departments, specifically identifying areas of good practice which can be shared across other service areas. We will also provide advice and guidance on the control environment to any teams established to develop and improve the service utilising the latest technology.
- 6.10 We have allocated **60** days for this work.

Human Resources Systems and Controls

- 6.11 The Council's priority is to further reduce working days lost due to sickness absence continues to be closely monitored at the highest levels, especially in the current environment. With this in mind, we intend to provide assurance over the adequacy and effectiveness of the corporate absence management system. This will involve reviewing the consistency with which policy has been implemented throughout departments, and we will also consider the development of the electronic management system, paying particular attention to the accuracy and timeliness of management information reports which ultimately feed into key performance information for the Council.
- 6.12 Chief Officers have identified a number of key Council initiatives in this area for review that include the Payroll Self Service system, Job Evaluation, Redeployment and Severances Policies and Procedures. The main focus of the work will be to ensure consistency of compliance across the Council, the accuracy of calculations undertaken and payments made, and the effectiveness of the reporting procedures in operation.
- 6.13 Our plan includes **40** days to address this work.

Partnerships

- 6.14 In recent years the Council has undertaken a significant amount of work to improve the way that it operates in partnership with other organisations including the preparation of a Partnership Toolkit for this purpose. Internal Audit will be focussing its work during the year on the governance of these partnerships, examining the contract agreements with partners, specifically the delivery of agreed outcomes, monitoring of targets and reporting lines, and financial aspects such as pooled budgets
- 6.15 We have allocated **20** days in the audit plan for 2011/12 to review these arrangements.

Constitution

- 6.16 A detailed review of the Wirral Council Constitution and its implementation is scheduled for 2011/12 to ensure that the document is clear, comprehensive, fit for purpose and free from any contradiction. Work has been planned to examine the following five themes throughout the year to verify consistency of operation and compliance:
- Overview of the document and implementation
 - Articles
 - Responsibilities
 - Rules
 - Codes
- 6.17 Our plan includes **20** days to undertake this work.

Asset Management

- 6.18 An evaluation of the roles and responsibility of the Asset Management function, the procedures for acquisition, disposal and revaluation of assets, compliance with relevant legislation and regulations and an assessment of the planned rationalisation of Council assets program is scheduled to be completed.
- 6.19 The service will continue to be involved in initiatives that will involve the scrutiny of works schedules and costings submitted for payment by contractors, in conjunction with the Quantity Surveyor. The aim of this exercise being to identify any potential savings for reinvestment in the project.
- 6.20 **40** days are included in the audit plan to complete this work during 2011/12.

Contracting

- 6.21 We plan to continue to provide input to the strategic partnering arrangements currently operated by the Council. We also plan to review the effectiveness of the Contractor partnering arrangements that have been in operation for some time and were introduced to gain a number of benefits including, amongst other things, better cost/ time predictability and improvements in user satisfaction.
- 6.22 The Service will continue to be represented on the PACSPE Board, providing input on the effectiveness and robustness of the operating environment and compliance with best practice guidance regarding the management of this type of procurement exercise. Our aim is to ensure that key objectives of service improvement, investment in the infrastructure and value for money are the focus of the delivery options considered, Council rules are complied with and effective consultation and benchmarking is undertaken throughout the process.
- 6.23 We also plan to include reviews on the quality assurance process and tendering arrangements in operation across the Council. In addition, a sample of tendering procedures and service contracts will be examined in detail to

ensure that the service is effective and potential fraud threats have been considered and negated during the process.

- 6.24 The management and delivery of major works contracts present a significant risk to the Council and consequently we plan to undertake a significant amount of work in this area during the year. The focus of this work will be on the scrutiny of final amounts paid to contractors for a sample of projects evaluating the evidence trail for any significant variances from the original contracted total and for compliance with the Council's Constitution.
- 6.25 We will continue to provide assurance on the final accounts with contractors on a sample basis in accordance with section 17.3 and 17.4 of the Council's Contract Procedure Rules.
- 6.26 Our planned work for 2011/12 amounts to **120** days.

Customer Services & Cash Collection

- 6.27 The Cash Office at the Conway Centre now receives and processes all cash and cheque payments from over 200 Wirral establishments. This has resulted in a large increase in the number of receipts being processed and monies banked by the Cashiers. We therefore plan to review the controls in operation over these functions to ensure that they remain efficient, effective and robust.
- 6.28 Libraries merging with existing One Stop Shop facilities to form the basis of new centres throughout the borough, a theme also consistent with the Council's Customer Access Strategy will present a challenge to the Council. Consequently a number of pilot sites have been identified across the borough and services are currently in the process of being integrated. It is our intention to undertake a review of these pilot sites to evaluate the effectiveness of controls implemented. The aim of these audits is to ensure that all risks associated with this significant type of service re-engineering initiative, that might prevent overall objectives from being achieved or any weakening of existing financial controls have been adequately considered and acted upon.
- 6.29 Planned work for 2011/12 amounts to **70** days in total.

Controls to Manage the Risk of Fraud

- 6.30 During 2010/2011 significant progress was made with regard to the development of the Counter Fraud Team as a corporate resource to deter fraud.
- 6.31 An exercise was completed to raise the awareness of Wirral Council employees to fraud. Utilising a questionnaire, the exercise raised staff awareness to the threat of fraud, identified the existing policies and procedures which Wirral Council has in its armoury to fight fraud whilst also identifying training needs amongst those staff included in the survey.
- 6.32 Key areas included in the Audit Plan to address issues raised during the questionnaire exercise include the following initiatives that will be delivered during the year:
- Implementing Fraud Awareness Training to ensure that all Council staff are better prepared to identify potential frauds and are aware of what actions are required by them to reduce the risk of fraud; and following potential identification, the correct reporting procedures to follow,

- Promoting a counter fraud culture amongst all Council staff to prevent potential opportunities for fraud from arising. and ensuring that appropriate polices and procedures are either in place or developed to deter the would be fraudster. This will be undertaken through attendance at team and management meetings, circulating fraud newsletters, utilising the Intranet, and providing ongoing best practice advice and guidance in a variety of different ways throughout the year.
- 6.33 Other work identified in the Counter Fraud section of the Audit Plan is concerned with detecting fraud, for example through the use of audits of the following systems where detailed testing and scrutiny will be conducted utilising Computer Aided Auditing Techniques to examine and test 100% of the output for potential frauds:
- Payroll
 - Creditors
 - Debtors
 - Pensions
 - Travel
 - Expenses
 - Car Mileage
 - Corporate Credit Cards
 - Mobile Phone Systems
 - Use of Taxis
- 6.34 In addition, all potential frauds against the Council will be investigated by the team and following this appropriate advice and guidance provided to managers and officers to enable them to implement improved fraud prevention and detection systems.
- 6.35 We have allocated **200** days for this work.

7. OTHER AREAS INCLUDED WITHIN THE AUDIT PLAN

This section identifies work which is important to the effectiveness of the Council and the achievement of its objectives but does not necessarily support the annual assurance opinion provided. The work is considered essential to the well being of the organisation and complies with CIPFA best practice guidance. Audits have been scheduled to provide assurance to management regarding the effectiveness of systems in the following areas amounting to **1105** audit days. Included in this is an allocation of **185** days for contingencies and management support provided by internal audit, as detailed at 7.14 and 7.15.

Service Delivery Areas and Follow Ups

- 7.1 We will evaluate progress made to address issues identified during earlier audit reviews within all individual service delivery areas and report to Committee any significant issues identified.

Strategic Change Programme

- 7.2 The Council's ongoing commitment to introduce efficiencies and service improvements is evidenced through the Strategic Change Programme. This is regarded as a key corporate driver for delivering the improvements and cost reductions which the Council will need to make in order to maximise the delivery of efficiencies.
- 7.3 Internal audit work during the year will evaluate the efficiency and effectiveness of controls in operation and the value added as a result of the projects.
- 7.4 The Council has provided additional resource to deliver a program of 'assurance' work in this area. This involves an assessment of the assurance process in forming an overall view of how risks and objectives are being managed for the Strategic Change Programme Board.

ICT systems

- 7.5 We plan to consider the progress of IT Services in providing efficient and effective support to users, and implementing controls over service users, in response to the increasing demands to support the delivery of services throughout the Council and include such audits as Agile Working, use of the Government Communications Secure Extranet (GCSX), Data Centre Carbon Reduction and the Management of Information throughout the Authority.
- 7.6 We will continue to support new ICT projects scheduled across the Council, providing advice, guidance and support over a range of these projects that include Desktop Virtualisation, Automated Invoice Scanning, implementation of a new Pensions Administration system and Tiered Data Storage.
- 7.7 Following the SOCITM review of ICT Service Delivery, IT Services will be implementing significant changes to ICT Service Management and Delivery, including expanding the IT Helpdesk into a fully-functioned Service Desk, and implementing the ITIL (Information Technology Infrastructure Library)

framework. These developments will improve the service provided to staff and members by more clearly defining roles and responsibilities, and by better managing the flow of information between customer, service desk and technical staff. Internal Audit will monitor the progress of these changes and provide independent advice to ITS management as required on a range of issues relating to the revised control environment.

- 7.8 Our planned work in this area amounts to **100** days during 2011/12

Schools

- 7.9 Wirral Internal Audit services has over the previous three years been contracted to provide an annual assurance service to Schools regarding their compliance with the requirements of the DCFS's now defunct Financial Management Standard in Schools (FMSIS). The current government has indicated that a system to replace FMSIS is to be introduced during 2011/12, and we will continue to monitor this situation.

Managing Fraud

- 7.10 The Counter Fraud Team in Internal Audit is responsible for investigating identified major financial fraud against the Council along with the completion of other proactive anti fraud work identified, including testing the data provided by the Audit Commission's National Fraud Initiative. This is effectively a large-scale programme of computer assisted audit techniques undertaken nationally, which generates a variety of indications of potential irregularities that are investigated and appropriate actions taken.
- 7.11 Building on from the anti fraud questionnaire exercise undertaken during 2010/11 and identified in 6.31 an online fraud awareness training package has been purchased. This will be tailored to reflect precisely Wirral's policies and procedures and will then be rolled out to all staff with access to the internet during 2011/12. Additionally, Money Laundering training will be delivered to those employees identified by their managers as requiring a detailed understanding of this legislation.
- 7.12 The Bribery Act becomes effective later this year and Local Authorities are required to demonstrate compliance through the introduction of various policies, procedures and working practices not previously required. The Internal Audit service plans to undertake some work in this area during 2011/12 to evaluate progress made by the Council to comply with legislative requirements. We also intend to work with officers, providing advice and guidance regarding the formulation of new systems to accommodate these requirements.
- 7.13 The resource planned to deliver this work for 2011/12 currently amounts to **270** days in total.

Miscellaneous

- 7.14 An allocation of **185** days has been made for contingencies to be utilised during the year to provide additional support to those areas of the organisation identified as presenting significant risks and having, due to circumstance, not been previously considered during the planning process.
- 7.15 Another **200** days have been set aside to cover other management and tasks in support of the Internal Audit service to the Council, such as:
- Liaison with departmental management teams, the Chief Executive and the Chair of the Audit and Risk Management Committee,
 - Liaison with the Audit Commission;
 - Attendance, support, and reporting to the Audit and Risk Management Committee as required;
 - Supporting Service Managers.

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

28 MARCH 2011

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

1.0 EXECUTIVE SUMMARY

1.1 This report provides information to Members on recent progress made against the existing objectives for this service and the anticipated developments in the coming months.

2.0 RECOMMENDATION

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

3.0 REASON FOR RECOMMENDATION

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

4.0 BACKGROUND AND KEY ISSUES

Insurance Management progress

4.1 Consequent to involvement in the Jackson Review during 2010, one of my officers was invited by the Ministry of Justice to meet with the Justice Minister to represent the views of local authorities in connection with the consultation process on proposed reforms to civil litigation funding and costs. Following this meeting and further discussions, Wirral Council has maintained a prominent role in the consultation process. The issues under consideration have the potential for a negative impact on the performance of the liability element of the Insurance Fund. The consultation process is now closed and the outcome is awaited from the Ministry of Justice.

4.2 The liability claims statistics for the quarter ending 31 December 2010 were compiled and analysed. This showed that trends are in line with expectations and budgets although a number of potentially large claims are currently skewing average values, however such losses are expected occasionally.

- 4.3 Meetings with the new insurance brokers, JLT Public Sector Risks, have been held to create an annual service plan for the coming year.
- 4.4 Information has been provided to the insurers ahead of the renewal of the Motor, Casualty, Professional Indemnity, Engineering, Computer and Foster Carers policies on 1 April 2011. Whilst renewal terms have yet to be received, costs are expected to remain within budget.
- 4.5 Further meetings have been held to explore the possible deletion of non-statutory items from the Engineering contract. It has been concluded that all items should remain on the contract at this point.
- 4.6 Work has continued on large liability losses, historic abuse, mesothelioma and other industrial disease claims. Further vibration related claims emanating from Parks Service employees have been received and discussions are being held to manage the claims which represent a significant workload.
- 4.7 The claims handling contract continues to perform in line with the agreement. Regular monitoring indicates that service levels were affected by a national increase in weather related liability claims but the contractor maintained adherence to the key timescales.
- 4.8 During a prolonged period of freezing temperatures spanning late November 2010 to early January 2011 21 schools were flooded as a result of burst pipes. The anticipated cost to the Insurance Fund will be in the region of £110,000 with four schools accounting for the majority of this. The potential damage, and financial cost, was mitigated through the prompt actions of staff and contractors implementing emergency planning procedures. Whilst the lack of pipe lagging or roof insulation may have contributed to a number of floods, schools with sufficient protection to cope with the freezing temperatures were also affected given the unprecedented low temperatures. Whilst there is no guarantee such temperatures will not be experienced again there is the need to ensure new pipe work is sufficiently lagged, roof spaces insulated and any lagging or insulation disturbed during works is reinstated.
- 4.9 Following requests from schools who are considering transferring to Academy status officers are exploring options for continuing to provide insurance services as the legal status of Academies makes existing pooled insurance arrangements ultra-vires. As the service provided by the Risk & Insurance Team is valued by the Schools options are being considered to enable this to continue, possibly as a consultancy service.
- 4.10 The Council has now entered into an agreement with Itsmyclaim to provide members of the public with a means to bring claims for compensation that avoids the use of solicitors. This contract will be kept under close review to ascertain its value.
- 4.11 Guidance has been drafted for voluntary groups to confirm the circumstances in which their activities are protected by the Council's public liability insurance policy.

Risk Management Progress

- 4.12 An initial exercise was held with the Executive Team on 3 March 2011 to identify the key strategic risks to the delivery of the Corporate Plan. In supporting the Corporate Plan revised guidance on the inclusion of risks in Departmental Service Plans has been issued.
- 4.13 The Risk Ranking Surveys of primary and special schools and children's centres began on 18 January 2011 and will be completed in April 2011.
- 4.14 The Risk & Insurance Officer met with the Members Training Group on 1 March 2011 to discuss the structure and content of future training sessions.
- 4.15 Guidance has been prepared for report authors to assist with the population of the Relevant Risks section of the new Committee report format.

Insurance Management – Issues for Next Period

- 4.16 Liability claims statistics for the final quarter of 2010/11 will be compiled.
- 4.17 Terms will be obtained for the renewal of the Property Money Fidelity Guarantee and All Risks policies. This will include asking for alternative terms for more restricted cover in order to identify potential benefits.
- 4.18 The Insurance Fund accounts for 2010/11 will be completed which will include an in-house analysis of reserves and provisions at the year end.

Risk Management – Issues for Next Period

- 4.19 With the receipt of Richard Anderson's Review of Risk Management the conclusions will form the basis of a report for Members which will also incorporate findings from other studies on the risks faced by the public sector.
- 4.20 The key strategic risks to the delivery of the Corporate Plan will be further progressed by the Executive Team.
- 4.4.3 The remaining Schools Risk Ranking Surveys will be conducted and results shared with the Department of Children & Young People. This will help to identify where additional support would be of benefit and will assist with the prioritisation of capital expenditure.

5.0 RELEVANT RISKS

- 5.1 If inspections of non-statutory plant were to have ceased on 31 March 2011 (see section 4.5) then future defects might have gone undetected. Inspections are to continue until assurance can be obtained that the management arrangements for such items are sufficiently robust to ensure that potential defects are recognised and resolved.

6.0 OTHER OPTIONS CONSIDERED

6.1 Inspections for non-statutory items could have been allowed to cease. Whilst this would have reduced the cost of the inspection contract the cost of an accident from an undetected defect could be far greater.

7.0 CONSULTATION

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

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 The revised guidance for voluntary groups will assist them in understanding whether they need to procure liability insurance in their own name.

9.0 RESOURCE IMPLICATIONS

FINANCIAL

9.1 The cost of policies due for renewal in April 2011 will be within budget.

STAFFING

9.2 There are none arising directly from this report.

10.0 LEGAL IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report.

FNCE/60/11

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REFERENCE MATERIAL / SUBJECT HISTORY

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

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WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

28 MARCH 2011

SUBJECT	REVISION AND CONSOLIDATION OF THE ACCOUNTS AND AUDIT REGULATIONS 2003
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR SIMON MOUNTNEY
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 The Department for Communities and Local Government (DCLG) has issued a consultation document as part of a regular series of updates to the Accounts and Audit Regulations. The proposals reflect recommendations, requests and issues raised by the Audit Commission, the Chartered Institute of Public Finance and Accountancy and other relevant bodies to whom the regulations apply. Most of the proposals concern financial reporting and as this Committee is responsible for approving the Statement of Accounts the purpose of this report is primarily to advise Members of the proposed amendments.

2.0 RECOMMENDATION

2.1 That the Audit and Risk Management Committee notes the response to the consultation which had to be submitted by 8 March 2011 and notes the proposed amendments to the Accounts and Audit Regulations which become effective on 31 March 2011.

3.0 REASON FOR RECOMMENDATION

3.1 The Statement of Accounts is approved by this Committee and consequently Members need to be aware both of any changes to their responsibilities and to the content of the Accounts.

4.0 BACKGROUND AND KEY ISSUES

4.1 The Accounts and Audit Regulations contain important provisions on financial management, annual accounts and audit procedures affecting all local authorities and a number of other public authorities. Members will be aware that the Government announced in August 2010 the intention to disband the Audit Commission. With this in mind DCLG is taking the opportunity to undertake a restatement of the Regulations in order to assist those who, in the future, will be taking an interest in relevant bodies' financial management and accounts.

PROPOSED AMENDMENTS

- 4.2 The current Regulations require Members to approve the annual accounts, by 30 June, before they have been reviewed by the external auditor. This is out of step with requirements in the private sector and elsewhere in the public sector. Consequently, it is proposed that, for the larger relevant bodies, such as local authorities, it will only be necessary for the responsible finance officer to certify the presentation of the Accounts by 30 June. The Statement of Accounts will not therefore be submitted to this Committee until 30 September (at the latest) by when the responsible financial officer must have re-certified the accounts.
- 4.3 Although not a matter for the Regulations, it is understood that finalisation of the audit certificate and opinion would follow shortly after Member approval.
- 4.4 Under present legislation contravention, without reasonable excuse, of a regulation in the Accounts and Audit Regulations is a criminal offence. The proposals remove this provision.
- 4.5 As part of the 2009-10 Statement of Accounts there were additional reporting requirements introduced governing senior officers remuneration. The proposals contain some clarification of this requirement.
- 4.6 Current Regulations require the Statement of internal control to be included with the published Accounts. This is undertaken by the inclusion of the Annual Governance Statement (AGS). The proposal amends this to require that the AGS accompanies the published Accounts rather than being included within the Accounts.
- 4.7 A minor amendment is that the Council must publish the annual letter from the auditor as opposed to it being published by the Audit Commission.

5.0 RELEVANT RISKS

- 5.1 These are statutory requirements.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 There are no other options considered in this report.

7.0 CONSULTATION

- 7.1 Consultation on the proposed changes has been undertaken by the DCLG.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are none arising out of this report.

9.0 RESOURCE IMPLICATIONS

- 9.1. There are no resources implications arising out of this report.

10.0 LEGAL IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report.

FNCE/55/11

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APPENDICES

Letter to DCLG dated 3 March 2011.

REFERENCE MATERIAL / SUBJECT HISTORY

Communities and Local Government	Date
Audit & Risk Management Committee	28 September 2010
Audit & Risk Management Committee	30 June 2010
Audit & Risk Management Committee	23 September 2009
Audit & Risk Management Committee	29 June 2009

to Graham Fletcher,
Dept for Communities and Local Government,
Zone 5/J4,
Eland House,
Bressenden Place,
London,
SW1E 5DU

date 18 March 2011

your ref
my ref Document
service Accountancy
tel 0151 666 3403 Please ask for Reg Huyton
fax 0151 666 3408
email reghuyton@wirral.gov.uk

Dear Graham,

Response to Accounts and Audit Regulations consultation

Wirral Council is pleased to have the opportunity to respond to the proposed amendments in so far as they are relevant to ourselves.

With the move towards embracing International Accounting Standards it would seem a logical extension to the way local authorities operate to have their reporting requirements more in step with the private sector. Consequently, the proposal that the Statement of Accounts need only be submitted to the relevant Committee, in its audited form, by the 30 September is wholly supported.

The removal of the requirement to have the Statement of Internal Control (SIC) as part of the Statement of Accounts is supported. This will allow readers of the accounts to focus on what is their true objective, that is to represent the financial affairs of the authority for a particular financial year. Furthermore, as the SIC is undoubtedly an important document its purpose is also better served by way of a separate report.

The removal of the archaic legislation whereby there was the possibility of criminal action for non compliance with the Accounts and Audit Regulations is a positive recommendation and is again supported.

Yours sincerely,

Ian Coleman
Director of Finance

Progress report

March 2011

Wirral Council

Audit 2010/11

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

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

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

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Key messages

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

Fees

- The Audit Commission has now confirmed the programme of work and scale of fees for local government for 2011/12. We will update members at the June 2011 meeting of the Audit and Risk Management Committee (paragraph 12).

Opinion on the statement of accounts

- The implementation of International Financial Reporting Standards (IFRS) continues to be a significant challenge for the Council and a significant risk for our audit. We are currently not progressing to plan on the audit of the IFRS restatement exercise (paragraphs 18 and 23).
- Our work documenting and testing systems and processes is progressing to plan (paragraph 19).
- The Merseyside Pension Fund audit is progressing to plan (paragraph 25).

Value for money conclusion

- Our value for money work is progressing to plan (paragraph 28).

Public Interest Disclosure Act (PIDA) work

- Work on the PIDA in respect of the Directorate for Adult Social Services (DASS) continues (paragraph 32).
- We are currently following up the PIDA in respect of the Highways and Engineering Services Procurement Exercise (HESPE) and will report back to members at a future meeting (paragraph 34).

National Fraud Initiative (NFI)

- The Council is continuing to follow up matches on the 2008/10 NFI with the result that £318k is being recovered following error or fraud (paragraph 38)
- The 201/12 matches were release by the Audit Commission in January 2011 and the current figure for recovery stands at £29k (paragraph 41).

Grant claims and returns

- Our grants work for 2010/11 will start later in the year (paragraph 44).

Annual Audit Letter 2009/10

- Our Annual Audit Letter, summarising the key issues for the year, was presented to Cabinet and the Audit and Risk Management Committee in January (paragraph 45).

Audit team and key contacts

- There are no changes to the key audit contacts for the audit and no conflicts that we need to bring to members' attention (paragraph 47).

Members' resources

- Members' resources have been updated with the latest reports published by the Audit Commission. We have also provided a full list of International Financial Reporting Standards (IFRS) reports and briefings for management and members (paragraph 49).

Audit plan

Audit Commission

2 The Secretary of State for Communities and Local Government announced on 13 August that the Audit Commission would be abolished in 2012/13. The Audit commission was already embarking on a three-year programme to deliver cost cuts of about £70 million (10 per cent per year).

2010/11 plan

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

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

Table 1: **Work programme and fees 2010/11**

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

Work programme	Original fee £	Rebate/ reduction £	Latest fee proposal
Financial statements	257,612	21,904	235,708
Whole of government accounts	7,466	-	7,466
Value for money	126,922	12,705	114,217
Total audit	392,000	34,609	357,391
Managing performance	16,630	16,630	0
Economic development	32,523	32,523	0
Total inspection	49,153	49,153	0
Certification of claims and returns	128,000	-	128000

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

Source: Audit Commission, December 2010

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

* NFI is £4,000 every 2 years.

Audit fee

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

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

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

8 These reductions, and the earlier rebate for the additional audit costs from the transition to International Financial Reporting Standards (IFRS), mean that Wirral's audit fee for 2010/11 is around 1 per cent less when compared to the scale fee and 9 per cent less when compared to the original fee.

Grant claims and returns fee

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

Assessment and inspection fee

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

National Fraud Initiative (NFI) 2010/11

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

2011/12 plan

Audit fee

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

13 The proposed 2011/12 scale fee for Wirral is 352,800. We are currently assessing the fee for Wirral Council for 2011/12 and will update the next meeting of the Audit and Risk Management Committee.

NFI 2011/12

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

Opinion

Wirral Council 2010/11

15 The District Auditor is required to issue an audit report by 30 September 2011 giving his opinion on whether the Council's accounts give a true and fair view of the financial position of the Authority as at 31 March 2011. Our Opinion Plan was presented to members of this Committee in January 2011 and set out in more detail the audit work we proposed to carry out in relation to the audit of the financial statements 2010/11 for Wirral Council, including the audit of the Whole of Government Accounts. We have updated the timetable at Appendix 2 to this report. The table of audit risks is also included at Appendix 3.

16 There is a separate Opinion plan in respect of Merseyside Pension Fund's financial statements which was also presented to members of this Committee in January 2011. Progress on the Pension Fund is summarised in a separate section below.

17 2010/11 is the first year that the accounts need to be prepared in accordance with IFRS and represents a significant challenge for the Council and a significant risk for our audit. Our work on the council's statement of accounts is split into two elements.

- Pre-statements audit:
 - updating, documenting and walking through your systems;
 - identifying and testing key controls;
 - reviewing the control environment and general IT controls;
 - reviewing the implementation of IFRS; and
 - any early testing.
- Post statements audit:
 - testing material balances and ensuring the statements are in line with accounting standards.

Pre-statements audit

18 We are currently not progressing to plan on all areas of the pre-statements audit. The key area of delay is the IFRS restatement work and issues are set out below.

Systems and controls

19 We have substantially completed work on updating, documenting and walking through your systems and assessing the control environment, including IT controls. We will report any significant issues to members at the next meeting. We will shortly be assessing what key controls we will test and will rely on Internal Audit where appropriate.

International Financial Reporting Standards (IFRS)

20 2010/11 is the first year that the accounts need to be prepared in accordance with IFRS and last year we completed two surveys in November 2009 and July 2010 to assess the Council's preparedness.

21 In November 2009 we assessed the Council as 'red' risk overall and following the July 2010 survey we reported to the Audit and Risk Management Committee in September 2010 that our updated assessment of the Council was 'amber' overall. We also provided a set of graphs setting out Wirral's progress and issues compared to other councils. We reported that the key risk areas where Wirral Council varied significantly from comparator authorities were leases, progress against project plan and Involvement of the Audit and Risk Management Committee. (see Appendix 1).

22 The latest Audit Commission report setting out the national findings from the survey is at available at [Audit Commission website - IFRS implementation](#).

23 We updated the Audit Commission survey in January 2011 and are currently awaiting the national comparisons. Our overall assessment for the January 2011 survey is 'red' as the Council is not on track against its project plan. We received IFRS re-stated opening balances in January and have started the audit of the figures. The Council is currently amending the figures and we will report the outcome to the next meeting of the Committee. We have not received the 2009/10 comparatives or the policies and disclosures.

Chief Accountants' workshops

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

Merseyside Pension Fund 2010/11

25 The 2010/11 audit plan was presented to the Pensions Committee and the Audit and Risk Management Committee in January 2011.

26 The plan included areas of risk to our audit opinion and we set out how we propose to address these risks (attached at Appendix 3 to this report). There is currently no update required to the risks but we will continue to review them as the audit progresses and communicate any changes to you. The plan also set out the timetable for delivery of the 2010/11 audit and this is attached at Appendix 2 to this report.

27 The audit is progressing to timetable and there are currently no issues to report to members.

Value for money conclusion

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

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

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

30 Our value for money work is progressing to plan and we are currently carrying work to inform the conclusion, including following up previous reports. An outline timetable was included in the Audit Plan presented to members of the Audit and Risk Management Committee in January 2011.

PIDA work

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

Adult social services

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

33 Cabinet has commissioned an independent investigation into the whistleblower's allegations of bullying and harassment. The Leader of the Council has also commissioned an independent review to confirm that all issues raised by the whistleblower have been appropriately dealt with.

Procurement of highways and engineering services

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

35 We have now started our follow-up work on the action plan and are reviewing the Council's information on the benefits realisation process.

National Fraud Initiative

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

37 Internal audit co-ordinates the follow-up of matches, which is undertaken by the responsible department. Matches are reviewed on an ongoing basis and the figures below reflect the position at 14 March 2011.

NFI 2008/09 - 2009/10

38 The Council is reviewing the output from the 2008/09 NFI matching exercise which identified 20,325 matches. At the beginning of March 2011 the Council has identified that as a result of investigating the 2008/09 matches:

Table 2: **Fraud and error identified from the 20,325 NFI 2008 matches**

Fraud and error	September 2010	March 2011
Total matches progressed	5,901* - 29%	7,605 - 37%
Frauds identified	28 frauds	82 frauds (70 relate to council tax)
Errors identified	296 errors	539 errors
Value of frauds and errors	£255k	£326k
Recovering**	£256k	£318k
Still progressing	14,424*	12,720 (creditors 4,715; council tax - 6496; 1,519 other)

Source: Audit Commission NFI 14 March 2011

* information at 13/10/10

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

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

40 Now that work on NFI 2008/09 should be nearing completion the Audit Commission intends to withdraw access to most of the NFI 2008/09 matches on March 28 2011. Council tax matches will remain on the system for the immediate future as these were released at a later date than the other matches.

NFI 2010/11 - 2011/12

41 The Council provided the required information to participate in the exercise and data matches were provided by the Audit Commission at the end of January 2011. The position in March is set out below:

Table 3: **Fraud and error identified from the 22,917 NFI 2010 matches**

Fraud and error	March 2011
Total matches progressed	1472 cases (mainly pensions, housing benefits and blue badges)
Frauds identified	0 frauds
Errors identified	34 errors
Value of frauds and errors	£32k
Recovering*	£29k
Still progressing	21,445

Source: Audit Commission NFI 14 March 2011

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

Grant claims and returns

2009/10

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

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

2010/11

44 The 2010/11 programme will commence shortly and will comprise the following claims.

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

Annual Audit Letter

2009/10 - key findings

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

46 The key issues were:

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

The audit team and key contacts

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

48 I can confirm that the audit of both the Council and the Pension Fund are being carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence and there are no conflicts to report to members.

Members' resources

Audit Commission information for members

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

Upcoming reports

50 The following are the studies that the Audit Commission is currently proposing the following.

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

- Schools workforce management (Spring 2011): Our 2009 report, 'Valuable lessons', set out savings that could be made by schools through better balance management and more effective procurement. This study will focus on how schools, working with local authorities, can maintain or improve the value for money of their workforce deployment
- Improving value for money in adult social care (Summer 2011): The aim of this research is to help councils and their health partners achieve better value for money in the commissioning and delivery of adult social care

Published reports

Latest releases



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



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



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



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



- **Protecting the public purse; Fighting fraud** against local government and local taxpayers. Published 27 October 2010. we describe what has happened in the field of fraud detection and prevention since 2009 and set out the findings from our recent fraud survey. Last year England's councils detected around £99 million worth of benefit fraud, over £15 million worth of council tax fraud, and £21 million worth of other types of fraud including false insurance claims, and abuse of the disabled parking 'blue badge' scheme. In addition nearly 1,600 homes have been recovered by councils with a replacement cost of approximately £240 million. We also describe the action taken by some councils to tackle fraud and provide links to tools to help councils improve their counter-fraud defences. Our updated checklist gives organisations providing public services another opportunity to consider how effective they are at responding to the risk of fraud. Also available is a [single person discount comparator tool](#) that allows local authorities to compare their levels of council tax single person discount with their predicted levels, based on a national average.



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



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



- **Local government pensions in England - an information paper** - 29 July 2010. In our latest information paper, we examine the long-term affordability of the Local Government Pension Scheme, and look at steps that could be taken to put it on a better financial footing.

- **Local government claims and returns, 27 July 2010.** The level of amendments and the number of qualification letters issued by auditors in 2008/09 shows some authorities can improve their preparation of claims and returns. The first Audit Commission annual report on certification work, published on Thursday 29 July, shows that in 2008/09 Audit Commission auditors certified claims and returns from local authorities for schemes covering £45.6 billion of public money. Auditors agreed amendments to claims and returns totalling £54.5 million. Eight schemes had total amendments over £1 million and auditors qualified 673 (24 per cent) claims and returns. For the housing and council tax benefits scheme, 85 per cent of benefits claims had qualifications or amendments or both. Certification of 2008/09 claims and returns cost local authorities £18.7 million which is 0.04 per cent of the total value certified. [Local government claims and returns: The Audit Commission's report on certification work 2008/09 \(July 2010\) \(AC external website\)](#)



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



- **A review of collaborative procurement across the public sector, 21 May 2010.** The National Audit Office and the Audit Commission have jointly produced this review. It draws on Audit Commission research in local government, carried out during the autumn of 2009. The review finds that although collaborative procurement has the potential to improve value for money, the public sector procurement landscape is fragmented, with no overall governance. Consequently, public bodies are incurring unnecessary administration costs by duplicating procurement activity, and they are paying a wide range of prices for the same commodities, even within existing collaborative arrangements. It recommends that, given the size of public sector procurement spend and the potential to significantly improve value for money, public bodies should work together much more effectively than they currently do. And there should be a clear framework to coordinate public sector procurement activity.
- **By mutual agreement, 16 March 2010.** Severance deals serve councils and the taxpayer. But our research shows that not all pay-offs are justified. Competent chief executives sometimes lose their jobs



needlessly, and less effective individuals have been paid-off rather than dismissed.

- **Healthy balance**, 11 March 2010. Does your ward have a high number of teenage pregnancies, or is there growth in childhood obesity? This briefing says the NHS allocated £21 billion in 2009/10 on the basis of inequalities in health between areas. The impact of the spending is unclear.
- **The truth is out there: A discussion paper**, 5 March 2010. Information is essential: it helps you make better decisions. Making more and better information available to the public should help them evaluate the decisions their elected representatives are making, what public money is spent on and with what result. This discussion paper looks at how councils and health trusts, social workers, doctors and police can improve data and analysis made available to the public.
- **Under pressure**: Tackling the financial challenge for councils of an ageing population, 18 February 2010. Councils need to understand the nature and needs of residents who are ageing. The report stresses growth in the number of older citizens affects all services. We need better working across boundaries.
- **Giving children a healthy start: A review of health improvements in children from birth to five years**, 3 February 2010. Have the large sums spent on young children from 1999 to 2009 improved their health? The study examines local service planning and delivery, and how councils and primary care trusts can improve services and access for vulnerable groups, lone and teenage parents and black and minority ethnic communities.



International Financial Reporting Standards (IFRS)

51 We have listed the IFRS reports and briefings available on the Audit Commission website for management and members.

Countdown to IFRS - a checklist for members, 17 March 2010

52 This report is included in the list above and is brought to members' attention as it is a fundamental change in financial reporting. From 2010/11 local government will be required to prepare accounts in accordance with international accounting standards (IFRS). A failure to achieve successful transition to IFRS would cause significant reputational damage not only to individual authorities but to the local government sector as a whole.

53 Poor preparation will heighten the risk that accounts will not meet requirements and so attract a qualified auditor's opinion or be published late. At a practical level, there is a risk that avoidable additional costs will be incurred if the implementation timetable is not well managed or is allowed to slip. The transition process is a real test of self regulation by local government.

54 The audit committee (or its equivalent) needs to be sufficiently aware of the requirements of IFRS to ensure the transition project is on track. In order to help members discuss their IFRS transition plan with relevant officers we have set out a number of suggested questions in a checklist available at the following link: [IFRS member checklist](#)

Complete list of resources

- [Countdown to IFRS: Reporting on operating segments - 29 October 2010](#) Our latest briefing on the countdown to IFRS covers principles and practical issues that authorities should consider when reporting on operating segments.
- [Countdown to IFRS: Progress on the transition to IFRS - 5 October 2010](#) The deadline for local authorities to produce IFRS-compliant accounts is fast approaching. Successful implementation of IFRS will testify to the ability of local government to manage a major change in its financial arrangements. The paper draws on a survey completed in July 2010 by auditors of all local authorities, fire and rescue authorities, and police authorities, on local government's progress on transition to IFRS. In this paper we:
 - make comparisons with a baseline assessment taken in November 2009;
 - set out relevant lessons from the NHS experience of transition, as NHS bodies have implemented IFRS a year earlier than local government; and
 - outline the key actions that authorities should be taking at this stage.
- [Countdown to IFRS: Accounting for employee benefits - 15 July 2010](#) Issues authorities may face when accounting for employee benefits.
- [Countdown to IFRS: Managing the practical implications of restating non-current assets - 17 June 2010](#) Guidance on managing the practical implications of restating non-current assets.
- [Countdown to IFRS: Summary paper - 8 June 2010](#) A guide for senior managers and members.
- [Countdown to IFRS: Accounting for non-current assets - 17 May 2010](#) Introducing international financial reporting standards (IFRS) for Accounting for non-current assets.
- [Countdown to IFRS - Checklist for councillors - 17 March 2010](#) Councillors checklist - discussing IFRS transition plans with officers.
- [Countdown to IFRS - Identifying and accounting for leases - 17 March 2010](#) Issues arising from the introduction of International Accounting Standard (IAS) 17: Leases.
- [Countdown to International Financial Reporting Standards \(IFRS\) - 19 February 2010](#) Implementation of IFRS in local government.
- [IFRS briefing paper 3 for local government - 4 May 2009](#) Managing the transition to IFRS.

- [IFRS briefing paper 2 for local government - 1 September 2007](#)
The move to international financial reporting standards - how can your auditor help?
- [IFRS briefing paper 1 for local government - 1 May 2007](#)
The move to international financial reporting standards.

Appendix 1 IFRS implementation

55 In September 2010 we provided a set of graphs showing Wirral's progress on IFRS compared to other Councils and identified the key risk areas where the Council varied from comparator authorities:

- leases – Wirral is amongst the 7 per cent of authorities overall that are assessed as red (8 per cent metropolitan boroughs and 5 per cent of northern authorities); currently being reviewed.
- Wirral is not 'on track' against the project plan – 69 per cent of authorities overall are 'on track' (67 per cent metropolitan boroughs and 74 per cent of northern authorities). This may also put at risk future milestones such as restating the 2009/10 accounts and drafting a model set of skeleton IFRS compliant financial statements; currently not on track.
- the Audit and Risk Management Committee has had no involvement on IFRS implementation – 87 per cent of audit committees overall have been kept updated and 49 per cent of those and a further 3 per cent have also questioned officers on progress (87 per cent metropolitan boroughs and 85 per cent of northern authorities); the Committee received reports in November 2010 and January 2011.

Table 4: **IFRS implementation 2010/11**

Issue	Findings November 2009	Findings July 2010	Findings January 2011
Governance and oversight	The role of the Audit and Risk Management Committee in the implementation of IFRS has been limited.	The role of the Audit and Risk Management Committee in the implementation of IFRS has been limited.	The Audit and Risk Management Committee received reports in November 2010 and January 2011.

Issue	Findings November 2009	Findings July 2010	Findings January 2011
Timetable	The Council is not on track against its project plan.	The Council is not on track against its project plan. An impact assessment has been completed but opening balances have not been restated. Officers plan to restate the 2009/10 accounts and draft a model set of skeleton IFRS compliant financial statements including policies and notes before the end of December 2010.	The Council is not on track against its project plan. We received restated opening balances in January and the Council is currently amending these. We expect the amendments and the remaining IFRS statements including policies and notes before the end of March 2011.
Non-current assets	Assessed as 'red'.	We assessed the risk as 'amber'. Concerns remain regarding information required in respect of vehicles plant and equipment and infrastructure assets. The systems need to be set up to satisfy component accounting.	We are currently reviewing this as part of the IFRS restatement exercise
Leases and other lease type arrangements	Assessed as 'red'.	We assessed the risk as 'red'. There has been no review of leases and other lease type arrangements to determine the appropriate accounting treatment for these.	We are currently reviewing this as part of the IFRS restatement exercise
Employee benefits	Assessed as 'green'	We assessed the risk as 'amber' Although systems are in place, the 2009/10 accrual for holiday pay has not yet been calculated. A new payroll and HR system is planned.	We are currently reviewing this as part of the IFRS restatement exercise

Issue	Findings November 2009	Findings July 2010	Findings January 2011
Group accounts	Assessed 'green'	We assessed the risk as 'green'. The Council does not currently have any arrangements that would require it to produce group accounts.	We are currently reviewing this as part of the IFRS restatement exercise

Source: Audit Commission surveys, November 2009, July 2010 and January 2011

Appendix 2 Wirral Council - opinion timetable

Wirral Council timetable

56 The timetable is proceeding to plan for some areas. Our work on IFRS has been delayed due to non or late receipt of information from the Council.

Table 5: **Agreed timetable for the financial statements audit**

This timetable will be kept up to date and members of the Audit and Risk Management Committee (ARMC) will be informed of any significant changes.

Activity	Date	Update at March 2011
Agreement of plan with officers	Draft by mid December 2010 Final by end December 2010	Completed as planned
Progress meetings with officers pre statements	Monthly	Ongoing as planned
Training provided by officers to ARMC members on IFRS	January 2011 March 2011 June 2011	Reports received November 2010 and January 2011.
Presentation of plans to members of ARMC**	ARMC 17 January 2011	Completed as planned
Audit progress reports to ARMC	17 January 2011 28 March 2011 June 2011 September 2011 November 2011	Completed as planned to March 2011.

Activity	Date	Update at March 2011
Receipt of IFRS restated accounts by ARMC and auditor <ul style="list-style-type: none"> ■ Opening balance sheet at 1 April 2009 ■ Comparative figures for 2009/10 for all the statements 	31 December 2010 Mid January 2011	Restated opening balance sheet received 14 January 2011. Comparatives, policies and disclosures o/s at 15 March 2011.
Working papers for IFRS restatement provided to the auditor	Mid January 2011	Some received in January; some outstanding.
Audit of IFRS restated accounts	Mid January to mid February 2011	Delayed due to non or late receipt of all restated accounts.
Feedback to officers and members on the audit of the IFRS restated accounts	Officers by end February ARMC 28 March 2011 - in Progress report	Delayed due to non or late receipt of all restated accounts.
ISA+315 knowledge of the entity including documenting and walking through material information systems	December 2011 - January 2011	Completed as planned
Evaluating the control environment including IT controls	December 2010 - January 2011	Completed as planned
Controls and relevant early substantive testing	Mid January to mid February 2011	Delayed - as above
Feedback to officers and members of ARMC on the pre-statements audit	Officers by end February ARMC 28 March 2011 - in Progress report	Delayed - as above
ARMC consider draft Annual Governance Statement (AGS) presented by officers	ARMC 28 March 2011	On agenda for March 2011.

Activity	Date	Update at March 2011
Any further early substantive testing	Mid June 2011	o/s
Receipt of pre-audit accounts** by:	16 June 2011	o/s *
<ul style="list-style-type: none"> ■ ARMC - to review prior to challenge and approval at meeting by 30 June 2011 ■ and auditor - to complete detailed post-statements planning prior to fieldwork 		
Pensions Committee to challenge MPF accounts and make recommendations to ARMC	Before ARMC meeting (by 30 June 2011)	o/s *
ARMC to challenge and approve accounts, including AGS and Pension Fund Statements.	By 30 June 2011	o/s *
Working papers provided to the auditor	1 July 2011	o/s
Start of detailed testing on main statements	4 July 2011	o/s
Progress meetings with officers post-statements	Weekly	o/s
Completion of fieldwork on main statements	5 August 2011	o/s
Receipt of Whole of Government Accounts (WGA) and working papers	22 July 2011	o/s *
Completion of fieldwork on WGA	15 August 2011	o/s

Activity	Date	Update at March 2011
District Auditor review of audit work	15 August 2011	o/s
Agreement of errors and uncertainties for Finance to complete covering reports and amend statements**	19 August 2011	o/s
Draft Annual Governance Reports from Audit Commission to officers**	5 September 2011	o/s
Meeting with officers to agree final AGRs** (AGRs will highlight any outstanding issues that will be updated at meetings with members)	Meetings by 7 September 2011 Final AGRs by 12 September 2011	o/s
Pensions Committee - to consider the Pension Fund AGR and any action plan, any amendments to statements and the Letter of Representation - to make recommendations to ARMC	Before ARMC meeting below (by 30 September 2011)	o/s
ARMC to: <ul style="list-style-type: none"> ■ consider the matters raised in the Pension Fund AGR and the recommendation of the Pensions Committee 	By 30 September 2011	o/s

Activity	Date	Update at March 2011
<ul style="list-style-type: none"> ■ consider the matters raised in Wirral Council's AGR and any tabled or verbal update on outstanding issues ■ take note of any adjustments to the financial statements and agree to adjust the errors in the financial statements management has declined to amend or set out the reasons for not amending the errors ■ approve the letter of representation on behalf of the Council and for the Pension Fund ■ agree the Council's response to the proposed action plans ■ re-approve the financial statements 		
<p>District Auditor to issue opinions** (and value for money conclusion)</p> <p>Audited accounts published by the Council**</p>	<p>By 30 September 2011</p>	<p>o/s</p>

Activity	Date	Update at March 2011
WGA return certified and submitted by District Auditor	1 October 2011	o/s * possible revision to 30 September 2011

Source: Wirral Council Audit Plan 2010/11, January 2011.

* may be revised following consultation on the Accounts and Audit Regulations 2010.

Merseyside Pension Fund timetable

57 The timetable is proceeding to plan for some areas. Our work on IFRS has been delayed due to non or late receipt of information from the Council.

Table 6: **Agreed timetable for the financial statements audit**

This timetable will be kept up to date and members of the Audit and Risk Management Committee (ARMC) will be informed of any significant changes.

Activity	Date	Update at March 2011
Agreement of Opinion Plan with officers	Draft by early December 2010 Final by end December 2010	Completed as planned
Progress meetings - pre statements	Quarterly	Ongoing as planned
Presentation of Opinion Plan to members Finance to present covering report including explanation of the final accounts process and the respective roles of Pensions and Audit and Risk Management Committees	Pensions Committee 11 January 2011 ARMC 17 January 2011.	Completed as planned
ISA+315 work - understanding the entity	From November 2010	Ongoing as planned

Activity	Date	Update at March 2011
Pre statements control and early substantive testing	February/March 2011	Ongoing as planned
Planning of and arrangements for FRS17 assurance work	March 2011	Ongoing as planned
Pre statements testing of initial FRS17 assurance work and investment valuation	Late May/early June 2011	o/s
Working papers provided to auditors	Mid June 2011	o/s
Receipt of pre audit accounts by Pensions Committee, Audit and Risk Management Committee and auditor	20 June 2011	o/s
Pensions Committee to challenge accounts and make recommendations to ARMC	Before ARMC meeting (by 30 June 2011)	o/s *
ARMC to challenge and approve Council accounts, including Annual Governance Statement and Pension Fund Statements.	By 30 June 2011	o/s *
Start of detailed post statements testing	June 2011	o/s
Post statements progress meetings	Weekly	o/s
Completion of fieldwork on statements	Mid August 2011	o/s
Agreement of Errors and Uncertainties	19 August 2011	o/s

Activity	Date	Update at March 2011
Draft MPF Annual Report provided to auditors	19 August 2011	o/s
Draft Annual Governance Report from Audit Commission to officers	5 September 2011	o/s
Meeting with officers to agree final AGRs (AGRs will highlight any outstanding issues that will be updated at meetings with members)	Meetings by 7 September 2011 Final AGRs to officers and members by 12 September 2011	o/s
Final version of Annual Report available for audit agreement	16 September 2011	o/s
Pensions Committee - to consider the Pension Fund AGR and any action plan, any amendments to statements and the Letter of Representation - to make recommendations to ARMC	Before ARMC meeting below (by 30 September 2011)	o/s
ARMC - to consider Annual Governance Report, including any verbal update on outstanding issues	By 30 September 2011	o/s
Final check of post-audit statements and annual report	By 30 September 2011	o/s
Issue of opinion by District Auditor	By 30 September 2011	o/s

Source: Merseyside Pension Fund audit plan 2010/11, January 2011.

* may be revised following consultation on the Accounts and Audit Regulations 2010.

Appendix 3 Opinion risks

Wirral Council

58 There are no changes to the risks identified in the audit plan presented to members in January 2011. The significant risk remains the transition to IFRS.

Table 7: **Specific opinion risks**

Specific opinion risks are set out below and will be updated as the audit progresses.

Risk area	Audit response
IFRS transition – Council rated at amber in last IFRS survey but red on leases. Progress still behind schedule. Risk that 2010/11 accounts are materially misstated as new accounting requirements have not been considered or implemented correctly by the Council. This is considered a significant risk	Ongoing discussions with Council officers to assess impact of change. Review of restated balances and comparatives. Accounting treatment followed will be reviewed to ensure that it meets the requirements of the IFRS Code.
Change in senior management – changes to Chief Executive and Directors for Corporate Services, Regeneration, Adult Social Services, Children and Young People. Risk that disruption reduces level of supervision and review and therefore operation of high level controls.	Ongoing discussions with Council officers, including Internal Audit to assess impact of changes. Controls testing. Ongoing review of the control environment.
Financial pressures – following significant reduction in central government funding, the Council is experiencing significantly increased financial pressures. Increased risk of financial misreporting (considered in fraud risk assessment)	Discussions with senior Council officers regarding controls that mitigate the risk of fraud. Letters of assurance to be obtained from management and those charged with governance (TCWG) Monitoring of the Council's reported financial performance. Completion of a fraud risk assessment. Review of the Letter of Representation.

Risk area	Audit response
<p>Voluntary redundancy (VR) – a significant number of staff at the Council are expected to leave employment during 2010/11 and 2011/12. Risks that key staff at the Council leave thereby putting pressure on the arrangements to complete the audit, and increasing pressure on management to demonstrate VR process generates savings. We will also need to consider the accounting treatment in 2010/11 (e.g. how will severance payments be accounted for and ultimately funded as not in 2010/11 budget)</p>	<p>Ongoing discussions with Council officers to assess impact of the change.</p>
<p>Closedown arrangements – working papers and accounts not provided on time, significant issues identified during 2009/10 were not resolved until relatively late in the audit. Risk that if repeated in 2010/11 the audit will not be completed as audit resourcing window is missed (audit team ‘onsite’ prior to working papers and accounts) and material issues are not resolved prior to opinion deadline</p>	<p>Key milestones and timetable is communicated in Table 2 of this plan and will be reported to members on an ongoing basis in our Progress reports.</p>
<p>Manual entries in accounts – weakness identified in respect of journals, off ledger adjustments, changes in senior management and deficiencies in asset records.</p>	<p>All material journals will be reviewed. Review audit trail between accounts and ledger produced to identify entries requiring testing.</p>
<p>Housing benefits expenditure and grant income – our deadline to complete the certification of the housing benefits subsidy claim is after our opinion deadline on the accounts</p>	<p>We will agree amounts in the housing benefits system to the general ledger at the year end. We will complete sufficient work on the housing benefit subsidy claim to demonstrate that the claim is not materially misstated.</p>
<p>I identified 19 non-trivial misstatements (including 3 material misstatements) in the 2009/10 audit – the risk of reoccurrence will be considered and reflected in our audit testing strategy. Issues arising included:</p> <ul style="list-style-type: none"> ■ PFI schools transferred to foundation status ■ Statement of recognised gains and losses (STRGL) ■ Balance sheet assets ■ Service expenditure analysis on the income and expenditure account ■ PFI - lifecycle costs ■ Bad debt provision for council tax 	<p>All misstatements identified in the 2009/10 audit will be carried forward and specifically considered in 2010/11. In particular, we will review:</p> <ul style="list-style-type: none"> ■ the current status of schools and discuss the appropriate accounting treatment with officers ■ the aged debtor and debt recovery analysis to support the reasonableness of the bad debt provision calculation ■ any relevant Local Authority Accounting Panel (LAAP) bulletins.

Risk area	Audit response
There were 7 unadjusted misstatements identified in the 2009/10 audit – the value of unadjusted misstatements previously identified must be considered in conjunction with any misstatements identified in the 2010/11 audit.	We will assess the value of all the unadjusted misstatements from 2009/10.
<p>Asset records – weaknesses were identified in previous audits in relation to the Council’s asset records. If no action is taken there is a risk of misstatement in the following areas:</p> <ul style="list-style-type: none"> - existence of VPE - capitalisation of expenditure on infrastructure assets - completeness of community assets 	<p>Progress against the action plan agreed in the 2009/10 AGR will be monitored throughout the year.</p> <p>Year end substantive testing will be performed specifically addressing the risk areas identified.</p>
Annual governance statement (AGS) - concerns that the statement did not comply with CIPFA guidance and was inconsistent with our knowledge of the Council.	<p>Discussions with members, the ARMC, senior officers and Internal Audit.</p> <p>Early review of the draft AGS presented to members in March 2011.</p>

Source: Wirral Council Audit Plan 2010/11, January 2011

Merseyside Pension Fund

59 There are no changes to the risks identified in the audit plan presented to members in January 2011. There are currently no significant risks.

Table 8: **Specific opinion risks**

Specific opinion risks for the Pension Fund are set out below and will be updated as the audit progresses.

Risk area	Audit response
<p>The Fund has completed a Triennial Actuarial Valuation Review reflecting the position of the Fund at 31 March 2010.</p> <p>Whilst this is not a direct audit opinion risk, it is a key issue as regards the ongoing governance of the Fund. There are risks of increased deficits leading to additional costs from increased employer contributions.</p>	Review the results of the actuarial valuation and MPF's response to changes in valuation.

Risk area	Audit response
<p>MPF has planned to replace its current system used to monitor and control internally managed investments (Shareholder) to a new system in 2010/11.</p> <p>This system replacement was initially planned for 2009/10.</p> <p>There is a risk that the balances will not be accurately transferred between systems and a risk that effective controls are not in place in the new system.</p>	<p>I will review:</p> <ul style="list-style-type: none"> • the arrangements put in place by the Fund to ensure that balances are correctly transferred from the outgoing system to the new system; and • the adequacy of controls in place in the new system and testing of the effectiveness of those controls as necessary. • rely on Internal Audit testing of the transfer of balances.
<p>I am aware that Wirral Council is undergoing a voluntary redundancy process whereby a significant number of employees will leave in 2010/11. If impacting on MPF this may affect the capacity of the finance team to deliver materially correct statements within timescales.</p>	<p>Maintain close dialogue with the PF to keep informed of significant changes in resources. Monitor progress on closedown as appropriate.</p>
<p>From 2010/11 the Pension Fund is required to adopt the International Financial Reporting and Accounting Standards (IFRS) Code. The Code sets out the proper accounting practices that bodies must follow and requires some additional disclosures for 2010/11.</p>	<p>Review the progress of MPF implementing the new requirements of the IFRS Code.</p>
<p>We are aware that contributing bodies to the pension fund are under financial pressure and in many cases are offering voluntary early retirement, voluntary redundancy and possibly may need to make compulsory redundancies in the near future.</p> <p>This may place additional workload on the Pensions team in dealing with the large volume of severance arrangements.</p>	<p>Substantively test lump sums, augmentations, specifically considering cut off and completeness.</p>
<p>The Pension Fund did not carry out reconciliations between the values in AXISe Pensions Payroll and membership administration systems to those in the General Ledger in 2009/10. These are essential procedures which are intended to give the Pension Fund assurance that transactions recorded in the fund account are correctly stated as well as providing controls assurance over receipts and payments in a number of key areas.</p>	<p>Substantively test the reconciliation in 2010/11</p>

Risk area	Audit response
<p>Regulation 42(2) of the Local Government Pension Scheme Regulations 2008 requires employer authorities to pay employee contributions to the administering authority within 19 days of the end of the month to which they relate. Our review of contributions receipts from employers in 2009/10 found that whilst most bodies pay on time, some smaller bodies missed these deadlines regularly, therefore breaching the regulations.</p>	<p>Review compliance of employers in regards to the Regulations.</p>
<p>The Pensions Statement of Recommended Practice (SORP) requires the valuation of investments to be at market value or where the value is not readily ascertainable, at the Fund's estimate of 'fair value'.</p> <p>The Pension Fund's accounting policies describe the methodology used for these investments as 'at manager's valuation' and the process followed for both alternatives and private equity relies on valuation reports provided by the investment managers and/or administrators.</p> <p>It is essential that the preparers of the pension fund financial statements are satisfied that the valuations provided by these specialists comply with the requirements of the SORP.</p> <p>Guidance issued by Pensions Research Advisory Group (PRAG) provides a framework of due diligence for preparers of Pension Fund statements when considering the valuation of investments.</p>	<p>Review the Pension Fund's due diligence procedures for the valuation of investments, including their review and consideration of AAF 01/06, SAS 70 controls reports from investment managers.</p>
<p>The Pension Fund's private equity valuation process relies on monitoring undertaken by Capital Dynamics Ltd under an arrangement dating back to 1991. Our review in 2009/10 of the contract identified that the contract is out of date and does not specify the valuation work.</p>	<p>Review the Capital Dynamics contract to ensure the services are specified, to give the PF assurance on the legal status of the contractual arrangements and the scope of the service provided.</p>

Risk area	Audit response
<p>The Pension Fund's receipts and payments were overstated by £12m in 09/10 due to the incorrect inclusion of Compensatory added years (CAYs). CAYs are awarded under the Local Government Regulations 2000 and therefore fall outside of the LGPS.</p> <p>The LGPS (Misc) Regulations 2009 now permit employers to convert compensatory added years into pension service, however there has to be a resolution by the employing authority to do this conversion by 31 March 2012.</p> <p>This error was unadjusted in 2009/10. ISA (UK&I) 450 (Evaluation of misstatements identified during the audit) now requires me to communicate to you the effect of uncorrected misstatements related to prior periods (appendix 4). When determining whether uncorrected misstatements are material, I am now required to consider the effect of uncorrected misstatements related to prior periods.</p>	<p>Review the Pension Funds treatment of CAYs in 2010/11. Test any CAYs remaining within receipts and payments to ensure there are appropriate resolutions obtained from the employing authority.</p>

Source: Merseyside Pension Fund audit plan 2010/11, January 2011.

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March 2011

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WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

28 MARCH 2011

(SUBJECT:	REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)
WARD/S AFFECTED:	ALL
REPORT OF:	THE DIRECTOR OF LAW, HR AND ASSET MANAGEMENT
RESPONSIBLE PORTFOLIO HOLDER:	CHRIS BLAKELEY
KEY DECISION?	NO

1.0 SUMMARY

- 1.1 This report summarises the use of covert surveillance by the Council between 9 November 201 and 15 March 2011.
- 1.2 This report was requested in the work plan for the Committee.

2.0 RECOMMENDATION/S

- 2.1 That members note the contents of the report

3.0 REASON/S FOR RECOMMENDATION/S

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

4.0 BACKGROUND AND KEY ISSUES

- 4.1 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.
- 4.2 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).

- 4.3 The Council's Constitution authorises the Directors of Law, HR and Asset Management, Technical Services and Finance to designate Heads of Service and Service Managers to authorise the use of covert surveillance in accordance with the procedures prescribed by RIPA.
- 4.4 The Office of Surveillance Commissioners (OSC) is responsible for overseeing the operation of RIPA. The OSC inspected the Council on 1 July 2009. The outcome of that inspection was reported to the Committee on 23 September 2009. The Committee approved amendments to the Council's Policy and Guidance Document made in response to the Report.
- 4.5 New Codes of Practice on covert surveillance have been published by the Home Office. As from 1 April every Council should report quarterly to its Audit and Risk Management Committee on its use of RIPA. The last such report was made to the Committee on 28 September 2010.

5.0 THE USE OF RIPA BY THE COUNCIL

- 5.1 Between 9 November 2010 and 1 March 2011 the Council granted 1 authorisation for covert surveillance.
- 5.2 The authorisation was granted to obtain evidence of serious offences of flytipping at a site in the Borough where this offence has become a public nuisance.
- 5.3 In the same period an existing authorisation for flytipping was reviewed and extended.

6.0 CHANGES IN LEGISLATION

- 6.1 Members will recall public and media concern about the use of surveillance for inappropriate purposes. At the meeting of the Audit and Risk Management Committee on the 28th September 2010 members received a report from the Director of Law, HR and Asset Management outlining Government proposals which would have the effect of severely limiting the use of surveillance by local authorities. Members endorsed the recommendation of the Director of Law, HR and Asset Management to recommend to the Home Office that local authorities be allowed to continue to use covert surveillance to detect crime and disorder, provided it has been authorised by an independent magistrate, be referred to the Cabinet for consideration.
- 6.2 On the 25th November 2010 Cabinet endorsed the report and noted that the number of cases where RIPA had been used in Wirral continues to be relatively low and the responsible and proportionate use of this legislation in

tackling extreme cases of anti-social behaviour, underage sales, fly tipping, trading standards and licensing contraventions be supported.

- 6.3 In July 2010 the Home Secretary announced a review focusing on which security powers could be scaled back in order to restore the balance of civil liberties, including the use of RIPA by local authorities. The review was overseen by Lord MacDonal QC. The Local Government Association provided considerable evidence showing how evidence obtained through proper use of RIPA helped local authorities support communities.
- 6.4 On the 26th January 2011 the Home Office published its review and made the following recommendations concerning local authorities;
- Magistrate's approval should be required for local authority use of RIPA and should be in addition to the authorisation needed from a senior officer and the more general oversight by elected councillors.
 - Use of RIPA to authorise directed surveillance should be confined to cases where the offence under investigation carries a maximum custodial sentence of six months or more. But because of the importance of directed surveillance in corroborating investigations into underage sales of alcohol and tobacco, the Government should not seek to apply the threshold in these cases.
- 6.5 If the recommendations become law, it will become more difficult to obtain evidence of anti social behaviour. Persistent acts of disorder and nuisance will not pass the threshold. Witnesses will be more reluctant to give evidence if the outcome of the case is less certain because the evidence of covert surveillance is no longer available to prove they are telling the truth. They will fear retaliation. The change in the law will protect the right to privacy of suspected perpetrators of anti-social behaviour which will be regarded as a higher priority than the right of their victims to live peacefully and without fear.

7.0 RELEVANT RISKS

- 7.1 Less effective prosecution of instances of anti social behaviour.

8.0 OTHER OPTIONS CONSIDERED

- 8.1 The Council has to accept the will of Parliament.

9.0 CONSULTATION

- 9.1 None

10.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 10.1 None

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

11.1 None at present.

12.0 LEGAL IMPLICATIONS

12.1 The current review of the Regulation of Investigatory Powers Act will require the Council to review its procedures for authorising directed surveillance, access to communications data and the use of covert human intelligence sources.

12.2 Training on the new legislation has been arranged for 7 June 2011.

13.0 EQUALITIES IMPLICATIONS

13.1 Any directed surveillance used will be authorised and conducted in accordance with the requirements of the Regulation of Investigatory Powers Act, including any new requirements concerning approval by a magistrate.

14.0 CARBON REDUCTION IMPLICATIONS

14.1 None

15.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

15.1 None.

**REPORT AUTHOR: Bill Norman
Director of Law, HR and Asset Management**

APPENDICES

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years) AND BACKGROUND PAPERS

Council Meeting	Date
Reports to the Audit & Risk Management Committee	23 September 2009 30 June 2010 28 September 2010 22 November 2010
Report to the Cabinet	26 November 2010

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

28 MARCH 2011

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

1.0 EXECUTIVE SUMMARY

- 1.1. The CIPFA guidance Audit Committees – Practical Guidance for Local Authorities recommends that the Members of an Audit Committee should receive specific training in their role and responsibilities as Members of that Committee. This report recommends suitable training for 2011-12.

2.0 RECOMMENDATION

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

3.0 REASON FOR RECOMMENDATION

- 3.1. To agree Members training for 2011-12.

4.0 BACKGROUND AND KEY ISSUES

- 4.1. Since 2006 the training requirements have been comprehensively achieved at minimum cost by appointing one of the Members of the working party who wrote Audit Committees – Practical Guidance for Local Authorities to undertake the training. The course has been supplied over two sessions at a cost of £2,500.
- 4.2. The Practical Guidance for Local Authorities recommends that induction training should be provided for all Audit Committee Members and cover:-
- the role of the Committee
 - the terms of reference
 - the time input required of Members
 - an overview of Council activities
 - the financial and risk environment

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

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

4.3. The training provided to date has generally been viewed by the Members of the Committee as very useful. Therefore I recommend that the existing trainer, Anna Klonowski, is retained for Members training in 2011-12.

4.4. I recommend that a training session should be arranged for early in the new municipal year before the first scheduled meeting of this Committee in June 2011. This would be particularly beneficial to Members because at that meeting Members will be requested to approve the Statement of Accounts for 2010-11.

5.0 RELEVANT RISKS

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

6.0 OTHER OPTIONS CONSIDERED

6.1 No other options were considered.

7.0 CONSULTATION

7.1 No consultation has been undertaken.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are no direct implications arising from this report.

9.0 RESOURCE IMPLICATIONS

9.1 There are none arising directly from this report.

10.0 LEGAL IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report.

FNCE/32/11

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APPENDICES

None

REFERENCE MATERIAL

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

SUBJECT HISTORY

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

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