



## Audit and Risk Management Committee

<b>Date:</b>	Thursday, 30 June 2011
<b>Time:</b>	6.15 pm
<b>Venue:</b>	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 - 10)**

To receive the minutes of the meeting held on 28 March 2011.

The Committee is also requested to consider an update from the Interim Director of Adult Social Services in relation to risks associated with personalisation (minute 88 refers).

**3. APPOINTMENT OF VICE-CHAIR**

The Committee is invited to appoint a Vice-Chair for the ensuing municipal year.

**4. BUDGET PROJECTIONS 2012/2015 (Pages 11 - 16)**

**5. INTERNAL AUDIT UPDATE (Pages 17 - 26)**

**6. INTERNAL AUDIT ANNUAL REPORT 2010/2011 (Pages 27 - 52)**

**7. CORPORATE RISK AND INSURANCE MANAGEMENT (Pages 53 - 58)**

8. **AUDIT COMMISSION FEES 2011/2012 (Pages 59 - 66)**
9. **AUDIT COMMISSION FEES 2011/2012 - MERSEYSIDE PENSION FUND (Pages 67 - 70)**
10. **AUDIT COMMISSION PROGRESS REPORT (Pages 71 - 114)**
11. **AUDIT COMMISSION REPORTS (Pages 115 - 142)**
12. **FINANCE DEPARTMENT PLAN (Pages 143 - 166)**
13. **FUTURE OF LOCAL PUBLIC AUDIT (Pages 167 - 182)**
14. **ANTI MONEY LAUNDERING POLICY (Pages 183 - 208)**
15. **BRIBERY ACT 2010 (Pages 209 - 224)**
16. **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) - QUARTERLY UPDATE (Pages 225 - 242)**
17. **MEMBERS TRAINING (Pages 243 - 246)**
18. **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 1)**
19. **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

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

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

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

## AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 28 March 2011

Present:

Councillor	S Mountney (Chair)		
Councillors	RL Abbey	J Crabtree	
	P Reisdorf	D Dodd	
	C Povall	A Brighthouse	

### 80 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.

Councillor R Abbey declared his personal interest in agenda item 9 – Internal Audit Plan 2011/2012 (see minute 88 post) in so far as it related to the implementation of the Personalisation Agenda, as a family member was a service user and had recently been the subject of a financial assessment.

No further declarations were made.

### 81 MINUTES

**Resolved – That the minutes of the meeting held on 17 January 2011, be approved.**

### 82 BUDGET PROJECTIONS 2012 - 2015

The Director of Finance presented the projected budget for 2012-2015, following the agreement of the budget for 2011-2012 at the meeting of the Council held on 1 March 2011. He set out the key assumptions which underpinned the projections and highlighted grant negotiations, other legislative issues and the impact of savings previously agreed by the Cabinet. The Director commented that the budget projections were the most likely outcome from a wide range of options and would also be subject to the impact of a number of issues upon which the Government was consulting. Consequently, he indicated that whereas the shortfall of £21.3m projected for 2012/2013 was relatively firm, the situation from 2013 onwards was less so, because of the uncertainty in relation to grant income.

In response to a comment from a Member with regard to a pay award not being made in 2012/2013, the Director indicated that it was not a matter that the Government could enforce on local authorities. However, in the absence of a pay rise, the £1m set aside would be returned to balances, thereby reducing the projected shortfall.

**Resolved – That the budget projections be regularly reviewed.**

## 83 STRATEGIC CHANGE PROGRAMME - REPORTING TIMESCALES

The Director of Finance presented a report of the Director of Technical Services, which set out the timescales for the presentation of reports to the Cabinet on the progress of the Strategic Change Programme. The Committee had identified the Strategic Change Programme as a critical issue for the Council and it had been included in the current year's Audit Plan. A Member referred to the risks associated with the non-delivery of benefits of the Strategic Change Programme, and commented specifically upon the risks associated with the decision to retain Fernleigh respite centre (Cabinet minute 359 (17 March 2011) refers) in the light of key staff having left under Early Voluntary Retirement/Voluntary Severance.

**Resolved –**

- (1) That the timescales for the submission of Strategic Change Programme progress reports to the Cabinet be noted.**
- (2) That the Health and Well Being Overview and Scrutiny Committee be requested to seek assurances from the Director of Adult Social Services in relation to the risks associated with the decision of the Cabinet to retain Fernleigh respite centre in the light of key staff having left under Early Voluntary Retirement/Voluntary Severance.**

## 84 ANNUAL GOVERNANCE STATEMENT 2010/2011

The Director of Finance reported that the preparation and publication of an Annual Governance Statement was necessary in order to meet fully the statutory requirements of Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006), which 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 required the findings of the review to be considered by a Committee of the Council. In response to a question from a Member in relation to whether staffing levels within Internal Audit were sufficient to undertake the assurance work, the Director referred to reorganisation that was taking place to ensure that the Department was able to continue to perform as required. The proposed changes would be set out in the Departmental Plan, which he proposed to circulate to Members once it had been agreed with the relevant portfolio holder.

A Member referred to paragraph 3.10 of the draft Statement (Transparency of the Decision Making Process) and referred to effective scrutiny not being possible when "call-in" was waived by the Cabinet in relation to key decisions.

**Resolved –**

- (1) That the Annual Governance Statement for 2010/2011 be included in the Statement of Accounts 2010/2011.**
- (2) That the Director of Law, HR and Asset Management be requested to respond to the concerns expressed in relation to the waiver of call-in by the Cabinet and that the response be circulated direct to each Member of the Committee.**

85 **ANNUAL REPORT**

Further to minute 63 (17 January 2011), the Chief Internal Auditor presented the Annual Report 2010/2011, which had been prepared by the Chair in consultation with Internal Audit after having given Members of the Committee the opportunity to review the document or to suggest any amendments to it.

**Resolved – That the draft Annual Report be approved and submitted to the Cabinet.**

86 **SELF ASSESSMENT**

Further to minute 62 (17 January 2010), the Chief Internal Auditor reported upon the requirement to complete an evaluation of the role and effectiveness of the Audit and Risk Management Committee as part of the systems of internal audit. He presented a self assessment checklist that had been completed by the Chair to achieve the task, together with an Action Plan developed following the exercise, which contained two recommendations related to external audit performance assessment and Member training to improve existing systems in operation.

**Resolved –**

**(1) That the self assessment checklist be approved.**

**(2) That the thanks of the Committee be accorded to the Chair and officers within Internal Audit for the work undertaken in completing the self assessment.**

87 **INTERNAL AUDIT UPDATE**

The Chief Internal Auditor reported that in order to assist in effective corporate governance and fulfil statutory requirements, the Internal Audit Section of the Finance Department reviewed management and service delivery arrangements within the Council as well as financial control systems. Work areas were selected for review on the basis of risks identified on the Corporate Risk Register and as assessed by Internal Audit in consultation with Chief Officers and Managers. The report provided an evaluation of the performance of the Internal Audit Section and included details of the actual work undertaken during the period 1 December 2010 and 28 February 2011. He commented that although there were no items of significance identified during the audit process that required action by the Members an item of note related to the significant work undertaken in relation to the Annual Governance Statement.

In response to questions from Members in relation to the work undertaken as part of the National Fraud Initiative, the Chief Internal Auditor reported that the exercise had been a great success and he anticipated that work would continue in the future, with a more pro-active approach being adopted. He commented also that, although there had been a reduction in staffing levels, restructuring had resulted in a focus on key areas of work, whilst still providing assurance for the Council.

**Resolved – That the report be noted.**

## 88 INTERNAL AUDIT PLAN 2011-2012

The Chief Internal Auditor presented the Annual Plan of work for the Internal Audit section in 2011/2012, which was intended to provide the assurance needed by the Chief Executive and the Leader of the Council that the risks to the Council's objectives were being adequately identified and effectively controlled. The plan amounted to a total planned resource of 3814 audit days, of which 2709 days would support the provision of the annual assurance opinion on the effectiveness of the Council's control systems and the Annual Governance statement. In preparing the plan, due recognition had also 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.

A Member referred to work being undertaken within the Department of Adult Social Services in relation to the implementation of the Personalisation Agenda, which was a radical change to more directed support that required financial assessments to be undertaken so as to minimise the risks of loss to vulnerable service users and the Council. He commented that 70% of assessments had not yet been undertaken and suggested that the Interim Director of Adult Social Services should have been in attendance to provide clarification as to who would undertake the outstanding assessments now that the Home Assessment and Reablement Team (HARTS) no longer existed. Service user finances continued to be a key risk area and information was also sought with regard to the impact for the authority if the financial assessments were not carried out.

**Resolved –**

- (1) That the report be noted and, subject to (2) below, the Internal Audit Plan 2011/2012 be endorsed.**
- (2) That the Interim Director of Adult Social Services be requested to give consideration to the issues highlighted in relation to the risks associated with the Personalisation Agenda and to present a brief report to the next meeting of this Committee.**

## 89 CORPORATE RISK AND INSURANCE MANAGEMENT

The Director of Finance reported upon recent progress made against the existing objectives for Corporate Risk and Insurance Management and the anticipated developments in the coming months.

**Resolved – That the report be noted.**

## 90 ACCOUNTS AND AUDIT REGULATIONS

The Director of Finance reported that the Department for Communities and Local Government (DCLG) had issued a consultation document as part of a regular series of updates to the Accounts and Audit Regulations. He provided details of the proposed amendments which, inter alia, proposed that it would only be necessary for the responsible finance officer to certify the presentation of the accounts by 30 June; the Statement of Accounts not therefore being presented to the

Committee until 30 September, by when the responsible finance officer must have then re-certified the accounts.

The Director presented his response to the consultation and commented that the proposals reflected recommendations, requests and issues that had been raised by the Audit Commission, the Chartered Institute of Public Finance and Accountancy and other relevant bodies to whom the regulations applied.

**Resolved –**

- (1) That the response to the consultation, which had to be submitted by 8 March 2011, and the proposed amendments to the Accounts and Audit Regulations which become effective on 31 March 2011, be noted.**
- (2) That a training session be arranged for mid-July in order to give Members a greater understanding, both of the changes to their responsibilities and the content of the Statement of Accounts; and all Members of the Council be invited to attend.**

## 91 **AUDIT COMMISSION PROGRESS REPORT**

The District Auditor presented an update of ongoing work at the Council and informed Members of the risks arising from the audit, under the International Standard on Auditing (United Kingdom and Ireland) 300. Key messages were that the implementation of the International Financial Reporting Standards (IFRS) continued to be a significant challenge for the Council, with the restatement exercise being subject to delay. However, work was progressing to plan in relation to documenting and testing systems and processes, the Merseyside Pension Fund audit and value for money work. He reported upon Public Interest Disclosure Act (PIDA) work and commented upon the significant progress made by the Council as part of the National Fraud Initiative (NFI).

In response to questions from Members as to whether there were sufficient staffing resources to ensure compliance, the Director of Finance indicated that there would be no senior members of staff leaving under Early Voluntary Retirement/Voluntary Severance until the end of June, after the closure of the accounts. In response to further comments with regard to the success of the work undertaken as part of the National Fraud Initiative, the Director indicated that Wirral had been very supportive of the NFI, with the support of the District Auditor, and he had written to the Secretary of State to express concern as to the future of the initiative following the abolition of the Audit Commission.

The District Auditor reported also that the DCLG was about to publish a consultation document regarding the future of local public audit.

**Resolved –**

- (1) That the Audit Commission Progress Report be noted.**
- (2) That, in the light of the success of the work undertaken by officers as part of the National Fraud Initiative, the Cabinet be requested to consider**

**increasing investment so as to allow the work to be undertaken to combat fraud during 2011/2012 to be expanded.**

92 **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**

In accordance with the Home Office Code of Practice on covert surveillance, the Director of Law, HR and Asset Management presented a quarterly summary of the use of covert surveillance by the Council under the Regulation of Investigatory Powers Act 2000 (RIPA), between 9 November 2010 and 15 March 2011. He reported that RIPA enabled the Council to use covert surveillance for the purpose of preventing or detecting crime or preventing disorder and that, during the monitoring period, one authorisation had been granted to obtain evidence of serious offences of flytipping at a site in the Borough where the offence had become a public nuisance.

The Director reported also that in the light of public and media concern about the use of surveillance for inappropriate purposes by some authorities, a review had been undertaken by the Home Office, which focused upon which security powers, including the use of RIPA by local authorities, could be scaled back in order to restore a balance of civil liberties. The review was published on 26 January 2011, 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

The Director expressed his view that, if the recommendations became law, it would become more difficult to obtain evidence of anti social behaviour and persistent acts of disorder and nuisance would not pass the threshold. Witnesses would be more reluctant to give evidence if the outcome of the case was less certain because the evidence of covert surveillance was no longer available to prove they were telling the truth. They would fear retaliation. The change in the law would protect the right to privacy of suspected perpetrators of anti-social behaviour which would be regarded as a higher priority than the right of their victims to live peacefully and without fear.

**Resolved – That the report be noted.**

93 **MEMBERS TRAINING**

The Director of Finance reported that the CIPFA guidance Audit Committees – Practical Guidance for Local Authorities recommended that the Members of an Audit Committee should receive specific training in their role and responsibilities as Members of that Committee. He commented that since 2006 the training requirements had 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 had previously been supplied over two sessions at a cost of £2,500 and he indicated that,



dependant upon the membership of the Committee in 2011/2012, both basic and advanced training could be provided.

**Resolved –**

- (1) That the existing trainer, Anna Klonowski, be retained for Members training in 2011/2012.**
- (2) That training sessions be arranged for early in the new municipal year before the first scheduled meeting of the Committee in June 2011.**

94 **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR - DCLG CONSULTATION**

The Director of Finance reported that the DCLG was about to publish a consultation document regarding the future of local public audit. The document would also consult upon the future of Audit Committees and, whether their membership should include independent members and an independent Chair. The Director indicated that it was important to respond to the consultation document, when it was received, and proposed that he do so, following consultation with the Chair.

**Resolved –**

- (1) That the DCLG consultation paper on the future of local public audit be circulated to all Members of the Committee, when it becomes available.**
- (2) That the Director of Finance be authorised to respond to the consultation document, following consultation with the Chair, and the response be circulated to all Members of the Committee.**

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**WIRRAL COUNCIL**  
**AUDIT & RISK MANAGEMENT COMMITTEE**  
**THURSDAY 30 JUNE 2011**

**Action / Response to Minute 88 (ARM 28.03.11) - Note of Clarification**

The Director of Adult Social Services was asked by the last meeting of the Audit and Risk Management Committee to provide clarification on a number of issues relating to personalisation. The position regarding the matters raised by members of the Committee is as follows: -

1. The requirement on the Authority to carry out self directed assessments with service users is set out in National Indicator 130. This measures the proportion of such clients who have received an assessment. The national target, and that for Wirral, is that 30% of clients were to have received an assessment by 31 March, 2011 and that 100% would by 31 March, 2012. 30% would therefore represent achieving the national target on profile rather than failing 70% of clients.
2. On 1 November 2010, just 8% had received self directed support. This was because the Council had taken a cautious approach and had been testing out these arrangements through a controlled pilot group. This meant that those service users who had received assessments and reviews under the existing arrangements for service provision could not be counted. Cabinet agreed to extend the personalisation project to all service users in October 2010 and therefore the task was to ensure that the department met its NI130 target by increasing the number of self-directed support for the remainder of the year.
3. Managers and staff within DASS undertook a major programme of work to accelerate the pace of personalisation. This involved weekend working to ensure records were up to date and that all assessments were counted. The result was that by 31 March 2011, 31.6% of eligible clients had been offered self-directed support. The target had been met, contrary to the expectations of the Department of Health in October and the previous CQC report which had raised a concern that the pace of change in relation to personalisation was too slow.
4. The Director received, on 12 June, the results of a national survey of local authorities' performance on NI130. This shows Wirral's figure at the end of May stands at 41%. This compares with a national average of 37%. Wirral ranks 41<sup>st</sup> of the 153 authorities, comfortably in the top 3<sup>rd</sup>. In October 2010 Wirral was in the bottom 5.
5. Financial assessments, as well as assessments of need continue to be carried out by the staff of the department. These result in an indicative budget for each

service user. Support planning then takes place with help from DASS staff and, if desired, support from an independent advocate. These new processes are being carefully monitored alongside a review of the resource allocation system with a view to bringing forward in the Autumn recommendations for the refinement and development of the system based on the lessons of the first year. In terms of the wider social care market contracts for domiciliary care personal supported living and residential and nursing care have all been updated to ensure that service will be provided in a personalised way and focussed on delivering outcomes such as improved health and well-being and dignity in care.

6. The DASS reablement service HART (Home Assessment and Reablement Team) has now been replaced by a new service, STAR (Short-Term Assessment and Reablement). The difference in the new service is that the hands on enablement care will be delivered by accredited independent sector providers. The STAR service has an important role in helping people to return home and live independently following illness and discharge from hospital. The STAR service has a critical role in supporting people through an assessment and recovery process which then provides an opportunity for a support planned and personal budget to be organised following their discharge from the service.
7. The STAR service is now established. It will be co-located with WUTH and our locality teams. It has so far taken 50 referrals in its first month as part of a phased build up to what will be approximately 150 referrals per month. The interim arrangements are being similarly phased down in a carefully planned way. Work goes on with the independent providers of the enablement part of the service to make sure that training is thorough and quality is high. This is progressing well.
8. The changes to DASS have provided further opportunity to develop integrated working with Wirral University Teaching Hospital, particularly around the work of occupational therapists, physiotherapists, community nurses and in planning for effective discharge. During the period that the new service was being established, interim arrangements were put in place by DASS, NHS Wirral and WUTH to make sure that prompt, safe discharge could take place. These resulted in the rate of delayed discharge from WUTH being amongst the lowest in the region. DASS, NHS Wirral and WUTH have been invited to make a presentation of this work to a regional conference in late June as a case study of excellence in partnership working.

Howard Cooper  
Interim Director of Adult Social Services

**WIRRAL COUNCIL**

**AUDIT AND RISK MANAGEMENT COMMITTEE**

**30 JUNE 2011**

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

**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 presented to the Cabinet on 2 June 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 annum 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. The revaluation scheduled for March 2013 will be implemented from 2014.
- d) National Insurance – Employers NI changes will cost an additional £1m.
- e) Waste Disposal - Landfill Tax is increasing by £8 per ton per annum, an increase of 50% between 2010-11 and 2014-15. The levy is assumed to increase by £1.5m per annum from 2013.
- f) Merseytravel - From 2013 the levy is assumed to increase by £1m per annum.

- g) Schools - it is assumed that the Schools Budget will vary in line with the Dedicated Schools grant.
- h) Academies – the Department for Education will reduce the budget by a further £0.9m in 2012-13 to fund academies.
- i) 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.
- j) 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 the Local Government Resource Review (LGRR) to be concluded by July 2011. Clearly this will have a major impact on the budget projections for 2013-15 included in the appendix. The Terms of Reference for phase I of the LGRR were reported to Cabinet on 14 April 2011.
- 4.2.3. The Government has announced a new general grant, the Local Services Support Grant of £1.2m. This absorbs a number of previous specific grants totalling £0.5m.
- 4.2.4. The New Homes Bonus of £0.3m has also been released as a general grant.

## 4.3 Other Legislative Issues

- 4.3.1 Independent Public Service Pensions Commission – Final recommendations issued on 10 March 2011. The detailed Government response is expected in Autumn.
- 4.3.2 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 Cabinet on 17 March 2011 agreed to reinstate the budget for Fernleigh for 2011-12 at a cost of £0.5m.
- 4.4.5 Therefore the balances are projected to be £6.3m at 31 March 2012.
- 4.4.6 The minimum recommended balances are £6.0m.

#### 4.5 Savings

- 4.5.1 Cabinet has agreed to the following savings:-

	2012-13	2013-14	2014-15
	£000	£000	£000
Human Resources IT System	474	100	20
Integrated Transport	340	250	
Family Group Conferencing	130		
IT Services	400	400	400
Benefits	1,200		
Printing Services	<u>250</u>		
	2,794	<u>750</u>	<u>420</u>

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

	£000
Looked After Children	670
Disposal of Assets	310
Office Rationalisation	123
Street Lighting	100
DASS Market Management	<u>847</u>
	2,050

- 4.5.3 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 has 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 will be consulting on a number of issues which will impact on the budget projections. I will 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/102/11



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## **APPENDICES**

Budget Projections 2012-15

## **REFERENCE MATERIAL**

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

## **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
This report is revised for each meeting of the Cabinet.	

**Wirral Council  
Budget Projections 2012-15**

	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Base Budget	294.8	281.0	267.2
Increased Requirements			
Pay Inflation	1.0	3.5	3.5
Price Inflation	4.2	4.2	4.2
Capital Financing	1.9	2.0	2.0
Pension Fund	0.3	0.3	2.5
National Insurance	1.0	-	-
Academies	0.9	-	-
Waste Disposal	-	1.5	1.5
Merseytravel	-	1.0	1.0
Specific Grant Transfer	0.5	-	-
Other Unavoidable Growth	1.0	1.0	1.0
Efficiency Investment	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
	307.6	296.5	284.9
Reduced Requirements			
Income Inflation	-1.0	-1.0	-1.0
Savings Agreed	-2.8	-0.7	-0.4
Additional Savings	<u>-2.0</u>	<u>-</u>	<u>-</u>
	301.8	294.8	283.5
Resources			
Formula Grant	144.8	131.0	117.0
Council Tax Grant	3.3	3.3	3.3
Local Services Support Grant	1.2	1.2	1.2
New Homes Bonus	0.3	0.3	0.3
Council Tax	<u>131.4</u>	<u>131.4</u>	<u>131.4</u>
Forecast Resources	281.0	267.2	253.2
Shortfall	20.8	27.6	30.3

## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

30 JUNE 2011

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

#### 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 however a number of items of note concerning ongoing audit work are included at Section 4.5.
- 1.3. The Internal Audit Plan for 2011/12 was approved by this Committee at its meeting in March 2011.
- 1.4. The Internal Audit Plan identifies all audits required to provide the Council with adequate assurance regarding the effectiveness of its systems to manage and mitigate identified risks to the achievement of the Council's objectives. It is essential therefore that the audit plan is delivered to ensure that the 'annual assurance opinion' on the effectiveness of the Council's control environment supports the delivery of the Annual Governance Statement. I am confident of achieving this objective by year end.

#### 2.0 RECOMMENDATION

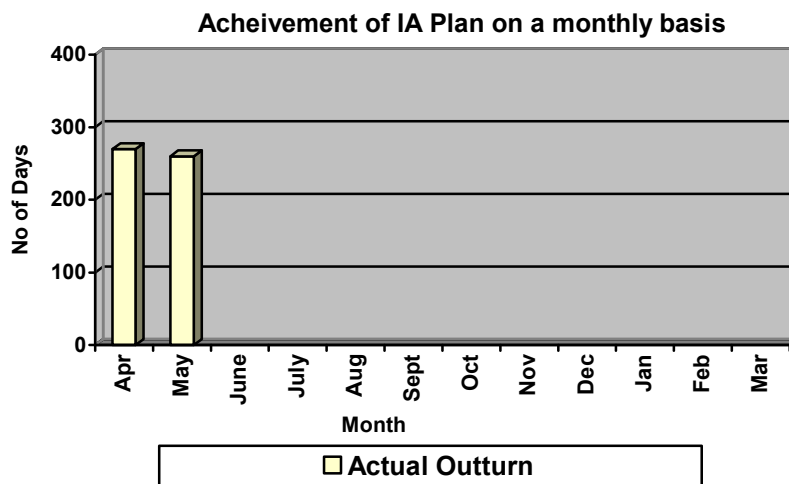
- 2.1. That the report be noted and appropriate action be taken by the Members as deemed necessary.

### 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 risks to the Council are managed effectively.
- 3.3 To ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

### 4.0 BACKGROUND AND AUDIT OUTPUT

- 4.1. This report summarises the audit work completed during the period 1<sup>st</sup> April 2011 to 31<sup>st</sup> May 2011. The specific nature of the work that has been undertaken or is currently ongoing is identified in Appendix I. 22 audits were undertaken during this period identifying 18 high and medium priority recommendations to address risks and improve systems in operation across the Council. Management has agreed to implement all of the recommendations made within a satisfactory timescale and follow up audits are scheduled to monitor progress. Those reports identifying high priority recommendations are analysed in more detail in section 4.4 of this report.
- 4.2. The Service constantly evaluates the effectiveness of its performance including a number of performance indicators in key areas as identified for the period 2011/2012 financial year.
  - 4.2.1. To ensure that the Internal Audit Plan is delivered by the 31 March 2012.



- (a) This is an input based measure i.e. the estimated number of days required each month to deliver the whole of the Internal Audit Plan. 3600 days were identified at the start of the year as being necessary to deliver the plan, equating to approximately 300 days per month. As can be seen from the graph, approximately 265 days on average have been available each month to date. This is mainly due to a slight shortfall in staff resources due to professional studies and some members of staff being deployed assisting an external investigation carried over from 2010/11 that was not scheduled for

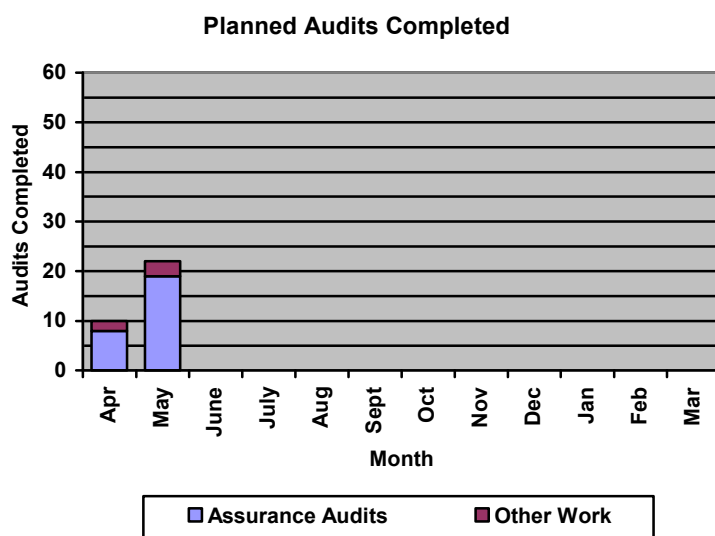
inclusion in the current plan. This shortfall is not considered significant and the Service is very confident of achieving its identified targets.

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

4.2.2 To ensure that all planned audits are completed.

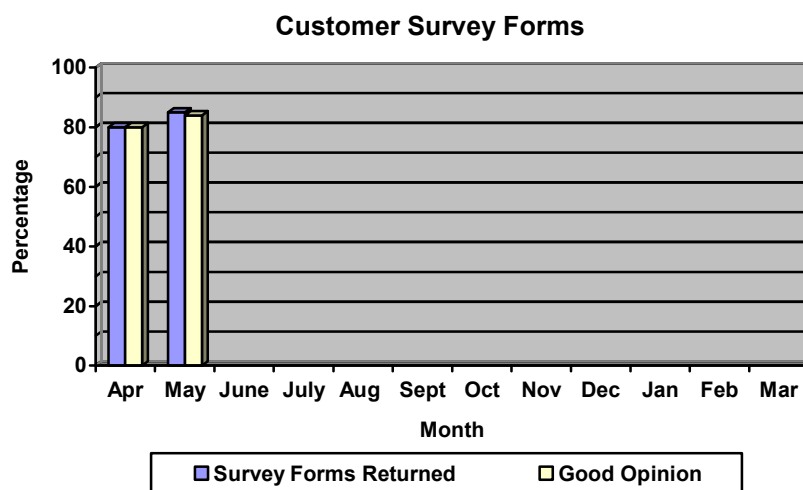
- (a) The Internal Audit Plan as agreed by this Committee at its meeting on 23 March 2011 comprised a substantial number of audits essential to the provision of the 'annual assurance opinion' and was designed to review the key risks to Council systems at the time of writing. Delivery of the identified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

- (b) The graph below shows the planned work completed and the assurance provided.



- (c) A significant number of audits are currently being undertaken and are scheduled for completion before the end of the first quarter. 22 audits have actually been undertaken to date, and reports in respect of these have either been discussed with managers or are in the process of being. This represents 92% of those planned for the period.
- (d) Overall performance is only slightly below target, primarily as a result of a number of investigations not originally included in the audit plan and the slight shortfall in the staffing resource resulting from this. A significant number of audits are however currently ongoing and scheduled for completion later this quarter but have not been identified in the above table at this moment because of their status.

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
Repairs and Maintenance - Schools	2	-	2*
Bribery Act	1	-	1*
Creditor Payments	1	-	2*
Audit Commission Reports – Law, HR & Asset Management	1	-	1*
Children Care Homes Investigation	1	-	2*
Corporate Governance (AGS - 2009/10)	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) CRC Energy Efficiency

The Internal Audit Service is about to undertake a review of the Authority's compliance with the requirements of the CRC Energy Efficiency Scheme to ensure that Wirral accurately reports its energy usage to the Environment Agency, by 29<sup>th</sup> July 2011, and purchases the right level of carbon allowances. Failure to submit accurate, timely records may result in the Authority being fined, with accompanying damage to Wirral's reputation. More work is scheduled for later in the year in this area to evaluate the Council's ongoing commitment to this important initiative and Members will be updated accordingly.

- (b) Departmental Management Team Meetings

The Internal Audit Service has recently completed a series of visits to departmental management teams to engage with managers regarding the role of Internal Audit during 2011/12 following the preparation of the Internal Audit Plan. Discussions took place regarding the increased importance of maintaining an effective control environment in all areas of the Council's service delivery areas in these very challenging times. The sessions provided the opportunity for detailed discussions regarding the different types of risks presented across the Council and the requirement for managers to ensure that systems are designed and implemented effectively to mitigate all of the risks presented. The sessions were well received by Chief Officers and managers and should assist in the development and implementation of a robust and well embedded risk control environment across the whole of the organisation.

(c) On Line Fraud Training

Later this month the Service is about to roll out online counter fraud training to all employees of the Council. The training which has been tailored to reflect the policies and procedures of Wirral Council will address any gaps and place Wirral in the best possible position to counter fraud, something that is essential in the current economic climate where there is an increased risk in evidence. In addition to identifying types of fraud the training will explain what the Council currently does to counter fraud and will remind staff of procedures to be adopted if they suspect any form of fraud against the Council. The training also creates an opportunity to ensure that employees are up to date about their responsibilities under the new Bribery legislation and Money Laundering regulations. Those employees with no access to the Internet will be trained by a series of "face to face" sessions presented by members of the Internal Audit Counter Fraud team.

(d) 16 to 19 Year Old School Funding

The Service is currently undertaking an audit of the information provided by a sample of individual Schools so as to provide assurance that the funding claimed for their sixth forms are based upon accurate information. The assurances provided are required by, and are reported to, the Young People's Learning Agency (YPLA), the government agency which administers the funding for school sixth forms. Findings would have implications for the future funding of the relevant School's sixth form if these are material in nature. This is the first time that Internal Audit have undertaken this work as it was previously undertaken by the Learning and Skills Council, which the YPLA has now replaced. Visits to Schools are being programmed in for June, and must be completed before the end of term in July 2011.

**5.0 RELEVANT RISKS**

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

**6.0 OTHER OPTIONS CONSIDERED**

- 6.1 No other options considered.

**7.0 CONSULTATION**

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

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

- 8.1 There are none arising from this report.



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

9.1 There are none arising from this report.

## **10.0 LEGAL IMPLICATIONS**

10.1 There are none arising from this report.

## **11.0 EQUALITIES IMPLICATIONS**

11.1 There are none arising from this report.

## **12.0 CARBON REDUCTION IMPLICATIONS**

12.1 There are none arising from this report.

## **13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

13.1 There are none arising from this report.

**REPORT AUTHOR:** Mark P Niblock  
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FNCE/

## **APPENDICES**

Appendix 1: Internal Audit Work Conducted/Ongoing – April 2011 to May 2011

## **REFERENCE MATERIAL**

Internal Audit Plan 2011/12

## **SUBJECT HISTORY (last 3 years)**

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

## **APPENDIX I**

### **INTERNAL AUDIT PLAN 2011/12**

#### **WORK CONDUCTED/ONGOING – APRIL 2011 TO MAY 2011**

##### **1. SYSTEMS**

- (a) Finance
  - Creditors
  - Council Tax – Fair Debt policy
  - Housing Benefits - Overpayments
  - Housing Benefits - Payments
  - Benefits (HB & CT) – Write Offs
  - Benefits (HB & CT) Assessments
  - Payroll – Core System
  - Payroll – Self Service
  - Pensions – Investments Strategy
  - NNDR – Write Offs
  - Call Centre
  
- (b) Law, HR and Asset Management
  - Corporate Governance
  - Anti Money Laundering
  - Bribery Act
  - Job Evaluation
  - Constitution Codes
  - Redeployment
  - Partnerships
  - Licensing
  - Registrars
  
- (c) Children & Young People
  - Schools - Reviews
  - Children's Centres
  - Risk Management
  - 16 – 19 Funding
  
- (d) Technical Services
  - Works Contracts (Estimates/Variations)
  - Cultural Services – Financial Systems
  - Road Safety
  
- (e) Adult Social Services
  - Travel and Subsistence
  - Commissioning & Procurement
  - Care Quality Commission review
  - Personal Budgets
  
- (f) Corporate Services
  - Advertising Hoardings
  - Empty Property Strategy

- (g) Corporate Systems
  - Corporate Governance
  - Annual Governance Statement
  - National Fraud Initiative
  - Performance Indicators
  - Risk Management
  - Strategic Change Programme
  - Electronic Tendering
  - Grants

2. **SCHOOLS**

- (a) Repairs and Maintenance
- (b) Calday School
- (c) 16 – 19 Funding
- (d) Statement on Internal Control

3. **ICT**

- (a) Automated Invoice Scanning
- (b) Information Management
- (c) Wireless Networks
- (d) Payment Card Industry
- (e) Webmail
- (f) Business Continuity/Disaster Recovery
- (g) IT Service Desk
- (h) ORACLE Enterprise Asset Management

4. **ANTI-FRAUD**

- (a) National Fraud Initiative
- (b) Bribery Act
- (c) Receipt of Tenders
- (d) Fraud Awareness exercise

5. **INVESTIGATIONS**

- (a) DASS
- (b) Multicultural Centre
- (c) Children's Care Home

6. **OTHER**

- (a) Final Accounts

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## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

30 JUNE 2011

<b>SUBJECT:</b>	<b>INTERNAL AUDIT ANNUAL REPORT 2010/11</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>COUNCILLOR ADRIAN JONES</b>
<b>KEY DECISION ?</b>	<b>NO</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 The Internal Audit Section of the Finance Department plans and completes audits to review all relevant areas of risk.
- 1.2 Reports, including recommendations produced following audits are presented to managers. An overall report is produced annually.
- 1.3 This report presents the Internal Audit Annual Report for 2010/11.

#### **2.0 RECOMMENDATION**

- 2.1 That the report is noted.

#### **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 provide the Members with 'reasonable assurance' that the Internal Audit Service is compliant with professional best practice including the CIPFA Code of practice for Internal Audit in Local Government.
- 3.3 To ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

#### **4.0 BACKGROUND**

- 4.1 The Accounts and Audit Regulations require that a local authority "shall maintain an adequate and effective system of internal audit".

- 4.2 In order to meet the statutory requirements the Internal Audit Section has conducted audits to review the operation of the internal control systems. The work has been conducted in accordance with professional standards set by the Audit Practices Board, CIPFA and the Institute of Internal Auditors.
- 4.3 Quarterly meetings take place with the Audit Commission to explain Internal Audit's work and findings and all copy audit reports are submitted to them following their request. They have continued to express their satisfaction with the work of Internal Audit and have relied upon the service for specific aspects of work.

## **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, external inspection agencies and other stakeholders are consulted throughout the process of preparing and delivering the Annual Audit Plan which is fundamental to the development and preparation of the Internal Audit Annual Report.
- 7.2 Issues identified for inclusion within the Internal Audit Annual Report have been discussed with the Audit Commission at regular scheduled meetings.

## **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/147/11

**REPORT AUTHOR:** Mark P Niblock  
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## **APPENDICES**

Appendix 1: Internal Audit Annual Report 2010/11

## **REFERENCE MATERIAL**

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

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Audit and Risk Management Committee	Annual report presented to June meetings of this Committee during last 3 years.

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**Wirral Council  
Internal Audit Service**

**Annual Internal Audit Report  
2010/2011**

**May 2011**

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## **1 Introduction**

### **Purpose of This Report**

- 1.1 As part of Wirral Council, the Internal Audit Service is an assurance function that primarily provides an independent and objective opinion on the adequacy of the whole of the organisation's control environment. The scope, responsibility and assurance function role is defined in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (as reported to this Committee and attached at Appendix A). It requires the head of internal audit to provide a written report to those charged with governance, timed to support the Statement on Internal Control – now subsumed into the Annual Governance Statement – which includes an opinion on the overall adequacy and effectiveness of the organisation's control environment. This report presents my opinion based upon the work the Internal Audit Service has performed.
- 1.2 This report covers the period 1 April 2010 to 31 March 2011 and is timed to support the Annual Governance Statement for that year.
- 1.3 The scope of our work, management and audit's responsibilities, the basis of the assessment, and access to this report are set out in Appendix A to this report.

### **Interim Reports**

- 1.4 This report builds on the matters reported which remain relevant and have been the subject of discussions throughout the year with the Chief Executive, Chief Officer's and individual senior management teams.
- 1.5 I have also reported summaries of some of the key areas of our work to the Audit and Risk Management Committee as they have been completed.

David A Garry  
Chief Internal Auditor  
Wirral Council

## 2 Summary Assessment

### Overall Opinion

- 2.1 On the basis of our programme of work for the year, I can conclude that the Council's internal control environment, risk management process and corporate governance, taken as a whole are **adequate and generally effective**. I have identified individual themes that present limited exceptions to this broad conclusion, and have set these out below.
- 2.2 Whilst recognising that there are control issues which need to be addressed, our work during the year has identified good areas of effective control and the Council continues to operate well in a very challenging environment.

### Key Issues and Themes

- 2.3 The Council's agenda has been very challenging for a number of years and these pressures will undoubtedly increase in the foreseeable future due to the very demanding and extremely difficult economic and financial climate at present. The public sector is currently experiencing a significant period of unprecedented change that has required the Council to implement severe and radical structural changes across the whole of the organisation. In addition, important changes in legislation and policy directly affecting the Council and its partners is anticipated in the not too distant future. The Council's funding situation will continue to be tight as central government reduces expenditure in this area and local communities place increasing demands on Council's services.
- 2.4 The impact of this on the Council has to date involved radical measures to reduce expenditure through significantly restructuring and re-focussing of service delivery areas. These fundamental changes to the way in which the Council operates will continue to have significant impact on the control environment in many areas of the Council's activities and require management to ensure that corresponding risks in these areas are effectively managed. In addition, during periods of financial uncertainty and economic downturn fraud against public bodies has been shown to increase exponentially and the Council must ensure that adequate controls remain in place across the organisation to reduce and manage the risk presented.
- 2.5 The Council does however continue to be highly regarded and achieves a lot, providing valuable services to a large and diverse community. However, much will be required of staff at a time when many will be concerned for their job security and when many are under pressure arising from the changes already in hand. It will be vitally important to ensure that the Council's most basic financial and

operational controls are robust, consistent, widely understood and consistently applied.

- 2.6 Some concerns have been reported to Chief Officers regarding the lack of consistently documented and communicated controls in some areas, including corporate governance and the resulting lack of consistency in the controls operated between departments and even within individual departments and service areas. It is anticipated that the benefits arising from the significant restructuring of the Council's departments and the implementation of the Strategic Change Programme will be fully realised in this area in the not too distant future.
- 2.7 There is a pressing need to ensure that sufficient focus is given to the Council's on-going activities and its infrastructure as well as in the areas subject to the greatest change. This will be particularly relevant to the information and technology systems infrastructure, which is expected to underpin much of the Council's work and efficiency savings in the near future.
- 2.8 Increasing demands are being placed on the Council's services by the changing national agenda, the strategic change programme and many other similar initiatives and developments scheduled. Service specific drivers will undoubtedly require significant enhancements to be made to key service-specific applications and service deliverers must continue to adapt and develop to ensure that they can sustain these services.
- 2.9 Additional information and a short summary of all our work for each area of the Council is provided in section 3.

### **Implications for the Annual Governance Statement**

- 2.10 In making its Annual Governance Statement the Council considers the Chief Internal Auditors opinion in relation to its internal control environment, risk management processes and corporate governance. The Annual Governance Statement therefore again refers to the need for further work to implement and ensure compliance with consistent control policies and procedures across the Council.

### **Implications for the review of the effectiveness of the System of Internal Audit**

- 2.11 The Council is required by legislation to undertake an annual review of the effectiveness of its system of internal audit and to report the findings of this review to the audit committee. Since the term "system of internal audit" does not have a commonly understood meaning, the Technical Audit Panel of the Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance which defines it as:

*"The framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are*

*being managed by controls that are adequately designed and effective in operation."*

- 2.12 This guidance regards heads of internal audit as central to this framework of assurance and requires them to acquire an understanding of both the Council's risks and its overall whole control environment and also of the sources of assurance available to it.
- 2.13 As we have implemented the audit plan during the year we have taken into consideration the assurance also provided to the Council by external bodies, including the Audit Commission, Ofsted, the Care Quality Commission, the Office of Surveillance Commissioners and various other external bodies.
- 2.14 The Audit Commission's most recent inspection report for Wirral notes that this is a Council that is improving adequately and demonstrating a 3 star overall performance.

### **3 Summary of Internal Audit Work Undertaken**

- 3.1 In forming my opinion on the Council's internal control environment, risk management process and corporate governance, I have considered the work undertaken by the Internal Audit Service throughout the year (as well as, to a more limited extent, that of external providers of assurance) and I have set out below short summaries of the reports we have made to individual service areas within the Council.

#### **Management's Responses to our Findings**

- 3.2 Each of the issues I have set out in this report has been discussed with the relevant management teams as well as with the Chief Executive and Chief Officers. Action plans have been agreed and actions are already being taken; the Internal Audit Service will follow up our findings during the course of 2011/12 and provide further support to managers to implement pragmatic solutions to the control issues identified.

#### **3.A. Cross-Cutting Issues**

- 3.3 The Council's risk management process continues to develop well, with an increasing understanding amongst the senior management teams of what is required in practice. The Council has adopted a pragmatic approach to risk management, although the corporate Risk and Insurance Manager is well aware that there is a need for more widespread ('embedded') understanding of the Council's approach within all levels of management.
- 3.4 A fundamental external review of risk management systems across the whole of the Council is currently being undertaken by external consultants and a report identifying the findings scheduled for 2011/12. Internal Audit will work very closely with both the consultants and the Risk and Insurance Manager, to ensure that all of the necessary benefits are realised from this exercise and that significant developments are made in this important area of operations during 2011/12.
- 3.5 We have likewise continued to be involved in the development of the Council's corporate governance. The Internal Audit Service is represented on the Council's Corporate Governance working group chaired by the Chief Executive and in particular has worked with all Chief Officers to ensure that each of them has been able to provide an assurance statement (AGS) to the Chief Executive.
- 3.6 Work is undertaken annually by the Internal Audit Service to provide the evidence required to support the production of the Annual Governance Statement in compliance with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework.

### **3.B. Corporate or Common Control Systems**

- 3.7 The Internal Audit Service has undertaken a substantial amount of work on the controls that under-pin the Council's work whatever operational service is being provided and in whatever service area or department. These controls manage the risks of the Council's day to day operations that are operated in common across the whole organisation.
- 3.8 In 2010/11 we focussed on the corporate financial control systems, ICT systems, and other controls such as those of a governance nature operated over the whole of the Council.

#### **Key Issues in relation to Corporate or Common Control Systems**

- 3.9 I have previously reported that a wide range of controls and different procedures designed to achieve the same objectives across the Council is supported by diverse documentation, much of it not always readily accessible to staff. Senior managers have agreed that documented governance procedures should be collated and made consistent across the Council where possible, and that the accessibility of information, particularly through use of the intranet, should be improved.
- 3.10 The Service has continued to support the implementation of the Strategic Change Programme across the Council, providing assurance regarding progress for each of the individual projects identified in the programme. More work of this nature is included in the Internal Audit Plan for 2011/12 with the creation of a dedicated post to undertake this work.

#### **Corporate Financial Control Systems**

- 3.11 Financial control is a key element of the Council's control environment and the core financial systems include, for example, the Payroll, Benefits, Revenues and Main Accounting systems. These systems have been agreed with the Audit Commission as 'key' and each has been reviewed to comply with the International Standards on Auditing.
- 3.12 Whilst we are able to provide assurance that there is a minimum of an adequate level of control in the majority of the key financial systems, some issues were identified this year that required management action. A review of the Sundry Debtors Recovery system identified a number of key risks that were not effectively managed and measures have now been introduced to significantly improve the level of control within the system.
- 3.13 We have continued to develop a suite of Computer Assisted Audit Techniques (CAATS) that enable us to test whole databases as well as samples of individual transactions. These techniques have become an important element of our counter-fraud work, as well as being used to support our work on key financial systems.



- 3.14 During 2010/11 we used CAATS to identify potential duplicate Creditor Payments over the period and identified a number of instances in which duplicate payments had been made through the Creditors system. These amounted to £30k in total and are now being pursued for recovery by the Payments Section. In addition to this, separate testing identified incidences of duplicate and invalid VAT numbers, cheque number gaps, irregular payment patterns and non compliance with Contract Procedure Rules. All identified anomalies have been investigated by management and appropriate actions taken including designing and implementing controls to prevent recurrence.
- 3.15 Similar testing of the Payroll and Debtors systems provided assurance regarding the accuracy of standing data and payments made and received over a specified period. A small number of issues identified mainly concerning better use of features included within the respective systems to increase controls have been discussed and agreed with senior management.
- 3.16 It is acknowledged that controls in operation across the Council to manage Creditor payments systems and prevent any potential duplicate payments are improving and management are committed to addressing this problem. However, further work is required to ensure that these controls operate to full effect in the future.
- 3.17 Our reviews of the Main Accounting system undertaken during the year included assessments of the arrangements for complying with the full introduction of the International Financial Reporting Standards (IFRS) for the 2010/11 financial statements. The key risk areas for IFRS were identified as accounting for Non Current Assets and Leases, therefore the policies and procedures for those areas were evaluated for compliance with the CIPFA guidance. Overall the opinion provided on the effectiveness of the arrangements was that they were adequate and provided management with an effective level of assurance.
- 3.18 Debtor, NNDR and Housing Benefits accounts submitted for write off during the year have been verified on a sample basis to provide assurances that full recovery action has been completed and the amounts submitted are considered acceptable.
- 3.19 We have also undertaken work on the Council's key financial systems and have concluded that overall each of the following systems are adequately designed and effectively operated in practice:
- Cash and Banking
  - Procurement
  - Payroll
  - Pensions
  - Expenses
  - Treasury Management

- Council Tax
- Main Accounting
- Creditors
- Insurance
- Housing Benefits
- VAT Compliance
- NNDR
- Debtors

### **Corporate Human Resources Systems, including Payroll**

- 3.20 Two reviews of the Payroll system were completed during the year, so as to provide assurance that the key controls are operating effectively, including the operation of Documentum. The reviews provided a good level of assurance over the controls in place; however an issue was highlighted regarding the review of acting up and honorarium payments. Detailed discussions have taken place with senior management regarding appropriate actions required and additional controls are being implemented to improve the control environment. We will continue to monitor progress made in this area during 2011/12 and have scheduled more detailed testing and review work to assess this.

### **ICT Systems and Controls**

- 3.21 The Council's approach to, and management of, information risks is continuing to mature. An audit review of Information Assurance during 2010/11 highlighted some enduring issues around roles and responsibilities, information risk strategy and staff training. The restructuring of the IT Services section, as a result of the SOCITM review, together with other organisational changes due to EVR/VS, provide the opportunity to implement improved Information Management and Assurance procedures and clearer reporting lines throughout the Authority. The Internal Audit Service will continue to monitor progress and provide advice in these areas during 2011/12.
- 3.22 The Internal Audit Service has undertaken a detailed review of the processes surrounding the procurement and administration of Mobile Phones throughout the Authority following a request by Members. Several opportunities for improvement were identified and these will be implemented during 2011/12.
- 3.23 Efficient and secure Agile Working will be fundamental to the success of the Authority's Office Accommodation Strategy. In 2011/12 we will review a number of systems which underpin Mobile and Remote working, such as Webmail, Wireless Networks and the use of Portable Devices to access Authority information.
- 3.24 Many of the Council's objectives depend on resilient, modern ICT systems supported by first-class staff with efficient processes and procedures. 2011-12 will be a busy year for IT Services as the section implements the recommendations of the SOCITM report, rolls out virtualised desktops to support agile working and continues to

improve the support of staff, Members and systems. Internal Audit will play an active role, throughout the year, in ensuring that all new systems, both technical and procedural, have good systems of control.

- 3.25 The Council has made good progress to develop effective Information Security in general, and continues to improve its Information Governance systems although further work is still required in this area. Findings arising from audit reviews undertaken during 2010/11 have identified a number opportunities for development that are currently being addressed by senior management.
- 3.26 During 2011/12 we plan to return to follow up these issues.

### **Counter Fraud and Investigatory Work**

- 3.27 During 2010/11 the development of the Counter Fraud Team within the service has continued with significant progress being made in a number of key areas. Two members of the team have now successfully completed the CIPFA Certificate in Investigative Practice (CCIP). The qualification provides a thorough grounding in the legal and other frameworks associated with undertaking investigations as well as equipping participants with advanced interviewing techniques such as cognitive interviewing. As a result, investigations into the largest suspected frauds can be undertaken in a highly professional manner ensuring the best possible outcome for the Council, should the investigation lead to litigation. During 2010/11 these trained investigators have been able to provide advice to officers conducting disciplinary investigations to ensure that legal considerations are taken into account in the conduct of an investigation.
- 3.28 An exercise was completed building on from the Fraud Questionnaire exercise, conducted by the service earlier in the year, and an online fraud awareness training package purchased and tailored to reflect Wirral's policies and procedures. This will be rolled out to all staff during 2011/12.
- 3.29 Policies have been developed during the year for Money Laundering and Bribery Act legislation and promoted across the Council. Specific training will be provided to all those members of staff employed in areas where risks are deemed to be greatest during 2011/12.
- 3.30 A suite of computer assisted audit techniques has been developed and used to identify potential financial irregularities by interrogating financial and other databases and which closely links our audit and investigatory work. These tests will continue to be conducted during 2011/12 and any data generated investigated.
- 3.31 A number of unplanned special investigations were conducted during the year following referrals from Chief Officers and Members that resulted in significant staffing resources being utilised and some scheduled audits included within the Internal Audit Plan having to be re-prioritised and carried forward into 2011/12 to accommodate this

additional work. These audits resulted in detailed reports being prepared for management and the Audit and Risk Management Committee identifying actions required to alleviate weaknesses in systems reviewed.

### **Confidential Reporting (Whistle-blowing)**

- 3.32 The Council's Confidential Reporting policy provides Council employees with a structured process where they can raise concerns in confidence. During 2010/11 further audit work was conducted to ascertain the level of awareness of and understanding of the policy amongst Wirral Council staff and to evaluate the progress made in implementing the recommendations made during 2009/10. The main findings from the review indicated that significant work still needs to be undertaken corporately to promote the policy and clarify the process to be followed by staff. Management have agreed to undertake these actions with immediate effect, and more audit work is scheduled to evaluate the effectiveness of these actions during 2011/12.

### **National Fraud Initiative**

- 3.33 The Audit Commission requires all local authorities to participate in its biennial National Fraud Initiative (NFI), which is a national exercise in using computer assisted audit techniques, and specifically data matching. The NFI exercise consistently results in significant savings to the Council, arising largely from payments recovered or stopped where the Council had made payments in error.
- 3.34 We collated and submitted the required data to the Audit Commission for the NFI 2010 exercise and have received reports highlighting areas for further investigation. This data is currently being analysed and investigated by Wirral Council staff and a summary report will be provided by us to the Director of Finance identifying savings and actions required in due course.

### **Gifts and Hospitality and Conflict of Interest**

- 3.35 A corporate review of Gifts and Hospitality and Conflict of Interest procedures and compliance was undertaken during 2010/11 highlighting that across the organisation there were significant variations in awareness and application of the appropriate procedures. Subsequent work demonstrated increased awareness and compliance; however this issue should remain on the agenda so that these positive developments continue.

## **3.C. Service Specific Controls**

### **Adult Social Services Department**

- 3.36 The department's internal control environment has been adequately designed and is generally operating adequately overall, although

there are a considerable number of areas where controls should be strengthened further. Management responses to the findings from our work and those of external inspectorates have been positive and indicate that action has or will be taken where issues have been identified. Follow up work is scheduled in this area for 2011/12 to ensure that sufficient progress is made to address issues of concern.

- 3.37 The department is very active in driving forward the government's Social Care Change agenda and in implementing more effective ways of working. In particular, the system for implementing the Personal Budgets initiative for all Wirral residents is progressing following Cabinet approval in October 2010 to roll out Phase 3. Further work in this area is included in the Internal Audit Plan for 2011/12.
- 3.38 Improvements have been made to the operation of Day to Day Procurement following an audit of these systems during the year where a number of control issues were identified. Further improvements are anticipated in this area and follow up work is scheduled during 2011/12.
- 3.39 The department's systems in operation over Safeguarding Adults were inspected and evaluated by the Care Quality Commission during the year and the overall opinion on the effectiveness of the arrangements evaluated as being poor overall. The Commission identified a number of areas for improvement and issued an action plan identifying a significant number of required actions to improve arrangements in place in these areas. Internal Audit has subsequently worked with staff in Adult Social Services to ensure that adequate progress is being made to address these issues within the agreed timescales.

### **Children and Young People Department**

- 3.40 Overall, the departments internal control environment is generally adequate; controls are adequately designed and effectively operated, although there are some areas where controls should be strengthened further including the system in place for Children Centres. Issues were also identified with many Schools regarding the effectiveness of the Statement of Internal Control prepared for 2009/10. Detailed discussions took place with senior management from the department and various actions were agreed to address all of the issues identified and improve the systems of control in operation.

### **Technical Services Department**

- 3.41 Overall, the internal control environment in operation within the department is generally considered to be effective, with controls over systems being well designed and managed. Management response to our work has been good and action is always taken promptly in response to the findings of our work. The Director contributes very actively to the preparation of the annual internal audit plan and operates a very 'hands on' approach to subsequent review and inspections. All internal audit reports are personally considered jointly

by the Director and the relevant Head of Service and appropriate actions delegated to responsible officers and implementation monitored accordingly

- 3.42 During the year the department became responsible for the ongoing management of the Cultural Services Division, previously the responsibility of the former Regeneration department, which included Libraries prior to their subsequent transfer to the Finance department.
- 3.43 Some areas for improvement were identified following audits conducted during the year and appropriate actions taken to address issues raised within agreed timescales. These systems included Europa Pools, Greenwaste Services, Sports Centre Procurement, Golf Courses and the Waste Services contract.

#### **Finance Department**

- 3.44 Overall the departments internal control environment is considered to be effective with controls well designed and operated. Audits and inspections are mainly welcomed as an opportunity to seek assurances regarding the adequacy and effectiveness of systems in place. In some areas, including the Call Centre operations and the Information Management systems, the control environment was assessed as being excellent. Management are largely very proactive when considering and designing necessary controls and aware of the value of having strong systems in operation. Risk and control advice has been provided to the development of a revised system for processing and banking establishment income.
- 3.45 Some areas for improvement were identified that included the systems in operation over Controlled Stationery and Severance Payments. Meaningful discussions have taken place with management regarding the most effective methods of reducing risks and developing more robust systems. Issues identified following audits have in the main, been addressed and where this is not the case work is currently in progress and will be followed up.

#### **Pension Fund**

- 3.46 On the basis of the work undertaken during the year, overall the internal control environment is adequately designed and operated, with some areas such as the Benefits and Payroll services being particularly well controlled.
- 3.47 However, given the nature of the Pension Fund operations and the significance of the finances involved, its inherent risk level is significant. Pension Fund management continues to pay attention to ensuring that these risks are effectively managed, assisted by significant Internal Audit work during 2011/12.

#### **Corporate Services**

- 3.48 Overall, the departments internal control environment is generally sound; controls are adequately designed and effectively operated. However there are a small number of areas where audit work

conducted during the year indicated that the systems of control in operation should be strengthened further. Management responses to the findings from our work have been positive and indicate that action has or will be taken where issues have been identified.

- 3.49 The department continues to be very active in driving forward positive change as evidenced by the development of the Big Society Unit.
- 3.50 Procedures for the award of Grants to Voluntary Organisations both within the department and across the Council as a whole have a number of acknowledged problems, mostly relating to the consistency of approach and implementation of procedures. The recommendations arising from work conducted during the year are being addressed by the Corporate Services Department and the Commissioning and Procurement Sub-Group of the Local Strategic Partnership. Audit work to verify the progress made is to be carried out in 2011/12.
- 3.51 The Corporate Services Department underwent significant organisational change during 2010/11, with the addition of some services previously managed by the Regeneration Department, and of Building Control and Planning functions previously managed by Technical Services. As procedures within the newly configured department embed, Internal Audit will undertake significant work in this area, so as to provide the required assurances on their effectiveness.

#### **Law, HR and Asset Management**

- 3.52 The audit work conducted during the year highlighted that there are a number of key recommendations which require attention. Many of these relate to the Corporate Governance agenda. Consequently, the overall control environment is assessed as 'improving' although it is acknowledged that further improvements are required for this process to continue.
- 3.53 It is of the greatest importance, particularly as the Department grows in size (following the addition of services formally managed by the Regeneration Department) that a robust system is developed for acknowledging and responding to Internal Audit reports and ensuring effective implementation of the recommendations made.

#### **Wirral Schools**

- 3.54 The 2010/11 audit plan included 410 days for work relating to internal control frameworks and governance arrangements in schools and involved us actually visiting 71 Schools to conduct this work. We have considered financial management, ICT security, corporate governance, safeguarding assets, health and safety engagement, extended services and voluntary fund management as part of this work.
- 3.55 We undertook a number of visits to Schools and assessed them for compliance with the Financial Management Standard in Schools

(FMSIS) initiative in accordance with the timescale identified in the Education Act. Following these visits the Section worked with Schools to ensure that the required standard was achieved and all required actions implemented by the target deadline.

This initiative was subsequently cancelled in November 2010 following the change in government and all inspection work ceased. The Council has since been notified that FMSIS will be replaced with a simpler standard from September 2012 provisionally called Schools Financial Value Standard (SFVS). Audit inspection work will be scheduled in this area once more details are known about the scheme.

- 3.56 All of the issues identified in reports were discussed with Headteachers and Governors were appropriate and required actions subsequently taken by them to improve the systems in operation.
- 3.57 Work scheduled in this area for 2011/12 has been reorganised to reflect fundamental changes in how Schools operate across the borough. This work will in future be conducted on a more targeted basis utilising a more explicit risk rationale with audits being undertaken where significantly greater risks are presented as opposed to evaluating the effectiveness of systems in place to combat all risks, as previously. Audit work will initially involve concentrating on high risk themes across a sample of Schools, as well as undertaking comprehensive reviews of those Schools deemed to have a weak control environment. Internal Audit staff will be working with Schools and the Children and Young People Department during this transition to ensure that responsibility for operating effective systems is clear and that systems are robust.

### **Follow-up Work**

- 3.58 We have undertaken work to ascertain progress in implementing agreed recommendations resulting from earlier years' reviews. All of the recommendations we have agreed with management have either been implemented as agreed or are in the process of being implemented. Revised action plans have been obtained detailing the progress to date and a timescale for full implementation where this has not already been achieved.

### **Audit Work for Other Organisations**

- 3.59 The Internal Audit Service undertook a small amount of audit work for two local Housing Associations, Wirral Methodists and Family Housing. The provision of this work was at the time regarded as being an excellent opportunity for training and developing audit staff although was undertaken on a commercial fee basis. Following the restructuring of the Service a decision has been taken to cease activities in these areas due to the need for resources to be utilised elsewhere and the contracts have subsequently been cancelled.



## **4 Internal Audit Inputs**

- 4.1 The outputs of our audit work have been reported in detail to the senior management teams of individual service areas, and the key themes arising for them and for the Council as a whole are set out in Section 3 above. However in fulfilling its duty to consider the performance of the Internal Audit Service, the Audit and Risk Management Committee will be interested, on behalf of the Council, to understand the way that the Internal Audit Service has been staffed and its resources deployed.

### **Internal Audit Service Establishment - 2010/11**

- 4.2 The Internal Audit Service has a very professionally competent and committed workforce that has adapted well to enforced changes and developments in working practices implemented during the year by management to increase efficiency. These measures were necessary to address a significant shortfall in staffing resource experienced in the early part of the year and as a result of the Authority wide severance exercise conducted towards the end of the year which resulted in a permanent reduction in the workforce of six full time posts.
- 4.3 Recruiting and retaining suitable qualified and experienced staff is the key to the successful achievement of the Audit Plan and being able to address the many other issues and investigations that arise during each year. The problems of staffing have constantly been a concern and have been regularly reported to this Committee. The widening role and area of responsibility of Internal Audit continues to exacerbate but staff are continuously gaining experience and enhancing their ability to address new issues. Though the remit has increased significantly, the Service has downsized but it is considered it will continue to be able to provide an effective service with the help of Chief Officers in identifying risks and implementing recommendations swiftly.
- 4.4 The Internal Audit Service has also particularly felt the loss of the Principal ICT Auditor for the majority of the year due to active service with the Royal Naval Reserve. We were however able to purchase some ICT audit services from outside of the organisation to assist in the delivery of the plan during 2010/11. This was at a significantly higher cost than the internal provision although no extra cost was actually incurred due to some financial assistance provided by the Ministry of Defence to reimburse the additional audit fees incurred.
- 4.5 A number of vacancies have also existed at Assistant Auditor level during the year although following the restructuring exercise undertaken towards the end of the third quarter these posts have now been deleted from the establishment.
- 4.6 Sickness levels amongst the internal audit workforce are amongst the lowest in the Council and compare very favourably with all national

indicators for this type of workplace, a considerable achievement given the very stressful nature of the audit work at times. The total number of days lost due to sickness per employee during the year was 3 days. The current rate for the Service is 2.9 days which compares very favourably with the target for the Council as a whole.

#### **Internal Audit Plan - 2010/11**

- 4.7 Due to the high staff turnover experienced early in the year, the restructuring of the Service following the severance exercise and the identification of some emerging high risk issues not originally included in the Audit Plan it was necessary to make a number of adjustments to the plan during the year. This was reported to the Audit and Risk Management Committee during the year and the changes endorsed by them. The Service was therefore able to utilise 3238 days in total to deliver the Audit Plan during 2010/11 and consequently was able to complete 424 audits.
- 4.8 This actually represents a significant achievement when compared to the target of 4150 days and 467 audits identified at the beginning of the year and recognises the significant work undertaken by the service to increase performance and productivity following the reduction in staffing resource during the year. Importantly, the Service has completed all of the Assurance audits identified in the Audit Plan as being essential to the provision of our 'annual opinion' on the effectiveness of the Council's control environment.
- 4.9 This work is required by the Audit Commission and essential to the well being of the organisation. Regular meetings take between officers from Audit Commission and the Internal Audit Service to discuss audit work and findings and the Commission have indicated satisfaction and continue to rely upon Internal Audit in specific areas. The actual work conducted has involved audits of the Council's corporate Financial and ICT systems, and its Governance and Risk Management arrangements. Completion of this work should allow the Audit Commission to gain a reasonable level of assurance whilst undertaking their external audit work and formulating an opinion of the Council's overall control and governance environment.
- 4.10 The total time involved in managing the Internal Audit Service and providing support to the senior management team and Members together amounts to 300 days against a plan of 400 days.
- 4.11 The individual audits completed and days spent on each area of our audit plan, by service area, are set out in the table on the next page:

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Audit Area	Planned Audits	Planned Audit Days	Actual Outturn		Variance (%)	
			Audits	Days	Audits	Days
<b>CROSS CUTTING RISKS</b>						
Corporate Governance	7	300	7	252	-	-16
Risk Management	4	50	4	43	-	-14
Other Work	4	100	4	30	-	-70
<b>SUB-TOTAL</b>	<b>15</b>	<b>450</b>	<b>15</b>	<b>325</b>	<b>-</b>	<b>-28</b>
<b>SERVICE SPECIFIC RISKS</b>						
Adult Social Services	13	160	12	252	-8	58
Children and Young Peoples	95	350	95	327	-	-7
Technical Services	31	190	31	161	-	-15
Corporate Services	10	150	10	66	-	-56
Law, HR & Asset Management	15	200	15	71	-	-65
Finance	11	90	11	70	-	-22
Pensions	12	150	12	92	-	-39
<b>SUB-TOTAL</b>	<b>187</b>	<b>1480</b>	<b>186</b>	<b>1039</b>	<b>-0.54</b>	<b>-30</b>
<b>CORPORATE/COMMON RISK</b>						
Financial Systems	54	440	49	440	-1	-
ICT Systems	6	120	10	180	67	50
Commissioning & Procurement	14	60	14	60	-	-
Human Resources	8	50	8	50	-	-
Partnerships	2	20	2	20	-	-
Constitution	2	10	1	5	-50	-50

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Asset management	2	18	2	18	-	-
Contracting	21	35	19	28	-10	-6
Confidential Reporting	2	26	2	26	-	-
Customer Services	2	20	2	20	-	-
Anti Fraud	43	300	38	300	-12	-
Management Contingency	10	50	20	53	100	6
<b>SUB TOTAL</b>	<b>166</b>	<b>1200</b>	<b>167</b>	<b>1200</b>	<b>0.60</b>	<b>-</b>
<b>TOTAL CONTROL OPINION</b>	<b>368</b>	<b>3130</b>	<b>368</b>	<b>2564</b>	<b>-</b>	<b>-18</b>
Other Areas of Work	99	1020	56	674	-43	-34
<b>TOTAL AUDIT DAYS</b>	<b>-</b>	<b>4150</b>	<b>-</b>	<b>3238</b>	<b>-</b>	<b>-22</b>
<b>TOTAL AUDITS</b>	<b>467</b>	<b>-</b>	<b>424</b>	<b>-</b>	<b>-9</b>	<b>-</b>

## **1. Scope, Responsibilities and Assurance**

### **1.1. Approach**

1.1.1. In accordance with the CIPFA Code of Audit Practice, the scope of internal audit encompasses all of the Council's operations, resources and services including where they are provided by other organisations on their behalf.

### **1.2. Responsibilities of Management and Internal Auditors**

1.2.1 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures.

1.2.2. However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to Chief Officers as they have become known to us, without undue delay, and have worked with them to develop proposals for remedial action.

1.2.3. Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

1.2.4. Internal audit's role includes assessing the adequacy of the risk management processes, key internal control systems and corporate governance arrangements put in place by management and performing testing on a sample of transactions to ensure those controls were operating for the period under review.

### **1.3. Basis of Our Assessment**

1.3.1. My opinion on the adequacy of control arrangements is based upon the result of internal audit reviews undertaken and completed during the period in accordance with the plan approved by the Audit and Risk Management Committee. We have obtained sufficient, reliable and relevant evidence to support the recommendations that we have made.

### **1.4. Limitations to the Scope of Our Work**

1.4.1. There have been no limitations to the scope of our work.

**1.5. Limitations on the assurance that internal audit can provide**

- 1.5.1. There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.
- 1.5.2. Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

**1.6. Access to this Report and Responsibility to Third Parties**

- 1.6.1. I have prepared this report solely for Wirral Council. As you are aware, this report forms part of a continuing dialogue between the Internal Audit Service, the Director of Finance, Chief Executive, Audit and Risk Management Committee and management of the Council. It is not therefore intended to include every matter that came to our attention during each internal audit review.
- 1.6.2. I acknowledge that this report may be made available to other parties, such as the external auditors. I accept no responsibility to any third party who may receive this report for any reliance that they may place on it and, in particular, I expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

## WIRRAL COUNCIL

### AUDIT & RISK MANAGEMENT COMMITTEE

30 JUNE 2011

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

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report details progress made against the objectives for corporate risk and insurance management and the anticipated developments in the coming months including the plans for 2011/12.

#### **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 Having been involved with the Jackson Review in 2010, the Risk and Insurance Team have maintained a high profile in Government consultations on revisions to the claims and litigations process. This has included invitations to participate in discussions with Ministers and trade bodies. The legislative output from these consultations will have a fundamental impact on the future claims landscape and the Team is ensuring that the specific interests of local authorities are represented. The final report from the Government is awaited.
- 4.2 The liability claims statistics for the quarter / year ending 31 March 2011 were compiled and analysed. Whilst highway claims numbers continue to rise this is expected following two severe winters and is a pattern repeated across the country. The repudiation rate remains high with around 90% of all highways claims having a sound statutory defence. Unusually large claims can skew average values and occur occasionally but otherwise the average value is relatively static as there are more small value claims for vehicle damage without any injury element. Employers liability claims numbers and costs continue to rise mainly as a result of vibration related claims. This trend was identified early and funding is in place to meet potential additional costs.

- 4.3 Technically challenging work continues on large liability losses / historic abuse / mesothelioma and other industrial disease claims. These claims represent a significant workload for the small team.
- 4.4 The Insurance Fund accounts for 2010/11 were completed on schedule. The external Actuarial review is carried out every two years and so in 2011 the review was performed in-house. This included a detailed analysis of the Insurance Fund balances and enabled the release of a further £947,000 from the Insurance Fund to General Fund balances. The Insurance Fund Annual Report was presented to Cabinet on 23 June 2011.
- 4.5 Meetings with the new insurance brokers JLT Public Sector Risks have created an annual service plan for the coming year. This contract is performing well with delivery matching the high levels in the tender.
- 4.6 The Motor, Casualty, Professional Indemnity, Engineering, Computer, and Foster Carers policies were all renewed on 1 April 2011. Actual costs were slightly below the budgeted figures.
- 4.7 The claims handling contract continues to perform in accordance with the requirements of the bespoke handling contract which requires Wirral work to be prioritised over other contracts. However, the supplier remains under increasing pressure with the national increase in highway claim numbers and so to support the contractor some of the lesser requirements that have little impact on service delivery have been temporarily suspended.
- 4.8 It is not possible to include Academy school risks in the Council policies. However the Council can facilitate the provision of insurance from external suppliers and schools have expressed a wish to take advantage of such a facility. The Team has undertaken a market testing exercise to identify a preferred provider for 2011/12 for those schools converting to Academy status which resulted in Zurich Municipal being recommended to interested schools. This initiative incurred substantial additional work for the team but will generate income of around £25,000 pa to offset administration costs.

#### **Risk Management Progress**

- 4.9 The Corporate Risk Monitoring Summary for the financial year 2010/11 was incorporated within the Corporate Performance and Financial Review to Cabinet on 23 June 2011.
- 4.10 Meetings have continued with the Executive Team 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.
- 4.11 The Risk Ranking Surveys of primary and special schools and children's centres began on 18 January 2011 and are to be completed in July 2011.
- 4.12 An analysis of the risk registers for individual Council Departments has been undertaken to identify significant individual risks and aggregated risk issues.



- 4.13 The outline of a generic risk management training session for Councillors has been agreed with the Members Training Group.

### **Objectives for 2011/12**

- 4.14 The principal areas of responsibility for the Risk and Insurance Team remain:-
- (i) Procuring appropriate, cost effective, external insurance cover and claims handling services.
  - (ii) Managing the Insurance Fund and associated Budgets.
  - (iii) Handling internally insured claims.
  - (iv) Managing liability litigation.
  - (v) Managing the performance of claims handlers and legal providers.
  - (vii) Facilitating and providing appropriate training to Members and officers.
  - (viii) Supporting Members and Chief Officers in improving the policy and framework for managing risk and opportunity.
  - (ix) Supporting all areas of the Council in the identification, analysis and management of risk.
- 4.15 A significant area of work will be improvements to the Risk Management Strategy and framework. Some of the tasks listed below relate directly to this initiative. In terms of individual tasks to be undertaken during the year the table below shows the principal areas and the target dates for completion.

Task	Target Date
Conduct market-testing exercise for Academy Schools insurance	May 2011
Support Chief Officers in reviewing Corporate Risks	May / June 2011
Review of funding for insured liabilities	May 2011
Discuss priorities for future risk management with Executive Team	June 2011
Negotiate annual renewal of Property, Money, Fidelity Guarantee & Personal Accident insurance contracts	June 2011
Develop risk management training for Members	July/August 2011
Audit of external liability claims handlers' performance	August 2011
Negotiate annual renewal of Marine Insurance contract	September 2011
Present the Insurance Fund Budget 2012/13	November 2011
Review of key departmental risks for 2012/13.	March 2012
Negotiate annual renewal of Liabilities insurance contract	March 2012
Review Motor, Computer and Engineering insurance contracts Option to extend each contract for a further 2 years. Officers will take a view prior to expiry as to whether extensions would represent good value.	March 2012

- 4.16 Regular reports on the progress of Insurance and Risk Management will continue to be presented to the Audit and Risk Management Committee. There will also be regular updates on significant risks as part of the quarterly Performance and Financial Review reports presented to Cabinet.

## **Insurance Management – Issues for Next Period**

- 4.17 Liability claims statistics for the first quarter of 2011/12 will be compiled.
- 4.18 Terms will be obtained for the renewal of the Property, Money, Fidelity Guarantee, and All Risks policies.
- 4.19 During the coming months a number of claims are due for trial that may, subject to the findings of the trial judge, involve referral for prosecution.
- 4.20 The Academy Schools project will continue with individual cover packages being arranged from the market for the first four schools to sign up to the initiative.

## **Risk Management – Issues for Next Period**

- 4.21 The Risk & Insurance Team will begin to develop options for amendments to the Corporate Risk Strategy, risk management framework and processes, to deliver the priorities discussed by Executive Team.
- 4.22 The revised list of key strategic risks to the delivery of the Corporate Plan will be analysed and an initial review conducted by the Executive Team. This will form the revised Corporate Risk Register to be presented for consideration by Cabinet.
- 4.23 The content of the risk management training session for Members will be developed and delivered.

## **5.0 RELEVANT RISKS**

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

## **6.0 OTHER OPTIONS CONSIDERED**

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

## **7.0 CONSULTATION**

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

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

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

## **9.0 RESOURCE IMPLICATIONS**

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

## **10.0 LEGAL IMPLICATIONS**

10.1 There are none arising directly from this report.

## **11.0 EQUALITIES IMPLICATIONS**

11.1 There are none arising directly from this report.

## **12.0 CARBON REDUCTION IMPLICATIONS**

12.1 There are none arising directly from this report.

## **13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

13.1 There are none arising directly from this report.

FNCE/143/11

**REPORT AUTHOR:** Mike Lane  
Risk & Insurance Officer  
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## **REFERENCE MATERIAL / SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
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
Audit & Risk Management – Corporate Risk & Insurance Management	28 March 2011

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**WIRRAL COUNCIL**

**AUDIT & RISK MANAGEMENT COMMITTEE**

**30 JUNE 2011**

<b>SUBJECT</b>	<b>AUDIT COMMISSION FEES 2011-12</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR STEVE FOULKES</b>
<b>KEY DECISION</b>	<b>NO</b>

**1.0 EXECUTIVE SUMMARY**

1.1 The Council has to produce a Statement of Accounts by 30 September each year which covers the preceding financial year. Under the Accounts and Audit Regulations this includes an independent opinion, given by the External Auditor, as to whether the statements have been prepared in accordance with the Code of Practice on Local Authority Accounting. This audit is carried out by the Audit Commission and this report sets out the Audit Commission fees for 2011/12.

**2.0 RECOMMENDATION**

2.1 That the Audit fee for 2011/12 be agreed.

**3.0 REASON FOR RECOMMENDATION**

3.1 The Audit & Risk Management Committee approves the Statement of Accounts having given consideration to the report of the auditor.

**4.0 BACKGROUND AND KEY ISSUES**

4.1 The Audit Commission fee is based upon a risk based approach to audit planning as set out in the Code of Audit Practice. It reflects only the audit element of the work and excludes any specific projects and work for the Merseyside Pension Fund.

<b>Audit Area</b>	<b>Planned Fee 2010/11 £</b>	<b>Planned Fee 2011/12 £</b>
Audit of Financial Statements		
Value for Money conclusion	392,000	352,800
Whole of Government Accounts		
<b>Audit Fee</b>	<b>392,000</b>	<b>352,800</b>
Grant claims and returns	128,100	100,100
<b>Total Fees</b>	<b>520,100</b>	<b>452,900</b>

4.2 The Audit Fee for 2011/12 includes a reduction in fees reflecting the new approach to local Value for Money work and a 3% reduction to reflect lower continuing costs post-implementation of International Financial Reporting Standards.

4.3 There is a further reduction from 2010/11 when the fee of £392,000 was 8% above the scale fee for Wirral Council of £363,000. This reflects the on-going work between the Council and the Audit Commission, and their commitment to seek to reduce their fees. It should be noted that the factors which influence the fee include the political structure of the Council, as Auditors have to attend more meetings and have more /communication with Members than in other councils; and the Audit Commission continues to receive a relatively high number of questions from members of the public.

4.4 Additional work is undertaken in respect of the certification of grant claims and returns which is variable depending upon the numbers and types of grant as well as any specific requirements of the grant-paying body. The planned fee for 2011/12 is £100,000 being a reduction of £28,000 on the 2010/11 fee, although this will vary depending upon the number of grants required to be subject to audit.

## **5.0 RELEVANT RISKS**

5.1 The Audit Commission undertakes its role in accordance with the Code of Audit practice and the District Auditor presents his opinion on the Council Statement of Accounts to this Committee for consideration.

## **6.0 OTHER OPTIONS CONSIDERED**

6.1 The Audit Commission is the appointed auditor for Wirral Council.

## **7.0 CONSULTATION**

7.1 The Audit Commission undertakes an annual consultation in advance of setting the fee levels for the year.

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

8.1 There are no implications arising from this report.

## **9.0 RESOURCE IMPLICATIONS**

9.1 The total Audit Fees for 2011/12, including grant claims and returns, but excluding inspection and assessment fees and Merseyside Pension Fund work, are projected to be £452,900 a reduction of £67,200 on 2010/11.

9.2 There are no staffing or IT implications arising directly from this report.

## **10.0 LEGAL IMPLICATIONS**

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

## **11.0 EQUALITIES IMPLICATIONS**

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

## **12.0 CARBON REDUCTION IMPLICATIONS**

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

## **13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

13.1 There are no planning and community safety implications arising from this report.

FNCE/110/11

**REPORT AUTHOR:** Tom Sault  
Head of Financial Services  
telephone: 0151 666 3407  
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## **APPENDIX**

Letter from the Audit Commission dated 19 April 2011.

## **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Audit & Risk Management Committee	
- Annual Audit Fee 2010-11	30 June 2010
- Comparison of Audit Fees	25 November 2009
- Annual Audit Fee 2009-10	29 June 2009

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**Our reference** WBC Fee1112

19 April 2011

Mr Jim Wilkie  
Chief Executive  
Wallasey Town Hall  
Brighton Street  
Wallasey  
Wirral  
CH44 8ED

**Direct line** 0844 798 7043  
**E-mail** m-thomas@audit-  
commission.gov.uk

— Dear Jim

## **Annual audit fee 2011/12**

I am writing to confirm the audit work that we propose to undertake for the 2011/12 financial year at Wirral Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2011/12. The audit fee covers the:

- The audit of financial statements
- Value for money conclusion
- Whole of Government accounts.

As I have not yet completed my audit for 2010/11 the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses.

### **Audit fee**

The Audit Commission proposes to set the scale fee for each audited body for 2011/12, rather than providing a scale fee with fixed and variable elements. The scale fee reflects proposed decreases in the total audit fee, as follows:

- no inflationary increase in 2011/12 for audit and inspection scales of fees and the hourly rates for certifying claims and returns;
- a cut in scale fees resulting from our new approach to local VFM audit work; and
- a cut in scale audit fees of 3 per cent for local authorities, police and fire and rescue authorities, reflecting lower continuing audit costs after implementing IFRS.

The scale fee for Wirral Council is £352,800. The scale fee is based on the planned 2010/11 fee, adjusted for the proposals summarised above, shown in the table below and assumes the Council will prepare complete and materially accurate financial statements and provide supporting working papers within agreed timeframes. Variations from the scale fee will only occur where my assessments of audit risk and complexity are significantly different from those identified and reflected in the 2010/11 fee.

<b>Audit area</b>	<b>Scale fee 2011/12</b>	<b>Planned fee 2010/11</b>
<b>Audit fee</b>	<b>£352,800</b>	<b>£392,000</b>
<b>Certification of claims and returns</b>	<b>£100,093</b>	<b>£128,051</b>

I will issue a separate audit plan in December 2011. This will detail the risks identified to both the financial statements audit and the vfm conclusion. The audit plan will set out the audit procedures I plan to undertake and any changes in fee. If I need to make any significant amendments to the audit fee, I will first discuss this with the Director of Finance. I will then prepare a report outlining the reasons the fee needs to change for discussion with the Audit and Risk Management Committee.

I will issue several reports over the course of the audit. I have listed these at Appendix 1.

The fee excludes work the Commission may agree to undertake using its advice and assistance powers. We will negotiate each piece of work separately and agree a detailed project specification.

### **Audit team**

Your audit team must meet high specifications and must:

- understand you, your priorities and provide you with fresh, innovative and useful support;
- be readily accessible and responsive to your needs, but independent and challenging to deliver a rigorous audit;
- understand national developments and have a good knowledge of local circumstances; and
- communicate relevant information to you in a prompt, clear and concise manner.

The key members of the audit team for 2011/12 are:

Name	Contact details	Responsibilities
Michael Thomas Engagement Lead	<a href="mailto:m-thomas@audit-commission.gov.uk">m-thomas@audit-commission.gov.uk</a> 07879 667 712	Michael Thomas is responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive, Group Leaders and Chair of Audit and Risk Management Committee and issuing the auditor's report.
Liz Temple-Murray Engagement Manager	<a href="mailto:l-temple-murray@audit-commission.gov.uk">l-temple-murray@audit-commission.gov.uk</a> 0151 666 3483 07769 887 358	Liz Temple-Murray manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance, Monitoring Officer and other Directors.
Richard Tyler Team Leader	<a href="mailto:r-tyler@audit-commission.gov.uk">r-tyler@audit-commission.gov.uk</a> 0151 666 3484	Richard Tyler has experience of auditing the financial statements of large local authorities. He will lead the on-site team in delivering the audit.

I am committed to providing you with a high-quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me. Alternatively you may wish to contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk)

Yours sincerely

Michael Thomas  
District Auditor

cc Ian Coleman, Director of Finance

cc Simon Mountney, Chair of the Audit and Risk Management Committee

## Appendix 1- Planned outputs

We will discuss and agree our reports with officers before issuing them to the Audit and Risk Management Committee.

---

**Table 1**

<b>Planned output</b>	<b>Indicative date</b>
Audit plan	December 2011
Progress reports	To all Audit and Risk Management Committees
Annual governance report	September 2012
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2012
Final accounts memorandum (to the Director of Finance)	October 2012
Annual audit letter	November 2012
Annual claims and returns report	February 2013

## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

30 JUNE 2011

<b>SUBJECT:</b>	<b>MERSEYSIDE PENSION FUND AUDIT FEES</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>COUNCILLOR ADRIAN JONES</b>
<b>KEY DECISION</b>	<b>NO</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report confirms that the fees to be charged by the Audit Commission for the audit of the accounts and financial statements of Merseyside Pension Fund for the year ended 31 March 2011 total £54,065. This is consistent with the indicative fees set out in the Audit Opinion Plan presented to the Pensions Committee on 11 January 2011.

#### 2.0 RECOMMENDATION

- 2.1 That Members note the fees of £54,065 for the audit of the accounts and financial statements of Merseyside Pension Fund for the year ended 31 March 2011.

#### 3.0 REASON FOR RECOMMENDATION

- 3.1 There is a new statutory scale of fees which the Audit Commission applies. For multi employer pension funds, this is based on two elements: a fixed element of £33,300 (the same as in 2009/2010) and a variable element, based on 0.00055% of net assets.

#### 4.0 BACKGROUND AND KEY ISSUES

- 4.1 The audit of MPF is treated as a separate audit from the Wirral Council audit. Consequently a separate Audit Plan is issued, and a separate auditor's report is issued to those charged with governance.
- 4.2 The Audit Opinion Plan for the audit of the accounts for the year ended 31 March 2011 was presented to the Pensions Committee on 11 January 2011.
- 4.3 The variable element is calculated by reference to the 2008/09 closing net asset balance in the audited fund account.
- 4.4 The fee includes a one-off charge of £1400 to reflect the additional audit time required for gaining assurance that the investment balances were accurately transferred from the old "Shareholder" system to the successor "OpenAir".

- 4.5 For 2010/2011 the Audit Commission will absorb the extra audit costs arising from the transition to International Financial Reporting Standards (IFRS) within the current cost envelope.

## **5.0 RELEVANT RISKS**

- 5.1 There no risk associated with noting these fees. Should the draft accounts required a material increase in auditing time due to errors or omissions, then there is a risk that the fee could increase.

## **6.0 OTHER OPTIONS CONSIDERED**

- 6.1 As this is a statutory issue, no other options were considered.

## **7.0 CONSULTATION**

- 7.1 There was no consultation with other bodies.

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

- 8.1 None arising from this report.

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

- 9.1 The costs will be funded from the MPF budget. There are no staffing or assets implications.

## **10.0 LEGAL IMPLICATIONS**

- 10.1 None arising from this report.

## **11.0 EQUALITIES IMPLICATIONS**

- 11.1 None arising from this report.

- 11.2 Equality Impact Assessment (EIA)  
(a) Is an EIA required? No

## **12.0 CARBON REDUCTION IMPLICATIONS**

- 12.1 None apply.

## **13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

- 13.1 None arising from this report.

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**MERSEYSIDE PENSION FUND**  
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## **APPENDICES**

None.

FNCE/150/11

## **REFERENCE MATERIAL**

Audit Opinion Plan: Pensions Committee 11 January 2011

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>

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# Progress report

**Wirral MBC June 2011**

**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.

## **The Audit Commission**

- The Audit Commission has agreed to the Permanent Secretary's request to start preparatory work for the potential outsourcing with effect from 2012/13 audits and will design a procurement process that allows a range of firms to bid, including the possibility of an in-house bid.

## **Fees**

- The Audit Commission has now confirmed the programme of work and scale of fees for local government for 2011/12. (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 22 - 25).
- Our work documenting and testing systems and processes is complete (paragraph 19).
- The Merseyside Pension Fund audit is progressing to plan (paragraph 29)

## **Value for money conclusion**

- Our value for money work is progressing to plan (paragraph 33).

## **Public Interest Disclosure Act (PIDA) work**

- Work on the PIDA in respect of the Directorate for Adult Social Services (DASS) continues (paragraph 35-37).
- 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 38-39).

## **National Fraud Initiative (NFI)**

- The Council is continuing to follow up matches on the 2009/10 NFI with the result that £318k is being recovered following error or fraud (paragraph 42)
- The 201/12 matches were release by the Audit Commission in January 2011 and the current figure for recovery stands at £29k (paragraph 45).

### **Grant claims and returns**

- Our grants work for 2010/11 has started (paragraph 48).

### **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 49-50).

### **Audit team and key contacts**

- There is a change to the audit team for Merseyside Pension Fund. There are no conflicts that we need to bring to members' attention (paragraph 51)

### **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 53-55).

# 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).

3 The Audit Commission has been working closely with the Department for Communities and Local Government on options to externalise the work of the in-house audit practice. It has agreed to the Permanent Secretary's request to start preparatory work for the potential outsourcing with effect from 2012/13 audits.

4 The Commission been asked to design a procurement process that allows a range of firms to bid, including the possibility of an in-house bid, which could form the basis of a new and distinctive provider in the market, possibly a mutual.

## 2010/11 plan

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

6 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 the 2010/11 audit is £363,000.

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

Work programme	Original fee £	Rebate/ reduction £	Latest fee proposal
performance			
Economic development	32,523	32,523	0
<b>Total inspection</b>	<b>49,153</b>	<b>49,153</b>	<b>0</b>
<b>Certification of claims and returns</b>	<b>128,000</b>	<b>-</b>	<b>128,000</b>
<b>National Fraud Initiative *</b>	<b>2,000</b>	<b>-</b>	<b>2,000</b>
<b>Total work programme</b>	<b>571,153</b>	<b>83,762</b>	<b>487,391</b>

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

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

**8** 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.

**9** 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**.

**10** 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**

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



## Assessment and inspection fee

12 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

13 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

14 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.

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

### NFI 2011/12

16 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

**17** 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.

**18** 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.

**19** 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

**20** 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

**21** We have substantially completed work on updating, documenting and walking through your systems and assessing the control environment, including IT controls:

- *Documenting and walking through your systems:* we have not identified any significant weaknesses in how your systems produce materially accurate figures in the financial statements

- *Identifying and testing key controls*: no significant issues identified in our testing of accounts payable and payroll; we raised issues regarding fixed assets,
- *Control environment*: we have not identified any significant weaknesses in overall management controls or risk management
- *IT controls*: we assessed that Wirral's IT controls give us adequate assurance that the systems that provide information for the financial statements will not lead to material mis-statement in the Councils accounts.

### **International Financial Reporting Standards (IFRS)**

**22** 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.

**23** 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).

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

**25** We updated the Audit Commission survey in January 2011 and provided information on the national comparisons to officers. 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 reviewed the figures. The Council has now amended 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**

**26** 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**

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

**28** 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.

**29** The audit is progressing to timetable and there are currently no significant issues to report to members.

**30** The proposed fee for 2011/12 has been agreed with the Director of Finance at £59,181.

## Value for money conclusion

**31** 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.

**32** 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.

**33** Our value for money work is progressing to plan and we are currently carrying out 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

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

### Adult social services

**35** 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.

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

**37** The previous Leader of the Council also commissioned an independent review to confirm that all issues raised by the whistleblower have been appropriately dealt with. We understand that the fieldwork is now complete and will be reported to members shortly.

### Procurement of highways and engineering services

**38** 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.

**39** 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

**40** 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.

**41** 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

**42** 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

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

44 Now that work on NFI 2008/09 should be nearing completion the Audit Commission withdrew 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**

45 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**

<b>Fraud and error</b>	<b>March 2011</b>
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

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

**47** 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

**48** 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

**49** 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.

**50** 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

**51** 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.

**52** 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

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

### Advisory Services

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

## Upcoming reports

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

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

## Published reports

### Latest releases



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



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



- **Better value for money in schools**, 31 March 2011. These four briefings are designed to help schools make the best

use of their workforce - whether teachers, teaching assistants, or administration and finance staff - at a time when they have to find savings. They aim to help school heads, governing bodies and councils control costs without compromising educational attainment. In addition, the Commission published a summary paper, An overview of school workforce spending, which is targeted at chairs of governing bodies and lead members on children's services.



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



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



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



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

councils review progress in implementing personal budgets and identify areas for improvement.



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



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



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



supported by a good-practice checklist that describes the key issues for improving financial management. Councillors and managers can use the checklist to evaluate their current approach to financial management.



- **Local government pensions in England - an information paper** - 29 July 2010. In our latest information paper, we examine the long-term affordability of the Local Government Pension Scheme, and look at steps that could be taken to put it on a better financial footing.
- **Local government claims and returns, 27 July 2010.** The level of amendments and the number of qualification letters issued by auditors in 2008/09 shows some authorities can improve their preparation of claims and returns. The first Audit Commission annual report on certification work, published on Thursday 29 July, shows that in 2008/09 Audit Commission 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.



- **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)

**56** We have listed the IFRS reports and briefings available on the Audit Commission website for management and members. This is the first year of

financial reporting under IFRS and members will be required to approve the accounts on this basis in September 2011.

### Complete list of resources

- [The final countdown: IFRS in local government](#) ↗ 17 March 2011. The Commission has published the final briefing paper in its Countdown to IFRS series, reporting on findings from a January 2011 auditor survey on implementation of IFRS in local government.
- [Countdown to IFRS: Reporting on operating segments - 29 October 2010](#) Our latest briefing on the countdown to IFRS covers principles and practical issues that authorities should consider when reporting on operating segments.
- [Countdown to IFRS: Progress on the transition to IFRS - 5 October 2010](#) The deadline for local authorities to produce IFRS-compliant accounts is fast approaching. Successful implementation of IFRS will testify to the ability of local government to manage a major change in its financial arrangements. The paper draws on a survey completed in July 2010 by auditors of all local authorities, fire and rescue authorities, and police authorities, on local government's progress on transition to IFRS. In this paper we:
  - make comparisons with a baseline assessment taken in November 2009;
  - set out relevant lessons from the NHS experience of transition, as NHS bodies have implemented IFRS a year earlier than local government; and
  - outline the key actions that authorities should be taking at this stage.
- [Countdown to IFRS: Accounting for employee benefits - 15 July 2010](#) Issues authorities may face when accounting for employee benefits.
- [Countdown to IFRS: Managing the practical implications of restating non-current assets - 17 June 2010](#) Guidance on managing the practical implications of restating non-current assets.
- [Countdown to IFRS: Summary paper - 8 June 2010](#) A guide for senior managers and members.
- [Countdown to IFRS: Accounting for non-current assets - 17 May 2010](#) Introducing international financial reporting standards (IFRS) for Accounting for non-current assets.
- [Countdown to IFRS - Checklist for councillors - 17 March 2010](#) Councillors checklist - discussing IFRS transition plans with officers.
- [Countdown to IFRS - Identifying and accounting for leases - 17 March 2010](#) Issues arising from the introduction of International Accounting Standard (IAS) 17: Leases.
- [Countdown to International Financial Reporting Standards \(IFRS\) - 19 February 2010](#) Implementation of IFRS in local government.

- [IFRS briefing paper 3 for local government - 4 May 2009](#)  
Managing the transition to IFRS.
- [IFRS briefing paper 2 for local government - 1 September 2007](#)  
The move to international financial reporting standards - how can your auditor help?
- [IFRS briefing paper 1 for local government - 1 May 2007](#)  
The move to international financial reporting standards.

## Appendix 1 IFRS implementation

**57** 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.
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 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

Issue	Findings November 2009	Findings July 2010	Findings January 2011
		the end of December 2010.	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
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

**58** 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 June 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
<b>Training provided by officers to ARMC members on IFRS</b>	<b>January 2011</b> <b>March 2011</b> <b>June 2011</b>	Reports received November 2010 and January 2011.
<b>Presentation of plans to members of ARMC**</b>	<b>ARMC 17 January 2011</b>	Completed as planned
<b>Audit progress reports to ARMC</b>	<b>17 January 2011</b> <b>28 March 2011</b> <b>June 2011</b> <b>September 2011</b> <b>November 2011</b>	Completed as planned to June 2011.
<b>Receipt of IFRS restated accounts by ARMC and auditor</b>	<b>31 December 2010</b>	Restated opening balance sheet received 14 January 2011.
<ul style="list-style-type: none"> <li>■ <b>Opening balance sheet at 1 April 2009</b></li> <li>■ <b>Comparative figures for 2009/10 for all the statements</b></li> </ul>	<b>Mid January 2011</b>	Comparatives, policies and disclosures o/s at 15 March 2011. We have identified some figures that

Activity	Date	Update at June 2011
		require further work and are yet to receive full set of restated accounts as at 16 June 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. Work in this area is ongoing as at 16 June 2011, and a further meeting with officers is scheduled for 17 June 2011.
<b>Feedback to officers and members on the audit of the IFRS restated accounts</b>	<b>Officers by end February ARMC 28 March 2011 - in Progress report</b>	Delayed due to non or late receipt of all restated accounts. We have reported the latest position in these progress reports throughout the process.
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 due to IFRS restatement. Some controls testing not dependant upon IFRS has been completed.
<b>Feedback to officers and members of ARMC on the pre-</b>	Officers by end February ARMC 28 March 2011	Interim report 14 June 2011. No significant issues to bring to members' attention

Activity	Date	Update at June 2011
statements audit	- in Progress report	except for issues summarised in report above.
<b>ARMC consider draft Annual Governance Statement (AGS) presented by officers</b>	ARMC 28 March 2011	Complete - was on agenda for March 2011.
Any further early substantive testing	Mid June 2011	In progress
<b>Receipt of pre-audit accounts** by:</b>	16 June 2011	ARMC are no longer required to approve the accounts prior to audit following the recent change in the Accounts and Audit Regulations 2011. *
<ul style="list-style-type: none"> <li>■ ARMC - to review prior to challenge and approval at meeting by 30 June 2011</li> <li>■ and auditor - to complete detailed post-statements planning prior to fieldwork</li> </ul>		Auditor to receive accounts approved by DoF by 30 June 2011.
Pensions Committee to challenge MPF accounts and make recommendations to ARMC	Before ARMC meeting (by 30 June 2011)	No longer applicable due to the change in the Accounts and Audit Regulations 2011. *
<b>ARMC to challenge and approve accounts, including AGS and Pension Fund Statements.</b>	By 30 June 2011	No longer applicable due to the change in the Accounts and Audit Regulations 2011. *
Working papers provided to the auditor	1 July 2011	not started
Start of detailed testing on main statements	4 July 2011	not started
Progress meetings with officers post-statements	Weekly	not started
Completion of fieldwork on main statements	5 August 2011	not started - but timetable may slip due to later receipt of accounts



Activity	Date	Update at June 2011
Receipt of Whole of Government Accounts (WGA) and working papers	22 July 2011	not started
Completion of fieldwork on WGA	15 August 2011	not started
District Auditor review of audit work	15 August 2011	not started
Agreement of errors and uncertainties for Finance to complete covering reports and amend statements**	19 August 2011	not started
Draft Annual Governance Reports from Audit Commission to officers**	5 September 2011	not started
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	not started
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)	Meeting now confirmed for 19 September 2011.
<b>ARMC to:</b> ■ <b>consider the matters raised in the Pension Fund AGR and the recommendation of the Pensions</b>	By 30 September 2011	Meeting now confirmed for 28 September 2011.

Activity	Date	Update at June 2011
<p><b>Committee</b></p> <ul style="list-style-type: none"> <li>■ <b>consider the matters raised in Wirral Council's AGR and any tabled or verbal update on outstanding issues</b></li> <li>■ <b>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</b></li> <li>■ <b>approve the letter of representation on behalf of the Council and for the Pension Fund</b></li> <li>■ <b>agree the Council's response to the proposed action plans</b></li> <li>■ <b>re-approve the financial statements</b></li> </ul>		
<p>District Auditor to issue opinions** (and value for money conclusion) Audited accounts published by the Council**</p>	<p>By 30 September 2011</p>	<p>not started</p>
<p>WGA return certified and submitted by</p>	<p>1 October 2011</p>	<p>not started * recent revision to 30</p>

Activity	Date	Update at June 2011
District Auditor		September 2011 following Accounts and Audit Regulations 2011

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

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

## Merseyside Pension Fund timetable

59 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 June 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	Completed as planned
Pre statements control and early substantive	February/March 2011	Controls testing completed as planned;

Activity	Date	Update at June 2011
testing		early substantive testing in progress
Planning of and arrangements for IAS19 assurance work	March 2011	Completed as planned
Pre statements testing of initial IAS19 assurance work and investment valuation	Late May/early June 2011	In progress as planned.
Working papers provided to auditors	Mid June 2011	Will now be presented with the pre-audit accounts - see below
Receipt of pre audit accounts by Pensions Committee, Audit and Risk Management Committee and auditor	20 June 2011	ARMC are no longer required to approve nor Pensions Committee to consider the accounts prior to audit following the recent change in the Accounts and Audit Regulations 2011. * Auditor to receive accounts approved by DoF by 30 June 2011.
Pensions Committee to challenge accounts and make recommendations to ARMC	Before ARMC meeting (by 30 June 2011)	No longer applicable due to the change in the Accounts and Audit Regulations 2011. *
ARMC to challenge and approve Council accounts, including Annual Governance Statement and Pension Fund Statements.	By 30 June 2011	No longer applicable due to the change in the Accounts and Audit Regulations 2011. *
Start of detailed post statements testing	June 2011	Will now be July 2011 due to later receipt of accounts.
Post statements progress meetings	Weekly	not started
Completion of	Mid August 2011	not started

Activity	Date	Update at June 2011
fieldwork on statements		
Agreement of Errors and Uncertainties	19 August 2011	not started
Draft MPF Annual Report provided to auditors	19 August 2011	not started
Draft Annual Governance Report from Audit Commission to officers	5 September 2011	not started
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	not started
Final version of Annual Report available for audit agreement	16 September 2011	not started
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)	Meeting now confirmed for 19 September 2011.
ARMC - to consider Annual Governance Report, including any verbal update on outstanding issues	By 30 September 2011	Meeting now confirmed for 28 September 2011.
Final check of post-audit statements and annual report	By 30 September 2011	not started
Issue of opinion by District Auditor	By 30 September 2011	not started

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

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

## Appendix 3 Opinion risks

### Wirral Council

**60** 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.
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	Ongoing discussions with Council officers to assess impact of the change.

Risk area	Audit response
<p>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>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"> <li>■ PFI schools transferred to foundation status</li> <li>■ Statement of recognised gains and losses (STRGL)</li> <li>■ Balance sheet assets</li> <li>■ Service expenditure analysis on the income and expenditure account</li> <li>■ PFI - lifecycle costs</li> <li>■ Bad debt provision for council tax</li> </ul>	<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"> <li>■ the current status of schools and discuss the appropriate accounting treatment with officers</li> <li>■ the aged debtor and debt recovery analysis to support the reasonableness of the bad debt provision calculation</li> <li>■ any relevant Local Authority Accounting Panel (LAAP) bulletins.</li> </ul>
<p>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</p>	<p>We will assess the value of all the unadjusted misstatements from 2009/10.</p>



Risk area	Audit response
identified in the 2010/11 audit.	
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: - existence of VPE - capitalisation of expenditure on infrastructure assets - completeness of community assets	Progress against the action plan agreed in the 2009/10 AGR will be monitored throughout the year. Year end substantive testing will be performed specifically addressing the risk areas identified.
Annual governance statement (AGS) - concerns that the statement did not comply with CIPFA guidance and was inconsistent with our knowledge of the Council.	Discussions with members, the ARMC, senior officers and Internal Audit. Early review of the draft AGS presented to members in March 2011.

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

## Merseyside Pension Fund

61 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
The Fund has completed a Triennial Actuarial Valuation Review reflecting the position of the Fund at 31 March 2010. 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.	Review the results of the actuarial valuation and MPF's response to changes in valuation.
MPF has planned to replace its current system used to monitor and control internally managed investments (Shareholder) to a new system in 2010/11. This system replacement was initially planned for 2009/10.  There is a risk that the balances will not be accurately transferred between systems and a	I will review: • 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

Risk area	Audit response
<p>risk that effective controls are not in place in the new system.</p>	<p>balances.</p>
<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>Substantively test lump sums, augmentations, specifically considering cut off and completeness.</p>
<p>This may place additional workload on the Pensions team in dealing with the large volume of severance arrangements.</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>
<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</p>	<p>Review compliance of employers in regards to the Regulations.</p>

Risk area	Audit response
<p>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>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>
<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>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>

Risk area	Audit response
<p>This error was unadjusted in 2009/10. ISA (UK&amp;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>	

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

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## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

30 JUNE 2011

<b>SUBJECT:</b>	<b>AUDIT COMMISSION REPORTS</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>COUNCILLOR ADRIAN JONES</b>
<b>KEY DECISION ?</b>	<b>NO</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report summarises reviews undertaken by the Audit Commission for the period 1 April 2006 to 31 March 2011, and details the action that Wirral Council, including Merseyside Pension Fund, has subsequently taken to implement the recommendations contained within the associated reports.

#### **2.0 RECOMMENDATIONS**

- 2.1 That the report is noted.
- 2.2 That all Chief Officers be reminded to ensure that they respond in an appropriate and timely manner to all recommendations that the Audit Commission makes.

#### **3.0 REASON FOR RECOMMENDATIONS**

- 3.1 To provide Members with assurance that the Council is taking appropriate measures to implement the recommendations set out in Audit Commission reports.

#### **4.0 BACKGROUND AND KEY ISSUES**

- 4.1 On 29 June 2005, the Finance and Corporate Management Select Committee resolved that it should receive an annual report detailing the results of the reviews undertaken by Internal Audit as to how the Council has responded to Audit Commission reports.
- 4.2 The Financial Regulations (4.3.15) state that it is incumbent on Chief Officers to ensure that the receipt and action taken in response to the recommendations within external audit reports, relating to services for which they are responsible, are reported promptly to the appropriate committee.
- 4.3 A request was made by this Committee on 30 June 2010 that in-depth verification of a sample of recommendations be undertaken so as to provide assurance that appropriate action has been taken.

## **5.0 FINDINGS**

- 5.1 For the period 1 April 2010 to 31 March 2011, the Audit Commission issued five reports containing recommendations in respect of Wirral Council and one in respect of Merseyside Pension Fund. These reports have been reported to the appropriate Committee. Management has provided adequate assurance that these recommendations have been implemented or are in the process of being implemented, and details of this are provided at Appendix I, section A.
- 5.2 The report presented to this Committee on 28 September 2010 detailed the reports and associated recommendations for the period 1 April 2006 – 31 March 2010. Adequate assurance has been provided by management that the recommendations have been implemented. These reports are listed at Appendix I, section B.
- 5.3 In-depth verification of the implementation of a sample of recommendations has been undertaken, as per this Committee's request on 30 June 2010. The reports reviewed were Access to Services (January 2009) and Managing Attendance (July 2010). The findings of this work provide assurance of the progress made. These are detailed at Appendix I, section C.
- 5.4 However, despite a number of requests for evidence to be provided for four reports within the Department of Law, HR and Asset Management, evidence of implementation of these recommendations was not provided. Indeed, a number of recommendations (some dating back to 2006) have now been superseded without ever being implemented. An assurance has now been provided that the recommendations will be implemented following the introduction of new legislation in the forthcoming year. The Director of Law, HR and Asset Management has been advised to introduce a system to ensure that recommendations made by the Audit Commission are responded to and implemented in a timely manner. These reports are detailed at Appendix I, section D.
- 5.5 Also listed at Appendix I, section D are other recommendations which are still outstanding. Management provided satisfactory assurances that plans are in place for their implementation, with the exception of an element of recommendation 2 in the Annual Governance Report, September 2009. This related to the cataloguing of community assets held in museums and art galleries. Management needs to take action to ensure that this issue is addressed in a timely manner.

## **6.0 RELEVANT RISKS**

If recommendations are not implemented there is a risk of potential failure:

- 6.1 Of the Council achieving its corporate objectives.
- 6.2 Of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner.
- 6.3 To meet statutory requirements to provide adequate and effective systems of internal control.

## **7.0 OTHER OPTIONS CONSIDERED**

7.1 No other options considered.

## **8.0 CONSULTATION**

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

## **9.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

9.1 There are none arising from this report.

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

10.1 There are none arising from this report.

## **11.0 LEGAL IMPLICATIONS**

11.1 There are none arising from this report.

## **12.0 EQUALITIES IMPLICATIONS**

12.1 There are none arising from this report.

## **13.0 CARBON REDUCTION IMPLICATIONS**

13.1 There are none arising from this report.

## **14.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

14.1 There are none arising from this report.

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FNCE/148/11

## **APPENDICES**

Appendix 1: Audit Commission reports summary for the period 1 April 2006 – 31 March 2011.

## **REFERENCE MATERIAL**

- Reports issued by the Audit Commission in respect of Wirral Council and Merseyside Pension Fund for the period 1 April 2006 – 31 March 2011.

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
An annual report is presented to the Audit and Risk Management Committee on Audit Commission reports. An additional report was presented to the Committee on 28 September 2010 following the Committee's request for in-depth verification of a sample of Page 117	Annually – June meeting of Audit and Risk Management Committee 28 September 2010

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**AUDIT COMMISSION REPORTS ISSUED 2010/11**  
**Wirral Council**

Ref	Date of Final Issue	Report Title	Recs		Recommendations	Officer Providing assurance	Comments
			No.	High			
1.	May 2010	Performance Management	4	4	<p><u>(R1 High)</u> Develop the Council's information management arrangements to help services monitor and manage improvements.</p> <p><u>(R2 High)</u> Review arrangements to ensure consistency of key strategic documents intended to support the delivery of the Corporate Plan to ensure that they are fully aligned to both the Corporate Plan and each other.</p> <p><u>(R3 High)</u> Develop arrangements to promote shared learning, both internally and externally.</p> <p><u>(R4 High)</u> Review the way that the Corporate Improvement Group (CIG) and Performance Management Group (PMG) function and contribute to the establishment of corporate performance management arrangements.</p>	<p>Head of ICT Head of Policy CIG</p> <p>CIG</p> <p>Head of HR/OD Head of Policy Head of Legal and Democratic Services</p> <p>CIG/PMG</p>	<p><u>R1</u> Management have provided adequate assurance that this recommendation has been implemented.</p> <p><u>R2</u> Management have provided adequate assurance that this recommendation has been implemented.</p> <p><u>R3</u> Management have provided adequate assurance that this recommendation has been implemented.</p> <p><u>R4</u> Management have provided adequate assurance that this recommendation has been implemented.</p>
2.	July 2010	Managing Attendance	5	5	In-depth verification undertaken – see Appendix I, section C		
3.	September 2010	Annual Governance Report	8	2	<p><u>(R1 Medium)</u> Ensure that all working papers used by the Council to prepare the accounts are presented at the start of the audit and queries are responded to promptly.</p>	<p>J Spick Chief Accountant Finance</p>	<p><u>R1</u> Management have provided an adequate assurance that this recommendation is in the process of being implemented. The section is aiming to have all working papers available at the start of the audit. Financial Services are currently (May 2011) working on the closedown of the accounts and working papers will be produced upon completion.</p>

**APPENDIX I, Section A**

Ref	Date of Final Issue	Report Title	Recs No. High		Recommendations	Officer Providing assurance	Comments
					<p><u>(R2 Medium)</u> Strengthen quality assurance of the accounts to ensure that errors are minimised.</p>	<p>J Spick Chief Accountant Finance</p>	<p><u>R2</u> Management have provided an adequate assurance that this recommendation is in the process of being implemented. The main quality assurance will take place in June when the draft accounts and supporting working papers are available. Quality Assurance of the accounts will be worked through e.g. of the draft Statement of Accounts, Reserves and Provisions, Working papers.</p>
					<p><u>(R3 High)</u> Improve and evidence internal controls around fixed assets - within departments, in finance and with the Valuer</p> <ul style="list-style-type: none"> <li>• clarify and formally agree respective roles and responsibilities between departments, finance and the Valuer;</li> <li>• review and enhance capital accounting processes and procedures to ensure that all key controls are in place including to prove existence, ownership and valuation for all classes of assets;</li> <li>• ensure that key controls operate effectively throughout the year - for example, ensure all appropriate reconciliations are completed;</li> <li>• improve and evidence management supervision and review of capital accounting entries to ensure accuracy and reasonableness, for example, depreciation, revaluations, changes in classification and reconciliations; and</li> <li>• ensure processes maximise the assurance received from the Valuer and consider what assurance management requires in respect of expenditure capitalised during the year that is not currently on the Valuer's certificate.</li> </ul>	<p>R Huyton Group Accountant Finance</p> <p>S Hird Asset Manager Law, HR &amp; Asset Management</p>	<p><u>R3</u> Management have provided an adequate assurance that this recommendation is in the process of being implemented. Updated conditions of engagement have been produced. Formal reconciliation documents will be produced by the end of June reconciling RAM, ORACLE and valuers asset register. Initial responsibility for producing the accounting entries lies with the Senior Accountant (Co-ordination). This will be reviewed by a line manager and subsequently by the Chief Accountant. Document will be signed to state that this process has been undertaken. Group Accountants regularly monitor expenditure charged to capital during the year to ensure that the definition of capital expenditure is complied with.</p>
					<p><u>(R4 Medium)</u> Complete the input of information onto the new asset register:</p> <ul style="list-style-type: none"> <li>• vehicles, plant and equipment: ensure all assets can be identified individually and relevant information is recorded, for example, information on location of the asset to ensure that existence can be tested and disposals identified and accounted for appropriately in the accounts;</li> <li>• land and buildings: ensure the information in the asset register is complete, including for PFI</li> </ul>	<p>R Huyton Group Accountant Finance</p>	<p><u>R4</u> Management have provided an adequate assurance that this recommendation is in the process of being implemented and is ongoing. The transport division have been contacted for details of vehicle locations. A spreadsheet is being maintained and will be downloaded into RAM at the year end. To an extent component accounting is already being undertaken i.e. in respect of</p>

**APPENDIX I, Section A**

Ref	Date of Final Issue	Report Title	Recs No.	High	Recommendations	Officer Providing assurance	Comments
					<p>assets recognised on the balance sheet in 2009/10 and that it satisfies the developing requirements of financial reporting standards, for example in respect of component accounting; and</p> <ul style="list-style-type: none"> <li>community assets: complete the cataloguing of community assets held in museums and art galleries and ensure that the asset register is subsequently updated.</li> </ul>		<p>PFI. Information has already been obtained from Quantity Surveyors for those assets that will be subject to componentisation in 2010-11. RAM is already set up to cater for new IAS asset classifications.</p>
					<p><u>(R5 Medium)</u> Ensure that the proposed new Highways Asset Management System satisfies the developing Requirements of financial reporting standards.</p>	<p>M Smith Head of Service Technical Services</p> <p>Gavin Shaw Group Accountant Finance</p>	<p><u>R5</u> Management have provided an adequate assurance that this recommendation is in the process of being implemented. Procurement of a Highways Asset Management System proceeded to tender stage in 2010 and included a comprehensive specification which included the functionality to run current valuation and maintenance spend reports by CIPFA asset valuation classification and to be fully developed to meet the requirements of the 2010 CIPFA code of practice on local authority accounting. The exercise proved that such a system does not at present provide value for money and was not affordable in the context of neither the pre-tender estimate nor the funding available. An alternative strategy, based on development of the disparate and bespoke existing systems, will be prepared in 2011/12 and will be scoped to ensure that the same financial requirements can be achieved.</p>
					<p><u>(R6 High)</u> Review the governance issues arising in the year and consider amending the Annual Governance Statement to:</p> <ul style="list-style-type: none"> <li>acknowledge any significant issues, provide a plan to address weaknesses and ensure continuous improvement of the system is in place;</li> <li>ensure that arrangements for the governance framework included in the AGS are relevant to the year of account; and</li> <li>include an opinion on whether the governance</li> </ul>	<p>D Taylor-Smith Deputy Director of Finance</p>	<p><u>R6</u> Management have provided an adequate assurance that this recommendation has been implemented and was reported to this Committee on 28 September 2010.</p>

APPENDIX I, Section A

Ref	Date of Final Issue	Report Title	Recs No. High		Recommendations	Officer Providing assurance	Comments
					arrangements (with the exception of any key areas identified) have been operating effectively during the year.		
					(R7 Medium) Review how the accounts are produced from the ledger to minimise the need for off ledger and other manual adjustments	R Huyton Group Accountant Finance	R7 Management have provided an adequate assurance that this recommendation is in the process of being implemented. The manual adjustments that are made via spreadsheet to move the ORACLE balance sheet to that for the Statement of Accounts, discussions have already taken place with Group accountant (Co-ordination) and the Chief accountants to discuss the feasibility of inputting journal instead. To date it's been agreed that this can be done for IAS 19 amendments (the most significant issue) and lease liability entries. Other areas are currently being considered.
					(R8 Low) Review the allocation basis of overheads to ensure that costs are more accurately apportioned in the I&E account.	R Huyton Group Accountant Finance	R8 Management have provided an adequate assurance that this recommendation is in the process of being implemented and is to be reviewed when revenue accounts are closed later in May.
4.	September 2010	Procurement – Follow up of PIDA disclosure	2	1	(R1 High) Strengthen procurement and general governance policies and procedures to ensure the Council promotes the right culture, the risk and incidence of external challenge is managed and the benefits of procurement initiatives are not put at risk. <ul style="list-style-type: none"> <li>Use the 'Lessons Learnt' from this review (Appendix 2) to form an action plan to keep members informed of progress and ensure actions are implemented.</li> <li>Ensure compliance testing is carried out and reported throughout the exercise.</li> </ul>		R1 Management have provided an adequate assurance that this recommendation has been implemented. A 'Lessons Learnt' Action Plan has been developed covering the Council's ongoing Parks & Countryside Services Procurement Exercise (PACSPE) and wider cross-Council actions. Progress on this was reported to the Audit & Risk Management Committee in September 2010 and is regularly monitored and reviewed by the Executive Management Team on a quarterly basis. Compliance testing is being undertaken throughout PACSPE supported by use of the OGC 'Gateway' process to ensure a controlled project management environment.
					(R2 Medium) Consider the adequacy of the Whistleblowing procedures and how well it is complied with to ensure that individuals can have confidence that	Bill Norman Director Law, HR & Asset Management.	R2 Management have provided an adequate assurance that this recommendation is in the process of being implemented.

APPENDIX I, Section A

Ref	Date of Final Issue	Report Title	Recs No. High		Recommendations	Officer Providing assurance	Comments
					they will be safeguarded and issues will be fully investigated and lessons learnt.		The Whistleblowing Policy is currently being reviewed to ensure it meets the Councils requirements, is up to date and fit for purpose. Preliminary work has started and this the requirement for a revised policy has been strengthened by the recommendations contained in an external report, (Cabinet 14 April, Agenda Item 378 refers) A revised policy and supporting guidance will be produced and consultation with the trade unions will take place. It is estimated that the revised Policy will be taken to Employment and Appointments Committee in September 2011.
5.	September 2010	Certification of claims and returns – annual report	6	1	<p><u>(R1 Low)</u> Review the amendments made to the 2009/10 housing and council tax benefits subsidy claim and consider what action can be taken to prevent reoccurrence; in particular in respect of the amendments required for backdated benefit cases.</p> <p><u>(R2 Medium)</u> Liaise with the software supplier to investigate and resolve the difference between:</p> <ul style="list-style-type: none"> <li>• The headline cell and the reconciliation cell; and</li> <li>• The amount awarded and the amount paid to claimants.</li> </ul> <p><u>(R3 Medium)</u> Ensure that capital expenditure funded by Sure Start, Early Years and Childcare grant meet the definition for capitalisation as set out by the DCSF.</p>	<p>Head of Revenues, Benefits, and Customer Services</p> <p>Head of Revenues, Benefits, and Customer Services</p> <p>Strategic Service Manager – Resources and Financial Grant Co-ordinator</p>	<p><u>R1</u> Management have provided an adequate assurance that recommendation R1 has been implemented. The bulk of the errors found were due to misclassification rather than incorrect application of the regulations .The extrapolated value of amendments was in the region of 3% of the cell total and housing benefits are satisfied this is very low risk in terms of the overall value of the claim. Full checks will continue to be undertaken.</p> <p><u>R2</u> Management have provided an adequate assurance that recommendation R2 has been implemented. Work was undertaken to identify the discrepancies but this was not audited prior to the claim being signed off. Following that work being audited, the difference was reduced from the amount in the Qualification Letter (£20,239) to just £256.</p> <p><u>R3</u> Management have provided an adequate assurance that recommendation R3 has been implemented. Six sample files were scanned and sent through to the DfE by the Financial Grants Co-ordinator. The DfE has confirmed that they are 'content' with the evidence</p>

**APPENDIX I, Section A**

Ref	Date of Final Issue	Report Title	Recs No. High		Recommendations	Officer Providing assurance	Comments
					<p><u>(R4 Medium)</u> Ensure that asset records in respect of all assets funded by Sure Start, Early Years and Childcare grant meet the requirements of the DCSF.</p> <p><u>(R5 High)</u> Ensure that decisions taken in respect of contracts awarded are clearly documented and evidence retained.</p> <p><u>(R6 Low)</u> Review and continue to improve the quality assurance process to reduce the number of compilation errors present in claims submitted to audit; specifically in respect of regeneration claims.</p>	<p>Strategic Service Manager – Resources and Financial Grant Co-ordinator</p> <p>Strategic Service Manager – Resources and Financial Grant Co-ordinator</p> <p>Senior Accountant and Finance Manager</p>	<p>produced and that the claim would not be adjusted.</p> <p><u>R4</u> Management have provided an adequate assurance that recommendation R4 has been implemented in full. The Asset Register and Inventory have been reviewed and circulated to all Children’s Centres. This exercise has been completed in full.</p> <p><u>R5</u> Management have provided an adequate assurance that recommendation R5 has been implemented in full. All SSEYC Budget Holders are aware of the Council’s Financial Procedures in respect of procuring goods and services. A hard copy of the Financial Guidelines is held at each Centre and all staff have access to this document. The Financial Grants Co-ordinator has advised that all future goods/services ordered through the Dept in question must adhere with the Financial Guidelines.</p> <p><u>R6</u> Management have provided an adequate assurance that recommendation R6 is ongoing. The quality assurance review involved in grant claim co-ordination is an ongoing process. It was commented in the last Audit report that significant progress had been made in this area. Continuation of a strict review process is followed and implemented before the submission of any claim. This has resulted in the reduction of errors in claims and lead to a significant improvement with regards to time lines of submission.</p>

**AUDIT COMMISSION REPORTS ISSUED 2010/11  
Merseyside Pension Fund 2010/2011**

Ref	Date of Final Issue	Report Title	Recs		Recommendations	Officer Providing assurance	Comments
			No.	High			
1.	September 2010	Annual Governance Report	5	2	<p><u>(R1 Medium)</u> Strengthen internal quality control to ensure errors in the financial statements are minimised.</p> <p><u>(R2 High)</u> Carry out regular reconciliations between the Pensions Payroll (AXISe) and the general ledger.</p> <p><u>(R3 Low)</u> Strengthen procedures to monitor timely receipt of employers' contributions and take action where appropriate.</p> <p><u>(R4 Medium)</u> The Pension Fund should review and improve arrangements for due diligence over annual investments valuation.</p> <p><u>(R5 High)</u> The Pension Fund should review the contractual arrangements with Capital Dynamics Ltd if they continue to place reliance upon the valuation of the private equity portfolio.</p>	<p>Financial Controller MPF</p> <p>Financial Controller MPF</p> <p>Financial Controller MPF</p> <p>Financial Controller MPF</p> <p>Head of MPF</p>	<p><u>R1</u> Management have provided an adequate assurance that this recommendation is ongoing. There are ongoing reviews of procedures to reflect changes of external asset managers and support services. Internal Compliance has provided independent reviews of internal procedures and documents.</p> <p><u>R2</u> Management have provided an adequate assurance that this recommendation has been implemented. Reconciliations across the spectrum of benefit payments have been introduced between Pensions Payroll and the general ledger.</p> <p><u>R3</u> Management have provided an adequate assurance that this recommendation has been implemented. Monitoring procedures have been improved. All employers have been reminded of the likelihood penalties for late payment to MPF of contributions.</p> <p><u>R4</u> Management have provided an adequate assurance that this recommendation has been implemented. This year particular attention has been given to the production of a comprehensive questionnaire aimed at gaining assurances for the valuation of hedge funds.</p> <p><u>R5</u> Management have provided an adequate assurance that this recommendation is in the process of being implemented. There has been a full review of the functions requested from Capital Dynamics. A revised contract is expected to be signed imminently, subject to final agreement over the small print.</p>

**AUDIT COMMISSION REPORTS ISSUED 1 APRIL 2006 – 31 MARCH 2010**  
**All Recommendations Implemented**

Ref	Date of Final Issue	Report Title	Recs	
			No.	High
1.	September 2006	Annual Governance Report	2	2
2.	December 2006	Working in Partnership: Health Improvement	6	5
3.	May 2007	Grant Claims and Returns	5	0
4.	September 2007	Annual Governance Report	3	2
5.	November 2007	Final Accounts Memorandum	11	6
6.	August 2008	Adult Social Services – Follow up of PIDA Disclosure	N/A	N/A
7.	September 2009	Improvement Through Better Financial Management	1	0
8.	September 2009	Annual Governance Report – MPF	4	1
9.	January 2010	Review of Internal Audit	12	2
10.	January 2010	Data Quality Spot Checks	1	0



IN-DEPTH VERIFICATION OF RECOMMENDATIONS

Ref	Date of Final Issue	Report Title	Recs		Recommendations	Officer Providing assurance	Comments
			No.	High			
1.	January 2009	Access to Services	3	-	<p><u>R1</u> Consolidate existing plans for improving access to services within an overarching strategy that defines:</p> <ul style="list-style-type: none"> <li>• users that are, and are not, accessing services;</li> <li>• how the Council intends to achieve its aims and targets for further improving access and reducing the gap between users and non-users;</li> <li>• the wider implementation of customer relationship management across services;</li> <li>• access channels that will be supported, including emerging technologies; and</li> <li>• timescales for implementing resourced improvements over the short, medium and long-term.</li> </ul> <p><u>R2</u> Review the means of access across all services to ensure that opening times, access channels and outreach facilities meet users' needs and preferences.</p>	Malcolm Flanagan Head Of Service Finance	<p><u>R1</u> An assurance has been provided that recommendation R1 has been implemented. A Customer Profiling Policy which links to the overarching Customer Access Strategy is in place. The Council has signed up to a Home Access Scheme to provide PC and internet access for low income families. The Customer Relationship Management System has extended through further Streetscene related services. SMS text messaging went live for Bulky Waste collection reminders in February 2010. This facility has now extended further to include notification of fraud and School Governor Meeting reminders. <b><u>R1 – Reviewed</u></b> A draft Customer Profiling Policy has been produced which forms part of the Customer Access Strategy. The Customer Services Annual Report was submitted to the Council Excellence Overview and Scrutiny Committee on 8 July 2010. This updated the Committee on the progress that has been made in response the Audit Commission recommendations.</p> <p><u>R2</u> An assurance has been provided that recommendation R2 is ongoing. The section have completed a resident's survey, independent survey and developed a Customer Focus Group to gain stakeholder feedback in relation to opening hours. The division are currently collating feedback from these. In addition, the current ITS review will need to be finalised prior to progress of extended hours.</p>

					<p><b>R3</b> Strengthen the approach to accessibility and user-focus by ensuring that performance management frameworks include:</p> <ul style="list-style-type: none"> <li>• analysis of the access to, and standard of services experienced by, different groups and communities; and</li> <li>• indicators that measure the speed and quality of service responses against aims, objectives, service standards and targets that are publicised to users.</li> </ul>		<p><b>R2 – Reviewed</b> The findings of the Customer Focus Group were reported to the Council Excellence Overview and Scrutiny Committee on 21 September 2010. The Customer Services Annual Report was submitted to the Council Excellence Overview and Scrutiny Committee on 8 July 2010. This updated the Committee on the progress that has been made in response to the Audit Commission recommendations. Revenues, Benefits and Customer Services have recently been assessed and granted the Customer Service Excellence standard. <b>R3</b> An assurance has been provided that recommendation R3 is ongoing.  A steering group has been formed to ensure uniformity of measures for service standards within the Authority’s Customer Care Standards. A number of initiatives are already underway to begin monitoring of these. <b>R3 – Reviewed</b> The Customer Services Annual Report was submitted to the Council Excellence Overview and Scrutiny Committee on 8 July 2010. This updated the Committee on the progress that has been made in response to the Audit Commission recommendations.</p>
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2.	July 2010	Managing Attendance	5	5	<p><b>(R1 High)</b> To strengthen the overall policy framework for managing attendance:</p> <ul style="list-style-type: none"> <li>• Consider and address the specific opportunities for improving the corporate policy raised by managers in our focus group sessions;</li> <li>• Ensure that the revised policy clarifies respective roles and responsibilities for managing attendance;</li> <li>• Where appropriate, supplement the corporate policy with additional local procedures which have been formally agreed with staff and their representatives; Take steps to ensure that a summary of the corporate policy and any supplementary procedures is made available to</li> </ul>	<p>Head of HR/OD  Head of HR/OD  Departmental Chief Officers</p>	<p>R1 An assurance has been provided that this recommendation has been implemented. <b>R1 Reviewed</b> – A number of sessions have been held and issues raised have been addressed when producing the new Attendance Management Policy. Copy of minutes obtained. Attendance Management Policy approved by the Employment &amp; Appointments Committee on 23.3.11. The policy clarifies relevant roles and responsibilities. Attendance Management has been discussed at a number of Chief Officer</p>
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				<p>and understood by all staff.</p> <ul style="list-style-type: none"> <li>Take steps to ensure that a summary of the corporate policy and any supplementary procedures is made available to and understood by all staff.</li> </ul>	Head of HR/OD and Departmental Chief Officers	<p>Management Team (COMT) meetings and recommendations made to improve local procedures. Copy of COMT minutes obtained. Also obtained Executive Team minutes from meeting with trade union.</p> <p>An E Learning module for Managers has now been launched and is available on the Wirral Intranet site. The launch was included in the April 2011 'One Brief' and will be included in the June 'One Council' newsletter. A further Managers Toolkit is to be launched in May 2011, initially available to Managers with ongoing issues and eventually to all Managers. This is to be presented at a Senior Manager Meeting due to be scheduled imminently.</p>
				<p><u>(R2 High)</u> Strengthen the approach to absence management training by, for example:</p> <ul style="list-style-type: none"> <li>making absence management training a mandatory requirement for all managers in the organisation;</li> <li>rolling out the corporate e-learning package on absence management and establish arrangements to ensure that all managers complete this;</li> <li>revising the approach to delivering absence management training across the Council to ensure that managers receive consistent messages concerning the corporate policy and detail of any supplementary procedures where it has been agreed that these need to be in place;</li> <li>taking steps to ensure that Directorates have arrangements for monitoring the take-up of absence management training delivered locally, and for following up any non attendance.</li> </ul>	<p>Head of HR/OD</p> <p>Head of HR/OD and Departmental Chief Officers</p> <p>Head of HR/OD and Departmental Chief Officers</p>	<p>R2 An assurance has been provided that this recommendation is in the process of being implemented.</p> <p><b>R2 Reviewed</b> - Attendance Management training is part of the Managers Toolkit which is available via the Wirral Intranet site and will be part of the presentation to Senior Managers as per R1.</p> <p>As in R1 the E Learning Module has been launched and staff made aware. An employees' package is due to be launched in May 2011.</p> <p>Training is part of the Corporate Management Toolkit which can be found on the Wirral Intranet site.</p> <p>Training records are now held centrally, evidence obtained. Any instance of non-attendance is to be reported to COMT and is to form part of the Senior Management presentation referred to in R1.</p>
				<p><u>(R3 High)</u> To improve levels of ongoing support for managers on absence management issues:</p> <ul style="list-style-type: none"> <li>work with Directorates to identify and address any opportunities where the roles of support or other staff within the Directorate could be further developed to deal with more routine enquiries relating to attendance issues;</li> <li>following on from this, draw up service level</li> </ul>	<p>Head of HR/OD and Departmental Chief Officers</p> <p>Head of HR/OD and</p>	<p>R3 An assurance has been provided that this recommendation is in the process of being implemented.</p> <p><b>R3 Reviewed</b> - The process has now been centralised. Weekly absence meetings are held with representatives from all departments to discuss the application of the new policy. Attendance Management</p>

				<p>agreements which specify the respective roles and responsibilities of the Directorate and of corporate HR. These should be consistent with the roles and responsibilities set out in the corporate policy (R1).</p> <p><u>(R4 High)</u>          To improve the use of management information on sickness absence:</p> <ul style="list-style-type: none"> <li>• consider how the new HR information system may be utilised to ensure that key aspects of the corporate absence policy (eg completion and timeliness of return to work interviews) are monitored and reported, both corporately and at a Directorate level;</li> <li>• following on from this, work with Directorates to ensure that there are no gaps or duplication in the information which is being collected and reported;</li> <li>• work with Directorates to ensure that, as part of their overall approach to performance management, they have arrangements which allow managers to routinely and collectively identify factors which may account for sickness absence figures and explore opportunities for improvement.</li> </ul>	<p>Departmental Chief Officers</p> <p>Head of HR/OD</p> <p>Head of HR/OD</p> <p>Head of HR/OD          Head of Policy and Performance</p>	<p>Weekly meeting minutes obtained. As the process is centralised the need for service level agreements has been superseded. All return to work and review documents are now subject to a Quality Assurance process by HR. Any training issues for managers are identified and support given. Managers are signposted to the management toolkit accessible via the Wirral Intranet site.</p> <p>R4 An assurance has been provided that this recommendation is ongoing.</p> <p><b><u>R4 Reviewed</u></b> – HR and the payroll system team are meeting to discuss the implementation of the Attendance Management policy to ensure optimum use of the attendance management workstream functionality. This is to be rolled out from September onwards on a phased basis. The initial roll out may be a pilot.</p> <p>An evaluation of the arrangements in place will be made to ensure that no gaps or duplication in information is reported.</p>
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**APPENDIX I, Section C**

				<p><u>(R5 High)</u>                  As part of work to strengthen the strategic approach to promoting staff welfare and wellbeing:                  • review and rationalise services so that managers and staff are clear on the pathways of support which are available and know how to access these.</p>	<p>Head of HR/OD</p>	<p><u>R5</u> An assurance has been provided that this recommendation has been implemented.</p> <p><u>R5 Reviewed</u> – The Fit4Work Framework has now been launched and is available on the Wirral Intranet site. The Framework has six key themes with links to supporting information:</p> <ul style="list-style-type: none"> <li>▪ Health Body and Mind</li> <li>▪ Communication</li> <li>▪ Organisational Development/training</li> <li>▪ Attendance Management</li> <li>▪ Health &amp; Safety</li> <li>▪ Policy</li> </ul> <p>The site is still under review and further FAQs and guidance may be incorporated. Meetings have been held with the NHS as part of the Corporate Health Group – Minutes obtained.</p>
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**AUDIT COMMISSION REPORTS ISSUED 1 APRIL 2006 – 31 MARCH 2010**  
**Recommendations Not Implemented**

Ref	Date of Final Issue	Report Title	Recs		Recommendations	Officer Providing assurance	Comments
			No.	High			
1.	May 2006	Probity in Partnerships	9	6	<p><u>R1 (High)</u> Complete a comprehensive review of the Council's relationship with all external partners. Establish a register of partnerships, documenting the nature of the Council's relationship.</p> <p><u>R2 (High)</u> Assign responsibility for corporate co-ordination of partnership issues to one officer. (Implementation corporate guidance to remain responsibility of relevant chief officers).</p> <p><u>R3 (High)</u> Draw up corporate guidelines for entering into a partnership. This should include a risk analysis of partnership working.</p> <p><u>R4 (High)</u> Complete memorandum of agreements for SureStart partnerships as a matter of urgency.</p> <p><u>R5 (High)</u> Ensure memorandum of agreements is prepared for future partnerships before they begin operating.</p> <p><u>R6 (Medium)</u> Periodically clarify to partnership board members and partnership staff, the roles and responsibilities of partnership board members.</p> <p><u>R7 (Medium)</u> Periodically check partnerships comply with Wirral's governance requirements, - for example, standing orders, ethical frame work, and declaration of interests.</p> <p><u>R8 (High)</u> Ensure legal representation is available, as appropriate, to partnership board meetings.</p> <p><u>R9 (Medium)</u> Partnerships to ensure training requirements for all</p>	Bill Norman Director Law, HR & Asset Management.	<p><u>R1 – R9</u> These recommendations remain outstanding. An assurance has been given that they will be reviewed as part of a wider review drive by the implementation of the Bribery Act 2010 on 1 July 2011. The review will enable the risks and remedial actions to be updated to ensure that they are relevant and appropriate given the passage of time and the planned introduction of new legislation. It is anticipated that the review will be undertaken and completed by the end of September 2011.</p>

APPENDIX I, Section D

Ref	Date of Final Issue	Report Title	Recs		Recommendations	Officer Providing assurance	Comments
			No.	High			
					staff/board members are appropriately assessed and adequate resources are available to deliver these identified training needs. Assessment to include consideration of governance issues and support the timeliness and quality of supporting records for grant claims.		
2.	July 2008	Democratic Arrangements	5	2	<p><u>R1 (Medium)</u> Assess and review the amount of senior officer time spent on serving the current democratic arrangements and whether that currently provides value for money.</p> <p><u>R2 (High)</u> Continue to support and develop the training for the scrutiny function. Including the ongoing provision of training for new scrutiny members and the development of more tailored training such as performance management.</p> <p><u>R3 (Medium)</u> Review the current scrutiny committee structure and clearly identify the remit of each committee in order to reduce duplication of activity and review.</p> <ul style="list-style-type: none"> <li>• ensure that performance information is reported to the most relevant committee; and</li> <li>• that all committee have put in place work programme for the coming municipal year.</li> </ul> <p><u>R4 (High)</u> Continue to review the arrangements for Cabinet in order to further reduce the number of items considered. Including:</p> <ul style="list-style-type: none"> <li>• review the effectiveness of the virtual committee in reducing items taken to cabinet; and</li> <li>• monitor the impact of the new scheme of delegation in reducing the cabinets work load and explore the opportunity to extend the scheme further.</li> </ul> <p><u>R5 (Medium)</u></p>	Bill Norman Director Law, HR & Asset Management	<p><u>R1</u> This recommendation remains outstanding. As assurance has been given that a case management system is currently under review.</p> <p><u>R2</u> An assurance has been given that this recommendation has been implemented. The Member Training Steering Group has agreed and circulated proposals to provide a comprehensive programme of training to Members on a wide range of subject areas and skills development. The Council's scrutiny function is supported by Member Services and Committee Services officers as required to ensure the function is discharged.</p> <p><u>R3</u> This recommendation remains outstanding. An assurance has been given that a review of the Scrutiny Committee structure is likely to be fully considered following the implementation of the Localism Bill which is currently progressing through Parliament. The Bill is anticipated to receive Royal Assent at the end of 2011.</p> <p><u>R4</u> This recommendation will not be implemented due to the time elapsed since the issue of the report. It has now been superseded by the change in the Council's governance model in December 2009 to the 'strong leader model'.</p> <p><u>R5</u></p>

APPENDIX I, Section D

Ref	Date of Final Issue	Report Title	Recs		Recommendations	Officer Providing assurance	Comments
			No.	High			
					Review current performance indicators to ensure they enable members to understand the impact and value for money of the Council activities.		Awaiting an assurance that this recommendation has been implemented.
3.	June 2009	Ethical Governance	7	3	<p><u>R1 (High)</u> Emphasise to members and officers that they can:</p> <ul style="list-style-type: none"> <li>• make allegations of misconduct by a member or an officer without fear of reprisal; and</li> <li>• be confident in the actions they should take as individuals if they become aware of such misconduct.</li> </ul> <p><u>R2 (Medium)</u> Raise the profile of the Standards Committee by:</p> <ul style="list-style-type: none"> <li>• developing a work programme and action plan;</li> <li>• undertaking an annual assessment of standards of conduct of Members and Officers and taking action as appropriate;</li> <li>• learning from and using the findings of the allegations it receives, reviews, determinations and reports from the Local Government Ombudsman, Internal and External audit, complaints and whistleblowing to plan and evaluate its work; and</li> <li>• communicating its work to a wider public.</li> </ul> <p><u>R3 (High)</u> Review the level of training for Members and Officers on the ethical agenda and:</p> <ul style="list-style-type: none"> <li>• use information obtained through feedback and monitoring processes of individuals/groups/panels/committees and from other sources to plan training, development and support for individual members, groups of members and members of the Standards</li> </ul>	Bill Norman Director Law, HR & Asset Management	<p><u>R1</u> An assurance has been given that this recommendation has been implemented. The Council promotes and makes available its policies and codes of conduct to all Members, Officers and the Public. The Council's Whistleblowing Policy makes it clear that any member or Officer of the Council can make allegations of misconduct without fear of reprisal. The Council's processes in addressing any allegation of misconduct seeks to ensure that all allegations are dealt with professionally, promptly and fairly to all concerned.</p> <p><u>R2</u> This recommendation will not be implemented due to the time elapsed since the issue of the report. It has now been superseded by the Localism Bill which seeks to allow Councils to introduce fundamental changes to the Standards Regime. The Bill is anticipated to receive Royal Assent by the end of 2011 and the dept feel it appropriate to consider issues concerning the Standards Regime once the Bill becomes an Act of Parliament.</p> <p><u>R3</u> This recommendation remains outstanding. An assurance has been given that a review of training in relation to the ethical agenda will be undertaken once the Localism Bill receives Royal Assent and Council decides what changes (if any) it wishes to make.</p>



APPENDIX I, Section D

Ref	Date of Final Issue	Report Title	Recs		Recommendations	Officer Providing assurance	Comments
			No.	High			
					<p>Committee and for officers; and</p> <ul style="list-style-type: none"> <li>introduce for independent members an induction programme that includes training on the Members' and Officers' codes of conduct and the function of the Standards Committee and attendance at meetings of, for example, Cabinet, overview and scrutiny, planning and licensing committees and the full Council.</li> </ul>		
					<p><u>R4 (Medium)</u> Ensure that information on the Council's ethical governance arrangements and its expectations about high ethical standards by all is widely disseminated, both internally and externally.</p> <p><u>R5 (Medium)</u> Clarify the circumstances in which the use of council resources would constitute improper use for party political purposes within the Members' Code of Conduct.</p> <p><u>R6 (Medium)</u> Consider the implications of the survey results relating to communication between Officers and Members, challenging member recommendations and council decisions and tackling inappropriate behaviour to create a culture of openness and transparency.</p> <p><u>R7 (High)</u> Increase awareness of the Whistleblowing Policy and reinforce assurances that reporting through this mechanism can be done without fear of reprisal.</p>		<p><u>R4</u> An assurance has been given that this recommendation has been implemented. The Council's ethical governance arrangements are detailed within the Council's Constitution and is readily available to all Members, Council Officers and the Public. The Council's Website provides full access to the Council's ethical governance arrangements.</p> <p><u>R5</u> An assurance has been given that this recommendation has been implemented. Training delivered by the Monitoring Officer on the Members' Code of Conduct specifically addresses this issue.</p> <p><u>R6</u> This recommendation remains outstanding. The results of the survey have yet to be fully considered. It is anticipated by the department that the results will be considered as part of possible changes that may be made pursuant to the Localism Bill receiving Royal Assent.</p> <p><u>R7</u> An assurance has been provided that this recommendation has been implemented. The Council's Whistleblowing Policy has been widely publicised within the Council and assurances given that any reporting under this Policy should be without fear or reprisal.</p>
4.	June 2009	Governance of Partnerships	8	3	<ul style="list-style-type: none"> <li>Roles and responsibilities of corporate and service based officers and councillors.</li> <li>Establishing effective links between Council departments particularly the Legal Department</li> </ul>		<p>implementation of the Bribery Act 2010 on 1 July 2011 and the Localism Bill currently proceeding through Parliament. This review will enable the risks and remedial actions to be updated to ensure that they are relevant and appropriate given the passage of</p>

APPENDIX I, Section D

Ref	Date of Final Issue	Report Title	Recs No.	High	Recommendations	Officer Providing assurance	Comments
					<p>(governance), Finance Department (risk and financial accounting) and Corporate Services (corporate policy).</p> <ul style="list-style-type: none"> <li>• Establishing effective links between the Partnership Toolkit and the Partnership Risk Management Toolkit as well as the Council's overall governance and risk management arrangements, such as the risk register and standing orders</li> <li>• Policy and guidance for relevant officers, including those in service departments.</li> <li>• Developing clear criteria against which partnerships can be evaluated to determine that they help to achieve the Council's and partners' corporate objectives cost effectively.</li> <li>• Review and challenge of partnerships to ensure value for money is achieved and risks are manageable.</li> <li>• Developing appropriate reporting processes, including reporting to members, partners, service users and the wider public.</li> <li>• Ensuring the current Internal Audit work is completed on a timely basis and includes mapping the proposed implementation of a partnership toolkit against good practice.</li> </ul> <p><u>R2 (High)</u> Launch the Corporate Framework with relevant training and support for Officers and Members and ensure all stakeholders are aware of where responsibility and accountability lie.</p> <p><u>R3 (Medium)</u> Create a partnership database to ensure the following are satisfied.</p> <ul style="list-style-type: none"> <li>• Completeness of details of existing partnerships.</li> <li>• Accurate and up to date records including review of protocols and governing documents with partners.</li> <li>• Facility to enable drill down to supporting records, including risk assessment and accounting treatment.</li> </ul> <p><u>R4 (High)</u> Review the adequacy of the capacity to establish and take forward robust corporate arrangements and provide subsequent maintenance and support once established.</p>		<p>time and the planned/anticipated introduction of new legislation.</p> <p>The review will be undertaken and completed by the end of September 2011.</p> <p>See comment at R1.</p> <p>See comment at R1.</p> <p>See comment at R1.</p>

APPENDIX I, Section D

Ref	Date of Final Issue	Report Title	Recs		Recommendations	Officer Providing assurance	Comments
			No.	High			
					<p><u>R5 (Medium)</u> Review whether the roles and responsibilities assigned by the previous Executive Board remain fit for purpose and establish clear corporate leadership.</p> <p><u>R6 (Medium)</u> Ensure the review of the governance arrangements for the LAA is completed in line with the requirements of the LAA Programme Board in June 2008.</p>		<p>See comment at R1.</p> <p>See comment at R1.</p>
					<p><u>R7 (Medium)</u> Ensure lead officers are clear about their responsibility for the risk assessment of partnerships for which they are accountable, taking advice from colleagues where appropriate.</p>		See comment at R1.
					<p><u>R8 (Medium)</u> Establish a tracking system to monitor the implementation of audit and other review agency recommendations and ensure all action plans are routinely monitored at corporate level and by members.</p>		See comment at R1.
5	September 2009	Annual Governance Report	7	3	<p><u>R2 (High)</u> In order to comply with accounting standards and the requirements of IFRS, the Council needs to improve asset records and should undertake a formal review of the systems used to develop a robust asset register to properly account for:</p>		
					<ul style="list-style-type: none"> <li>Infrastructure assets, including to increase the amount of information held on infrastructure assets and ensure that individual infrastructure assets are identifiable. Review its internal processes of ensuring that all disposals are notified to Finance.</li> </ul>	Rob Clifford, Service Manager	<p>Management have provided an adequate assurance that this recommendation is planned for implementation. Procurement of Highways Asset Management System proceeded to tender stage in 2010. The procurement exercise proved that the system did not present value for money and was not affordable in the context of neither the pre tender estimate nor the funding available. An alternative strategy based on development of the disparate and bespoke existing systems, will be prepared in 2011/12.</p>
					<ul style="list-style-type: none"> <li>Community assets, including complete the cataloguing of community assets held in museums and art galleries and ensure that the asset register is subsequently updated.</li> </ul>	Colin Simpson, Curator of Museums	This recommendation has not been implemented. Management is awaiting approval of software by the IT Section.
					<p><u>R4 (High)</u> Ensure overspending in Adult Social Services is addressed.</p>	Lucy Jones, Service Manager	Management has provided an adequate assurance that this is an ongoing and actions continue to be taken to remain within budget.

APPENDIX I, Section D

Ref	Date of Final Issue	Report Title	Recs		Recommendations	Officer Providing assurance	Comments
			No.	High			
							Since this report there have been fundamental changes within the Departments management Structure and to the way services are delivered. Along with the rest of the Council we have undergone a budget consultation exercise and savings targets have been identified and applied to the DASS budget for 2011/12. These will continue to be monitored along with all budgets and reported to cabinet on a monthly basis.
					R6 (Medium) Ensure a consistent approach to procurement and commissioning is in place so that good practice is spread across the Council and that policies and procedures are followed.	Ray Williams Corporate Procurement Manager	Management have provided adequate assurance that R6 is a continuous ongoing process. The revised Corporate Procurement Strategy was approved by Cabinet on 4 February 2010 which identifies the relationship between Commissioning and Procurement. Following on from this, a Commissioning and Procurement Review has been undertaken and, proposals to corporately align Commissioning and Procurement activity across the Council, to optimise outcomes and ensure VFM, are under consideration. Corporate Procurement Strategy and the Development of an Outcome based Commissioning Framework approved by Cabinet 2 June 2011. Implementation 2011/12.
6	December 2009	Commissioning and Procurement Review	17	7	<b>R1 (High)</b> <b>Update the Corporate Procurement Strategy (CPS) to address the following:</b>		Management have provided adequate assurance that this is a continuous ongoing process. Corporate Procurement Strategy approved by Cabinet 2 June 2011. Implementation 2011/12.
					<ul style="list-style-type: none"> <li>Ensure procurement and commissioning are aligned to optimise outcomes for service users and deliver better VM, and facilitate closer working between CPU and commissioning activity.</li> </ul>	Ray Williams Corporate Procurement Manager	Management have provided adequate assurance that this is a continuous ongoing process. A Commissioning and Procurement Review has been undertaken and, proposals to corporately align Commissioning and Procurement activity across the Council, to optimise outcomes and ensure VFM, are under consideration. Corporate Procurement Strategy and the Development of an Outcome based Commissioning Framework approved by Cabinet 2 June 2011. Implementation 2011/12.

APPENDIX I, Section D

Ref	Date of Final Issue	Report Title	Recs No.	High	Recommendations	Officer Providing assurance	Comments
					(R4 Low) Continue to embed sustainable procurement, alongside the development of equality and diversity within procurement procedures and practice.	Ray Williams Corporate Procurement Manager	Management have provided adequate assurance that this is a continuous ongoing process. This is contained within the revised Corporate Procurement Strategy, implementation is ongoing.
					(R5 High) Routinely monitor expenditure to ensure orders, wherever appropriate, are processed using the Oracle procurement system to ensure the benefits of using e-procurement are maximised across the Council, including schools.	Ray Williams Corporate Procurement Manager	R5, R6, R7 are ongoing. As part of the Common Administrative Practices project (CAP) Corporate Procurement are changing process and procedures that will ensure that all appropriate procurement activity will be conducted through the Oracle system, this project will include the establishment of targets and will ensure that system efficiencies are optimised. Project approved by the Change board, full implementation 2011/12.
					(R6 High) Investigate and take relevant action, where appropriate, to address expenditure which has not been processed through the Oracle procurement system.	Ray Williams Corporate Procurement Manager	See comment for R5
					(R7 High) Establish targets for the utilisation of Oracle to form the basis of performance monitoring to help maximise the use of e-procurement.	Ray Williams Corporate Procurement Manager	See comment for R5
					(R11 Low) Provide relevant members with training regarding procurement.	Ray Williams Corporate Procurement Manager	Management have provided adequate assurance that recommendation R11 is ongoing. As part of Corporate Procurement's roles and responsibilities agenda a series of Workshops and Roadshows have been scheduled which will include Member participation. Rescheduled to October 2011, completed by March 2012.
					(R15 High) Strengthen the governance arrangements relevant to procurement activity and ensure compliance, in particular clarify roles and ensure full compliance with policies and procedures.	Ray Williams Corporate Procurement Manager	An assurance has been provided that recommendation R15 is ongoing. As part of Corporate Procurement's roles and responsibilities agenda a series of Workshops and Roadshows have been scheduled for the coming year. All tender activity is now processed through the central sourcing system, Due North, by Corporate Procurement ensuring compliance with policies and procedures. Completed, contained within the revised Corporate Procurement Strategy approved by Cabinet 4 February 2010, and updated Corporate

**APPENDIX I, Section D**

Ref	Date of Final Issue	Report Title	Recs No. High		Recommendations	Officer Providing assurance	Comments
							Procurement Strategy approved by Cabinet 2 June 2011.

**APPENDIX I, Section D**

					(R16 Medium) Ensure all relevant contracts make provision for performance measures to subsequently monitor the delivery of outcomes. This should include outcomes for service users in addition to financial savings in order to demonstrate VfM, while meeting wider social, economic and environmental objectives.	Ray Williams Corporate Procurement Manager	Management have provided adequate assurance that this is a continuous ongoing process. Community Benefits in Contracts Strategy approved by Cabinet 4 November 2010 and implemented. Contained within the updated Corporate Procurement Strategy approved by Cabinet 2 June 2011.
7	March 2010	Certification of Claims and Returns	11	3	(R8 High) Amend Contract Standing Orders to include specific reference to the number of tenders that the Council expects to receive prior to the award of a contract and the process to follow in instances where only a single tender is received.	Ray Williams Corporate Procurement Manager	Management have provided adequate assurance that this is planned for implementation. This is to be included within the revised Contracts Procedure Rules to be presented to Cabinet for approval July 2011.

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## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

30 JUNE 2011

<b>SUBJECT:</b>	<b>FINANCE DEPARTMENT PLAN</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>COUNCILLOR STEVE FOULKES</b>
<b>KEY DECISION?</b>	<b>NO</b>

#### 1 EXECUTIVE SUMMARY

- 1.1 This report presents the draft Finance Department Plan for 2011-12. It outlines the key services, aims and objectives that contribute to the delivery of the Corporate Plan.

#### 2 RECOMMENDATION

- 2.1 That the Committee note the contents of the Plan.

#### 3 REASONS FOR RECOMMENDATION

- 3.1 The Audit and Risk Management Committee requested to review the Finance Department Plan for 2011-12.

#### 4 BACKGROUND AND KEY ISSUES

- 4.1 Departmental Plans were drawn up following the approval of the Corporate Plan by Council on 18 April 2011. It was also agreed that the Plans would be agreed by portfolio holders and placed in the virtual library.
- 4.2 Performance against the Plan is monitored by the Departmental Management Team on a monthly basis in accordance with the performance management arrangements approved by Cabinet on 14 April 2011. The Leader of the Council, who is the portfolio holder for Finance and Best Value, receives a monthly statement showing progress against the key milestones and objectives that underpin the delivery of the Corporate Plan.
- 4.3. The services delivered by the Finance Department form part of the responsibilities of the following:-

Executive Member for Finance and Best Value  
 Executive Member for Corporate Resources  
 Executive Member for Community and Customer Engagement  
 Executive Member for Culture, Tourism and Leisure  
 Pensions Committee  
 Audit and Risk Management Committee

4.4 Issues are reported to the Executive Team and Cabinet as they relate to the overall progress of the Corporate Plan themes.

## 5 **RELEVANT RISKS**

5.1 The Plan incorporates a Departmental Risk Register which contributes to the Corporate Risk Register. At the time of publication there are a number of risks that have a 'likelihood' score of 3 (indicating a high probability the risk will have an impact on the Council). This is reflective of the change the Council and the Department is currently undergoing. However the mitigating controls that are being put in place aim to reduce these scores and the Risk Register will be refreshed accordingly.

## 6 **OTHER OPTIONS CONSIDERED**

6.1 None

## 7 **CONSULTATION**

7.1 Consultation has taken place with staff in the Department via staff briefing sessions and Team Brief.

## 8 **IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

8.1 There are none arising directly from this report.

## 9 **RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

9.1 The Plan provides details of the Department budget for 2011-12. This shows a gross budget of £258,224,450 and net budget after Government Grants, recharges and other income of £26,637,700.

9.2 Policy options were agreed in the Finance Department budget totalling £250,000, The following feature as key objectives within the Plan.

(a) £120,000 to fund Wi-fi, information screens and e-books in libraries

(b) £100,000 to fund the 'Get into Reading' project

9.3 A number of new efficiency savings were also agreed for the Department totalling £7,812,100. These are detailed in Section 3 of the Plan.

9.4 Section 4 of the Plan highlights the workforce planning issues. The key issue arising from these is the need to embed the new structures as quickly and safely as possible following the departure of a large number of people on the Early Voluntary Retirement and Voluntary Severance Scheme from December 2010 to June 2011.

9.5 The Department has agreed a target for sickness absence of 9 days per employee. This is reflected in all Team Plans and monitored on a monthly basis at the Departmental and Divisional Management Teams.

## 10 LEGAL IMPLICATIONS

10.1 The Plan underpins the role of the Director of Finance who is responsible under Section 151 of the Local Government Act 1972 for the proper administration of the Council's financial affairs.

## 11 EQUALITIES IMPLICATIONS

11.1 The Finance Department has an active Equality and Diversity Group chaired by one of the Heads of Service to ensure the Equality Duty under the 2010 Act is reflected across all Departmental activities.

## 12 CARBON REDUCTION IMPLICATIONS

12.1 The Plan contains a target to reduce the carbon footprint by 5% in 2011-12. This will be delivered and monitored by a group of Energy Champions set up within the Department who will work alongside colleagues in Asset Management.

## 13 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1. There are none arising directly from this report.

FNCE/145/11

### REPORT AUTHORS: **Mike Fowler**

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## APPENDICES

Appendix 1 – Finance Department Plan 2011-12

## REFERENCE MATERIAL

Corporate Plan 2011-14

## SUBJECT HISTORY

Council Meeting	Dates
Cabinet	14 April 2011



**FINANCE DEPARTMENT**

**DEPARTMENTAL PLAN**

**2011-2012**

## CONTENTS

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1. **Departmental Overview**
2. **What are we going to deliver in 2011-12?**
3. **Financial Planning**
4. **Workforce Planning**
5. **Equality and Diversity**
6. **Departmental Risk Register**
7. **Central Government Reporting Requirements**

## 1. **Departmental Overview**

The Finance Department is organised into the following Service areas:-

- ~ **Revenues, Benefits and Customer Services, including libraries**
- ~ **Support Services**
- ~ **Information Technology Services**
- ~ **Financial Services**
- ~ **Merseyside Pension Fund**
- ~ **Internal Audit**

It employs 1,139 people (850 Full Time Equivalents) who operate across Wirral in 37 locations plus 1 in Liverpool. It provides a wide range of services and has agreed 40 key objectives to contribute to the goals set out in the Corporate Plan for 2011-12.

### **Statutory Duty**

The Director of Finance is responsible under Section 151 of the Local Government Act 1972 for the proper administration of the Council's financial affairs and has identified the following key roles critical to fulfilling statutory and public interest responsibilities:-

- Maintaining strong financial management underpinned by effective financial control
- Contributing to corporate management and leadership
- Supporting and advising democratically elected representatives
- Supporting and advising officers in their operational roles
- Leading and managing an effective and responsive financial service

### **Workforce Development**

We will review our structure and develop our workforce to ensure we are as lean as we can be whilst continuing to deliver highest possible quality services. To achieve this we will ensure our staff are supported and have relevant opportunities for personal and professional development. We will promote equality, fairness and diversity and we will be driven by outcomes for our customers. To this end we will foster a culture whereby:-

- People are motivated and supported to achieve their full career potential
- We will do what we said we will do, when we said we would do it
- We will be open, fair and honest
- We will be ambitious and deliver continuous improvement
- We will create an environment of trust and respect for others
- We will be customer focussed

### **Continuous Improvement**

We will set ambitious but realistic targets in our Departmental Plan and monitor our performance through a rigorous performance management framework. This will include actively seeking feedback from our customers both within the organisation and

beyond. We recognise that in a time of financial constraint we have to be as efficient and effective as possible and be challenging of others to be the same.

We will ensure that the Council maximises the benefit of its Information Technology systems and fully complies with financial standing orders and good procurement practice in our drive for better value.

## **Leadership**

The Department is led by the Departmental Management Team consisting of the Director Ian Coleman, supported by the Deputy Director, David Taylor-Smith and five Heads of Services who take responsibility for the following services and objectives:-

### **DIRECTOR**

Ian formally holds the Statutory Responsibility (s151 of 1972 Local Government Act) as the Council's Chief Finance Officer to ensure the proper administration of the Council's financial affairs: representing the Department corporately, and the Council nationally. His role is to support the elected Members, Chief Executive and other Chief Officers to achieve the Council's objectives (laid down in the Corporate Plan), and is ultimately responsible for the Department's performance.

### **DEPUTY**

David formally holds the post as Ian's deputy (s114 of 1988 Local Government Finance Act). He is responsible for the effective running of the Department, supporting and deputising for Ian and supporting the rest of the DMT. Additionally, the Chief Internal Auditor reports directly to the Deputy Director, together with some assurance functions which will include a corporate client role for Information Technology. David is responsible for ensuring that Heads of Service run their services in an efficient and effective way to deliver the corporate and departmental objectives.

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## **FINANCIAL SERVICES** - Tom Sault

### **• SERVICES**

- ~ Accounting, financial planning, monitoring and reporting
- ~ Insurance Services and Risk Management
- ~ Treasury Management including cash-flow and bank reconciliations
- ~ Maintaining Financial Systems element of the Oracle system

### **• OBJECTIVES FOR 2011-12**

- ~ Financial reporting - completion of the 2010-11 year-end accounts
  - ~ Financial planning - annual budget and longer term projections
  - ~ Financial monitoring - reporting on the financial position through the year
  - ~ Risk - develop a strategy to comply with British Standard (BS31100)
  - ~ Comply with accounting changes, producing the Statement of Accounts
  - ~ Successful delivery of the agreed 2011-12 Budget, working with Departments
-

## **INFORMATION TECHNOLOGY** - Geoff Paterson

- **SERVICES**

- ~ Computer applications - systems development, applications implementation, support and maintenance, Database support
- ~ ICT Infrastructure - data and telephony networks, mobile communications, corporate server and office systems implementation & support, ICT Security
- ~ Supporting Services - ICT helpdesk, scheduling
- ~ Printing Services

- **OBJECTIVES FOR 2011-12**

- ~ Implementation of ICT governance process
  - ~ Implementation of SOCITM report
  - ~ Revise Departmental Service Level Agreements
  - ~ Establish requirements for out of hours support
  - ~ Migration to Oracle 12
  - ~ Roll out Electronic Data Records Management to all Departments
  - ~ Implementation of upgraded telecoms network
  - ~ Roll out virtualised desktops and mobile devices to support agile working
  - ~ Encryption of mobile devices
- 

## **MERSEYSIDE PENSION FUND** - Peter Wallach

- **SERVICES**

- ~ Pension Fund Administration
- ~ Pension Fund Investments

- **OBJECTIVES FOR 2011-12**

- ~ Implement approved recommendations of Hutton Report (review of pensions)
  - ~ Development of joint working
  - ~ Her Majesty's Revenue and Customs (HMRC) pension tax changes
  - ~ Knowledge and skills framework for Members and staff
  - ~ Implement employer bond reviews
  - ~ Implement Altair (pensions admin and payroll system)
  - ~ Tenders for Actuary, Investment Consultant, and passive mandate
  - ~ Improve scheme take-up
- 

## **REVENUES, BENEFITS AND CUSTOMER SERVICES** - Malcolm Flanagan

- **SERVICES**

- ~ Benefits
- ~ Council Tax
- ~ Income



- ~ Call Centre
- ~ Libraries
- ~ One Stop Shops
- ~ Web

- **OBJECTIVES FOR 2011-12**

- ~ Housing Benefit legislative change and change project with DWP
- ~ Welfare Reform Bill - Prepare for Universal Credit, local Council Tax Benefit and Benefits Fraud Team changes (2013-17)
- ~ Integration of the Department of Adult Social Services (DASS) Personal Finance Team into Division
- ~ Merging of Miscellaneous Income and Council Tax to Revenues Section
- ~ Co-location of Libraries and One Stop Shops - changes in staffing roles
- ~ Introduction of new library facilities at sites
- ~ Development of Customer Access Strategy and Library Strategy
- ~ Channel Migration - focus on cheaper access channels such as self-service via the web and maximised use of Call Centre

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**SUPPORT SERVICES** - Mike Fowler

- **SERVICES**

- ~ Administrative Services to the Finance Department
- ~ Planning and Performance Management
- ~ HR and Workforce Development
- ~ Procurement
- ~ Payments
- ~ Taxation, Pensions Support Team
- ~ Archives, Records and Knowledge Management
- ~ Freedom of Information
- ~ Geographical Information System and Property Gazetteer

- **OBJECTIVES FOR 2011-12**

- ~ Review administrative support across the Department
- ~ Review of Human Resources (HR) support and links with corporate HR
- ~ Develop our workforce
- ~ Leadership of Procurement Projects within Corporate Change Programme
- ~ Develop Council's approach to commissioning
- ~ Develop support functions for staff
- ~ Develop an enhanced Performance Management Framework
- ~ Improve our performance regarding payments to creditors, particularly SMEs
- ~ Improve Council-wide compliance with Corporate Procurement Governance

2 **What are we going to deliver in 2011-12?**

**Corporate Goal: Reduce the running costs of the Council by Improving the efficiency and value for money of Council services whilst reducing bureaucracy**

Your COUNCIL		
<b>Our goals for the next three years are to ...</b>	This year, we will focus on ...	Our targets are to ...
<b>Reduce the running costs of the Council by improving the efficiency and value for money of Council services whilst reducing bureaucracy</b>	Ensuring every pound spent by the Council adds value to services or is returned to residents through its Council Tax requirement	Deliver 2011-2012 budget & ensure 2012 -2013 budget is sustainable, matched to agreed need and aligned to residents' priorities.

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The key projects / activity for delivering this goal are...	2011-12 Milestones	Relevant performance measures / indicators	Financial and Staffing	Is the project / activity borough-wide or delivered in particular area?	Is it being delivered in partnership, e.g. with the VCF sector?	How will we engage local people?	Portfolio Lead	Dept Lead
Procure services more efficiently and deliver better value for money	All Council Contracts will be reviewed by March 2012	To review 100% of Procurement Contracts by March 2012  To achieve £0.5m savings through contract reviews by March 2012	£0.5m savings reflected in Base Budgets.  Within existing resources plus £150k PWC	Borough-wide	VCF contracts will be subject to the review	People affected by changes to contracted services will be consulted	Finance and Best Value	Mike Fowler
↓	Compliance with Corporate Procurement Governance	To achieve £2m cashable efficiencies from better procurement	£2m annual procurement efficiency  Within existing resources	Borough-wide	As above	People affected will be consulted	Finance and Best Value	Mike Fowler

The key projects / activity for delivering this goal are...	2011-12 Milestones	Relevant performance measures / indicators	Financial and Staffing	Is the project / activity borough-wide or delivered in particular area?	Is it being delivered in partnership, e.g. with the VCF sector?	How will we engage local people?	Portfolio Lead	Dept Lead
Procure services more efficiently and deliver better value for money	Payments will be made via BACS	To make 90% of payments via BACS by March 2012 To pay 100% of invoices within 30 days To pay 50% of SME invoices within 10 days	Within existing resources	Borough-wide	Consultation with creditors	People and local companies will be affected will be consulted	Finance and Best Value	Mike Fowler
Improve income assessment, maximisation & collection	A centralised unit for assessing, processing and recovery of charges by Sept. 2011	To complete 90% of financial assessments in under 30 days	Adult Social Services, Personal Finance Team to transfer to Revenues	Borough-wide	liaison with advocacy groups including IDPF, CAB and WIRED	People affected by charges will be consulted	Finance and Best Value	Malcolm Flanagan
Review the processing of benefits to be more efficient and, cost effective	PDT outcomes, April 2011 legislative changes, and 2013 changes	To achieve £2.4m efficiency savings by March 2012	£2.4m savings Within existing resources	Borough-wide	No	People affected will be consulted	Finance and Best Value	Malcolm Flanagan
↓	Timely processing of HB/CTB claims	To process 100% of HB/CTB claims within 15 days	Within existing resources	Borough-wide	No	People affected will be consulted	Finance and Best Value	Malcolm Flanagan
Council Tax Collection	Determination of Council Tax impact of changes to discounts	To recover 97% of Council Tax income by March 2012	Within existing resources	Borough-wide	No	People affected will be consulted	Finance and Best Value	Malcolm Flanagan

The key projects / activity for delivering this goal are...	2011-12 Milestones	Relevant performance measures / indicators	Financial and Staffing	Is the project / activity borough-wide or delivered in particular area?	Is it being delivered in partnership, e.g. with the VCF sector?	How will we engage local people?	Portfolio Lead	Dept Lead
Improved Customer Access	Co-location of Libraries and OSS	To co-locate 20% of libraries with OSS by March-12	Within existing resources	Borough-wide	No	People affected will be consulted	Finance and Best Value	Malcolm Flanagan
Effectively Manage the Merseyside Pension Fund	Pension Fund Investment reported quarterly	To deliver Pension Fund Benchmark Investment Performance	Within existing resources	Borough-wide	No	Press office and website	Finance and Best Value	Peter Wallach
↓	Tenders for (a)Actuary (b)Investment (c)Passive mandate by September	To complete 100% of Tenders and report them to Pensions Committee by March 2012	Within existing resources	Borough-wide	No	n/a	Finance and Best Value	Peter Wallach
↓	Implement Altair pension & payroll system	Complete 100% migration to Altair by March 2012	Within existing resources	Borough-wide	No	Communication with staff and employers	Finance and Best Value	Peter Wallach
Effective Financial Management (Planning)	Review and update the Financial and Capital Strategies	Council to agree the Budget by March 2012	Within existing resources	Borough-wide	No	Council website	Finance and Best Value	Tom Sault
Effective Financial Management (Monitoring)	Monthly monitoring of Budgets	To produce monthly Budget & Capital monitoring reports	Within existing resources	Borough-wide	No	Council website	Finance and Best Value	Tom Sault
Effective Financial Management (Reporting)	Produce the Statement of Accounts and Annual Reports	To produce Accounts by June 2011, and Audited Accounts by September 2011	Within existing resources	Borough-wide	No	Council website	Finance and Best Value	Tom Sault

The key projects / activity for delivering this goal are...	2011-12 Milestones	Relevant performance measures / indicators	Financial and Staffing	Is the project / activity borough-wide or delivered in particular area?	Is it being delivered in partnership, e.g. with the VCF sector?	How will we engage local people?	Portfolio Lead	Dept Lead
Audit and assurance	Completion of all Assurance Audits	To complete 100% of planned audits by March 2012	Within existing resources	Borough-wide	No	Council website	Finance and Best Value	David Garry
Audit and assurance	Develop a BS31100 compliant risk management framework	Risk Management framework agreed by Cabinet by March 2012	Within existing resources	Borough-wide	No	Council website	Finance and Best Value	Tom Sault
Develop IT Services	Implement SOCITM report	SOCITM Report recommendations implemented by March 2012	Within existing resources	Borough-wide	No	Council website	Finance and Best Value	Geoff Paterson
↓	Improve Data Security in line with Government Guidelines	Maintain Government Connect connection and achieve compliance with Public Sector Network Code of Connection	Within existing resources	Borough-wide	No	Council website	Finance and Best Value	Geoff Paterson
↓	Migration to Oracle 12	Migration to Oracle 12 achieved by March 2012	Within existing resources	Borough-wide	No	Council website	Finance and Best Value	Geoff Paterson
↓	Implement upgraded telecoms Network	To complete by November 2011	Within existing resources	Borough-wide	No	Council website	Finance and Best Value	Geoff Paterson
↓	Implement Infrastructure to support office	To complete within agreed project timescales	Within existing resources	Borough-wide	No	Council website	Finance and Best Value	Geoff Paterson

The key projects / activity for delivering this goal are...	2011-12 Milestones	Relevant performance measures / indicators	Financial and Staffing	Is the project / activity borough-wide or delivered in particular area?	Is it being delivered in partnership, e.g. with the VCF sector?	How will we engage local people?	Portfolio Lead	Dept Lead
	rationalisation and agile working							
↓	Rationalise and reduce the number of file servers	Unix System completed in May 2011 Reduced number of physical servers Reduced power consumption	Within existing resources	Borough-wide	No	Council website	Finance and Best Value	Geoff Paterson
Workforce Management	Reduce sickness absence	To achieve less than 9 days sickness absence per person	Within existing resources	Borough-wide	No	Council website	Finance and Best Value	Mike Fowler
↓	Ensure safety of individuals	To complete 100% of Health & Safety Management Audits by March 2012	Within existing resources	Borough-wide	No	Council website	Finance and Best Value	Mike Fowler

**Your NEIGHBOURHOOD - Provide high quality, value for money leisure and cultural facilities for Wirral residents.**

The key projects / activity for delivering this goal are...	2011-12 Milestones	Relevant performance measures / indicators	Financial and Staffing	Is the project / activity borough-wide or delivered in particular area?	Is it being delivered in partnership, e.g. with the VCF sector?	How will we engage local people?	Portfolio Lead	Dept Lead
Provide high quality, value for money	To integrate the Council's information	Complete 1 <sup>st</sup> phased integration through the co-	Within existing resources	Borough-wide	No	People affected will be consulted	Finance and Best Value	Malcolm Flanagan

leisure and cultural facilities for Wirral residents through Improved Customer Access	services to provide one seamless service for our residents through the Co-location of Libraries and OSS	location of two libraries within OSS by July 2011.						
↓	↓	To roll out WiFi in libraries by November 2011	Within existing resources	Borough-wide	No	People affected will be consulted	Finance and Best Value	Malcolm Flanagan
↓	↓	To install Information screens in libraries by November 2011	Within existing resources	Borough-wide	No	People affected will be consulted	Finance and Best Value	Malcolm Flanagan
↓	↓	To install E-Books in libraries by September 2011	Within existing resources	Borough-wide	No	People affected will be consulted	Finance and Best Value	Malcolm Flanagan
Reduce Carbon Footprint	Delivery of the Department's Carbon budget	To reduce the Department's carbon footprint by 5% in 2011-12	Within existing resources	Borough-wide	No	Council website	Finance and Best Value	Mike Fowler

### **3 Performance Measures / Indicators**

	<b>Performance Measure / Indicators</b>	<b>Latest Baseline</b>	<b>2011-12 Target (if appropriate)</b>
1	% Procurement Contracts reviewed by March 2012	New	100%
2	% achievement of £0.5m Top-50 Contract Review saving	New	100%
3	% achievement of £2m annual Procurement Efficiency Gain	New	100%
4	% Council payments that are made via BACS	85%	90%
5	% of Council invoices from all suppliers paid within 30 days	89%	95%
6	% of Council invoices from SMEs paid within 10 days	53%	60%
7	% of financial assessments completed within 30 days	75%	85%
8	% achievement of £2.4m Benefits efficiency	50% in 10/11	100%
9	% recovery of Council Tax	96.8%	97%
10	% of libraries that are co-located with One Stop Shops	New	20%
11	To complete 100% of planned audits in 2011-12	New	100%
12	To achieve less than 9 days sickness absence per person	9.81	9.00
13	To roll out WiFi in libraries by November 2011	New	100%
14	To Install Information screens in libraries by July-11	New	100%
15	To install E-Books in libraries by September 2011	New	100%
16	% Housing Benefit/Council Tax claims processed 15 days	12 days	100%

	<b>Milestone Indicators</b>	<b>Latest Baseline</b>	<b>2011-12 Target (if appropriate)</b>
1	Completion of migration to Altair by March 2012	---	Achieved
2	Pensions Tenders undertaken & reported to Committee	---	"
3	Achievement of Pension Fund Benchmark Performance	+0.6	In Line
4	Production of Budget and Capital monitoring reports	---	Achieved
5	Statement of Accounts produced by June 2011	---	"
6	Risk Management Framework agreed by Cabinet	---	"
7	SOCITM report implemented by March 2012	---	"
8	Migration to Oracle 12 achieved by March 2012	---	"
9	Set Council Budget by March 2012	---	"
10	Compliance with Public Sector Network Code of Connection	---	"
11	Upgraded telecoms network completed by November 2011	---	"



### 3 Financial Planning

REVENUE BUDGET 2011/12		Gross Budget	Net Budget
Division	Services	£	£
Revenues Services	Benefits - Payments	163,900,000	4,797,000
Revenues Services	Benefits, Council Tax & Income	14,534,850	9,404,050
Libraries, Customer Services	Libraries, OSS & Call Centre	12,872,800	7,386,300
Financial Services	Accountancy, Insurance & Treasury	2,479,100	-
Internal Audit	Audit & Fraud	895,700	-
IT Services	Systems, Telephones & Printing	13,178,700	750,000
Other Operations	Efficiency Fund, Pensions & SCP	5,969,000	5,969,000
Pension Fund	Investments & Administration	14,155,600	-
Support Services	Management and Support	3,870,600	579,800
Treasury Management	Capital and debt mgt costs	26,368,100	( 2,248,450)
<b>Finance Department</b>		<b>258,224,450</b>	<b>26,637,700</b>

POLICY OPTIONS 2011/12	One Off funding for	£
Library Equipment	W-fi, info screens and e-books	120,000
Get into Reading	Continuing funding for the project	100,000
Library Engagement	Campaign to promote library use	20,000
Fair Trade - Procurement	Campaign to raise awareness	10,000

SAVINGS 2011/12	To be achieved by	£
SCP - Procurement	Effective procurement process	2,000,000
SCP - Procurement	Review of Top-50 Contracts	500,000
SCP - Printing Review	Rationalise number/use of printers	250,000
SCP - Electronic Payments	Implementation of system	200,000
Employees (EVR/VS)	Staff released under EVR/VS	3,511,000
Discretionary Rate Relief	Re-allocation of costs with Schools	337,000
Insurances	Initiatives in claims management	526,000
Capital Financing	Through treasury management	370,000
Consultants	Reduced use of consultants	48,300
Overtime, consumables and Car allowances	Reduced spend in these areas	69,800

CAPITAL PROGRAMME		For 2011/12	For 2012/13
Scheme	Details	£	£
Information Technology	Major investment in IT infrastructure	1,000,000	1,000,000

#### 4 Workforce Planning

<b>Workforce Issue</b>	<b>Planned Actions</b>	<b>Financial Implications</b>
Finance Department restructure to assure Business Continuity	Review structure of Pensions Services Review structure of Revenues Service Review Admin function across the Department Review IT Structure	Potential savings of £80k  Potential growth of £50k  Potential savings of £60k
Address changes resulting from transfer of services between Departments	Finalise DASS Finance staff transferring to Finance Centralisation of HR support services Library and One Stop Shops co-location	Within existing resources
Develop competency framework for staff in IT Services	Implement SFIA for staff in IT Services	Within existing resources
Development of customer care initiatives	Deliver Customer Care training	Within existing resources
Workforce development	Commitment to workforce development (CIPFA, AAT, IT, MBA, Apprenticeships etc)	Within existing resources
A large number of staff have joined the Department in 2011-12	Undertake a skills audit to identify a benchmark of competency and qualification per service area	Within existing resources
Changes to the structure and services provided by the Department	Identify individual and Team learning plans aligned to Departmental and Corporate objectives	Within existing resources
There is increasing need to involve staff in service developments and innovation	Create staff focus groups to consider the changing 'offer' being made by the Department	Within existing resources
Communication with all staff is vital during this period change	Produce Team Brief every month. Deliver Directors Briefing Roadshow to all staff in April 2011 and October 2011	Within existing resources

#### 5 Equality and Diversity

Wirral Council is committed to ensuring equality and fairness of opportunity and promoting diversity are at the core of everything it does. The Council is committed to achieving 'excellent' status of the Equality Framework for Local Government and has statutory duties relating to equalities. The Department has an active Equality and Diversity Group chaired by one of the Heads of Service to ensure Equality Duty under the 2010 Act is reflected across all Departmental activities.

## 6 Central Government Reporting Requirements

Central government requires the department to complete a number of returns and to provide various types of information during the year. The most significant are detailed below together with who is responsible for their completion and their frequency.

<b>Title</b>	<b>By Whom</b>	<b>Frequency</b>
Budget Requirement returns	Fin Services	Annual
Revenue Account budget	Fin Services	Annual
Revenue Outturn and forecasts	Fin Services	Quarterly
Revenue Account Specific and Special Grants	Fin Services	Annual
Revenue Grants	Fin Services	Annual
Trading Services	Fin Services	Annual
Subjective Analysis	Fin Services	Annual
Revenue Summary	Fin Services	Annual
Whole of Government Accounts	Fin Services	Annual
Borrowing and Lending Inquiry	Fin Services	Quarterly
Capital Estimates	Fin Services	Annual
Capital Forecast	Fin Services	Annual
Capital Payments and Receipts	Fin Services	Quarterly
Capital Outturn	Fin Services	Annual
Wages and Salaries	Fin Services	Quarterly
Local Authority Spending over £500	Procurement	Monthly
Council Tax Base	Revs and Bens	Annual
Return of Council Taxes and	Revs and Bens	Quarterly
National Non-Domestic Rates	Revs and Bens	Twice a year
Single Housing Benefit (HB) Extract	Revs and Bens	Annual
Housing Benefits Recoveries and Fraud	Revs and Bens	Quarterly
DWP data-matching referrals on HB/CTB claims	Revs and Bens	As required
National Fraud Initiative	Revs and Bens/ Internal Audit	Bi-Annual
Individual HB & Council Tax Benefit related prosecutions and sanctions	Revs and Bens	As required
Housing & Council Tax Benefit subsidy estimates	Revs and Bens	Annual
Housing & Council Tax Benefit subsidy claims	Revs and Bens	Annual
Discretionary Housing Payment estimates	Revs and Bens	Annual
Discretionary Housing Payment claims	Revs and Bens	Annual
Teacher Pension Contributions	Support Servs	Annual
Teacher Pension Service	Support Servs	Annual
Local Government Pension Scheme Funds Form	M P Fund	Annual
Investment Management System	M P Fund	Continuous

## 7 Departmental Risk Register

Project / Activity	Risk Owner	Risk Category	Description of Risk	Existing Controls	Net Likelihood Score	Net Impact Score	Net Total Risk Score	Additional Controls	Responsibility	Target Date
Procure services more efficiently and deliver better Value for Money	Mike Fowler	Financial	Team capacity or market forces could lead to failure to deliver all of the cashable savings	Workforce Plan, market research and adherence to corporate procurement governance.	2	4	8	Leadership and Monitoring of Projects at the Strategic Change Board	Mike Fowler	Ongoing
↓	Mike Fowler	Regulatory	Failure to comply with Standing Orders could lead to breach of EU Procurement Directives	Monitoring of compliance with corporate procurement arrangements	3	4	12	Closer scrutiny of Cabinet reports. Non-Compliance reports to Executive Team	Mike Fowler	Ongoing
Improve income assessment, maximisation & collection	Malcolm Flanagan	Financial	Team capacity and economic downturn could lead to failure to deliver efficiencies	Workforce Plan; Regular Service and Economy reviews.	3	3	9	Regular Risk monitoring report to Departmental Management Team	Malcolm Flanagan	July 2011
Council Tax collection	Malcolm Flanagan	Financial	Team capacity and economic downturn could lead to reduced	Workforce Plan; Regular Service and Economy reviews.	3	4	12	Regular Risk monitoring report to Departmental Management Team	Malcolm Flanagan	Feb 2012

Project / Activity	Risk Owner	Risk Category	Description of Risk	Existing Controls	Net Likelihood Score	Net Impact Score	Net Total Risk Score	Additional Controls	Responsibility	Target Date
			rates of Council Tax collection							
Improved Customer Access – co location of Libraries and OSS's	Malcolm Flanagan	People	Reliance on key officers and lack of staff engagement could lead to failure to deliver co-located services	Project issues covered by several officers; Workforce Plan	3	3	9	Business Continuity Plan  Employee engagement	Malcolm Flanagan	Feb 2012
Effectively manage the Merseyside Pensions Fund	Peter Wallach	Financial	Poor investments; Adverse market conditions leads to lower returns than the Pension Fund Benchmark	MPF Investment Strategy. Use of external advisers. Monitoring by the Pension Committee	2	4	8	Reports to DMT and Pensions Fund Management Team	Peter Wallach	Ongoing
Improved Customer Access	Malcolm Flanagan	Reputation	Insufficient staffing resources could lead to failure to extend opening hours	Workforce Plan  Employee engagement	1	3	3	Workforce monitoring	Malcolm Flanagan	Ongoing

Project / Activity	Risk Owner	Risk Category	Description of Risk	Existing Controls	Net Likelihood Score	Net Impact Score	Net Total Risk Score	Additional Controls	Responsibility	Target Date
Effective Financial Management	Tom Sault	Financial	Unexpected variances could lead to failure to manage within available resources	Reports to Cabinet. Departmental engagement	2	2	4	Planning and regular monitoring reports	Tom Sault	Ongoing
Audit and Assurance	Dave Garry	Regulatory	Staffing levels could lead to delays completing audits and follow-ups	Workforce Plan	2	2	4	Prioritising Audit Plan	David Garry	Ongoing
Develop IT Services	Geoff Paterson	Regulatory	Non-compliance with data security policy could lead to breach of Act	Monitoring of Data Security Policy and procedures Information Governance	1	4	4	Explore additional Encryption options	Geoff Paterson	Ongoing
↓	Geoff Paterson	Reputation	Staffing levels could lead to reduction in IT support or non-resilience of key systems	Workforce Plan Employee engagement	1	4	4	Workload prioritisation Business Continuity Plan	Geoff Paterson	Ongoing
Workforce Management	Mike Fowler	Financial	Insufficient resources to	Training & Development	2	3	6	Workforce Plan	Mike Fowler	Ongoing

Project / Activity	Risk Owner	Risk Category	Description of Risk	Existing Controls	Net Likelihood Score	Net Impact Score	Net Total Risk Score	Additional Controls	Responsibility	Target Date
			meet training commitment	Plan						
↓	Mike Fowler	People	Trained H&S, Fire marshals, and 1 <sup>st</sup> Aiders may have left under EVR/VS	Health and Safety Group	2	4	8	Monitoring of Health and Safety Management Audits	Mike Fowler	Ongoing
Reduce Carbon footprint	Mike Fowler		Failure of staff to engage	Identification of Energy Champions in each Division	1	4	4	Energy Champions Group chaired by Head of Service	Mike Fowler	June 2010

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## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

30 JUNE 2011

<b>SUBJECT:</b>	<b>FUTURE OF LOCAL PUBLIC AUDIT</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>COUNCILLOR ADRIAN JONES</b>
<b>KEY DECISION?</b>	<b>NO</b>

#### 1.0. EXECUTIVE SUMMARY

1.1. At the meeting of this Committee on 28 March 2011 it was explained that the Department for Communities and Local Government (DCLG) had issued a Consultation Paper on the Future of Local Public Audit. I arranged for this paper to be circulated to each Member of the Committee and requested any comments.

#### 2.0. RECOMMENDATION

2.1. That the response to the DCLG consultation be noted.

#### 3.0. REASON FOR RECOMMENDATION

3.1. To respond to a consultation paper.

#### 4.0. BACKGROUND

4.1. On 13 August 2010, the Secretary of State for Communities and Local Government announced plans to disband the Audit Commission, transfer the work of the Audit Commission in-house practice into the private sector and put in place a new local audit framework. Local authorities would be free to appoint their own independent external auditors and there would be a new audit framework for local health bodies. A new decentralised audit regime would be established but councils and local health bodies would still be subject to robust auditing.

4.2. The Secretary of State was clear that safeguards would be developed to ensure independence, competence and quality, regulated within a statutory framework.

4.3. The DCLG has now issued a consultation paper on Government proposals for how a new local audit framework could work and seeks views on a number of questions. Appendix 1 outlines a summary of the proposals and Appendix 2 represents a response to the DCLG having sought comments from Members of this Committee.

4.4. The consultation document has been developed by the Department for Communities and Local Government, and the proposals have been discussed with a wide range of partners and bodies which will be affected by the changes. These include the Audit Commission, the National Audit Office, the Financial Reporting Council, the accountancy professional bodies, local government, other public bodies and other Government departments.

4.5. The DCLG will have regard to the principles of local public audit, which were codified in 1998 by the Public Audit Forum, but have deep historical roots. They are:

- **Independence of public sector auditors from the organisations being audited.** Auditors must be independent, to avoid improper influence and allow work to be carried out freely. Independence encompasses the methods of appointment of auditors; the financial relationship between auditor and audited bodies, discretion in the amount of work necessary, the ability to follow up the implementation of recommendations, and the ability to have access to any information necessary for audit work.
- **The wide scope of public audit, covering the audit of financial statements, regularity, propriety and value for money.** Public audit involves more than an opinion on the accounts. It also covers issues such as regularity, propriety and value for money. In this way, it helps to contribute to the corporate governance arrangements of public bodies.
- **The ability of public auditors to make the results of their audits available to the public, to democratically elected representatives and to other key stakeholders.** To be effective, there must be appropriate reporting arrangements, under which auditors report the results of their work both to the bodies responsible for funding and to the public.

## 5.0 RELEVANT RISKS

5.1. That Committee and Council do not consider the possible implications of potential changes in legislation relevant to Audit Committees and external auditors.

## 6.0 OTHER OPTIONS CONSIDERED

6.1. No other options were considered.

## 7.0 CONSULTATION

7.1. Members of the Audit and Risk Management Committee.

7.2. The Consultation Document was distributed by the DCLG to all bodies currently audited by the Audit Commission.

## 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/91/11

**REPORT AUTHOR:** *David A. Garry*  
*Chief Internal Auditor*  
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email: [davegarry@wirral.gov.uk](mailto:davegarry@wirral.gov.uk)

## APPENDICES

Appendix 1 -Summary of Proposals

Appendix 2 – Response to the DCLG Consultation

## REFERENCE MATERIAL

Future of Local Public Audit Consultation - DCLG - March 2011

## SUBJECT HISTORY (last 3 years)

Council Meeting	Dates
Audit and Risk Management Committee	28 March 2011

## SUMMARY OF PROPOSALS

1. Auditors of local public bodies continue to follow the Standards of the Auditing Practice Board. The National Audit Office (NAO) should develop and maintain the audit codes, which would be approved by Parliament. The NAO would also produce supporting guidance.
2. An overall regulator would have responsibility for authorising professional accountancy bodies to act as supervisory bodies for local public audit. It would have the role of registration, monitoring and discipline in relation to local public audit. It is proposed that the Financial Reporting Council, as regulator for Companies Act audits, should take on a similar role for local public audit.
3. All public bodies with income/expenditure over £6.5m will be under a duty to appoint an auditor, who will need to be on a register of local public statutory auditors.
4. Each larger local public body should have an Audit Committee with a majority of members independent of the body and with some elected Members to strike a balance between objectivity and in-depth undertaking of the issues:

An envisaged structure of an audit committee is:

- i. the chair would be independent of the body, together with the vice-chair.
- ii. the elected Members should be non-executive, non-cabinet, from the audited body and at least one to have recent and relevant financial experience, although where possible a third of the members should be in this position.
- iii. there would be a majority of the members of the committee who are independent of the public body.

Alternative arrangements are:

- a. only the Chair and a minority of members of the Committee are independent.
  - b. a selection of the Committee are independent of the body.
5. The audit appointment is made by the Council on the advice of the Audit Committee with opportunities for the electorate to make an input.
  6. Joint procurement and joint audit committees are legally enabled to ensure wide competition and co-operation between public bodies.
  7. Some responsibilities for the Audit Committee in the engagement of an auditor and in monitoring independence and quality.

8. The expanded role of the Audit Committee would include:-
  - a. advice to the Council, together with considering advice from the S151 Officer (Director of Finance), on criteria for engaging an auditor.
  - b. receipt of bids for evaluation in order to be able to advise the Council on the process and the best choice of auditor, although the Council need not follow this advice. If this were the case, the advice and reasons for ignoring it would have to be published on the website
9. The appointment and work of the external auditor should be transparent so that local people can make representations at any time about the audit firms and any issues relating to the auditor.
10. The audited body is under a duty to appoint an auditor and if it does not then the Secretary of State would appoint an auditor and a sanction would be applied.
11. The rotation of staff within the audit firm should be in line with current ethical standards. The Audit Committee would have a role in monitoring the independence and objectivity of the external auditor.
12. There would be safeguards covering the resignation and removal of an auditor, to protect the independence of the auditor and the quality of the auditor. These would be similar to those in the Companies Act and designed to ensure that auditors are not removed or made to resign without serious consideration.
13. A legislative framework could set out the process for setting and agreeing liability limitation agreements. Without an agreement, audit fees would increase to reflect the increased risk they would face.
14. Consideration is being given to the scope of the audit for local public bodies particularly with regard to whether there should be a move to a more transparent model such as that followed by companies and charities which must produce a director or trustees report. The role of the external auditor would be affected by the decision on transparency.
15. The duty of the auditor to make a report in the public interest should be retained together with the body's responsibility to consider the report and publish meeting decisions.
16. Auditors will be able to provide non-audit services to the audited body, but safeguards will be built into the system to prevent any threats to the auditor's independence.
17. The role in Public Interest Disclosures of receiving disclosures should be transferred to the Audit Committee from the Audit Commission. The external auditor would continue to be a "prescribed person" with no change from the present, so that both entities would be prescribed persons, under the Act.

18. The rights for local government electors to object to the accounts are considered outdated and over-burdonsome on auditors, local public bodies and Council Tax payers. Members of the public would retain the right to make representations to the auditor, to raise issues and to ask questions about the accounts.
19. Auditors should be brought into the remit of the Freedom of Information Act when they are carrying out a public audit.

to Luke Scofield,  
Department for Communities and  
Local Government,  
Zone 3/G6,  
Eland House,  
Bressenden Place,  
London,  
SW1E 5DU

date 19 May 2011

**APPENDIX 2**

your ref  
my ref IEC/TS  
service Finance  
tel 0151 666 3056 Please ask for Ian Coleman

Dear Sir.

**RESPONSE TO FUTURE OF LOCAL PUBLIC AUDIT CONSULTATION**

Wirral Council welcomes the opportunity to comment on the Consultation document on the Future of Local Public Audit issued by the Department, and responses to the individual questions follow.

**Introduction**

Q1: Have we identified the correct design principles? If not what other principles should be considered? Do the proposals in this document meet these design principles?

Yes. Most are currently in place with the Audit Commission. The key areas are consistency and the depth to which individual auditors carry out their investigations.

Q2: Do you agree that the audit of probation trusts should fall within the Comptroller and Auditor General's regime?

No view.

**Regulation of local public audit**

Q3: Do you think that the National Audit Office would be best placed to produce the Code of Audit Practice and the supporting guidance?

The organisation needs to understand the sector and to give clarity and so the National Audit Office is probably best placed to deliver this.

Q4: Do you agree that we should replicate the system for approving and controlling statutory auditors under the Companies Act 2006 for statutory local public auditors?

Yes.

Q5: Who should be responsible for maintaining and reviewing the register of statutory local public auditors?

The Financial Reporting Council could be able provided that they can prove that they have both the resources and the expertise to undertake the role.

Q6: How can we ensure that the right balance is struck between requiring audit firms eligible for statutory local public audits to have the right level of experience, whilst allowing new firms to enter the market?

If the Financial Reporting Council is acting as the regulator then it could include any 'newer bodies' and effectively give them a 'trial period'.

Q7: What additional criteria are required to ensure that the auditors have the necessary experience to be able to undertake a robust audit of a local public body, without restricting the market?

Market forces will probably limit the number of auditors.

Q8: What should constitute a public interest entity (i.e. a body for which audits are directly monitored by the overall regulator) for the purpose of local audit regulation? How should these be defined?

The changing role of local authorities and the move to being a commissioner of services will lead to more voluntary / faith sector bodies providing services. For consistency all should be operating under the same rules.

Q9: There is an argument that by their very nature all local public bodies could be categorised as 'public interest entities'. Does the overall regulator need to undertake any additional regulation or monitoring of these bodies? If so, should these bodies be categorised by the key services they perform or by their income and expenditure? If the latter what should the threshold be?

This proposal is based upon a spend threshold. The approach should be similar for all bodies but the value could determine the degree / depth of audit.

Q10: What should the role of the regulator be in relation to any local bodies treated in a manner similar to public interest entities?

The regulator should oversee all such bodies.

### **Commissioning local public audit services**

Q11: Do you think the arrangements we set out are sufficiently flexible to allow councils to co-operate and jointly appoint auditors? If not, how would you make the appointment process more flexible, whilst ensuring independence?



Having the auditors on an approved list and selected by councils from the list is flexible enough. Wirral may be interested in a cross-Merseyside contract for consistency of audit approach.

Q12: Do you think we have identified the correct criteria to ensure the quality of independent members? If not, what criteria would you suggest?

The selection process needs to ensure skills are relevant and that value can be added by the members.

Q13: How do we balance the requirements for independence with the need for skills and experience of independent members? Is it necessary for independent members to have financial expertise?

The skills needed to chair the committee are different and may be different from someone with financial expertise. However all members do need to be aware of the sector, of finance and of their role as members.

Q14: Do you think that sourcing suitable independent members will be difficult? Will remuneration be necessary and, if so, at what level?

This will depend upon their reason for being interested. Remuneration will be an issue and should be similar to members allowances and expenses.

Q15: Do you think that our proposals for audit committees prove the necessary safeguards to ensure the independence of the auditor appointment? If so, which of the options described in paragraph 3.9 seems most appropriate? If not, how would you ensure independence whilst also ensuring a decentralised approach?

The independence of the auditor appointment is not seen as an issue. Option 2 gives the committee a role of adding value.

Q16: Which option do you consider would be the best balance between a localist approach and a robust role for the audit committee in ensuring independence of the auditor?

Same answer as Q15.

Q17: Are these appropriate roles and responsibilities for the audit committee? To what extent should the role be specified in legislation?

They do link together and for consistency and to encourage independent members across the sector it would be preferable to specify the role.

Q18: Should the process for the appointment of an auditor be set out in a statutory code of practice or guidance? If the latter, who should promote and maintain this?

The Financial Reporting Council / National Audit Office are best placed to determine a code of practice or guidance.

Q19: Is this a proportionate approach to public involvement in the selection and work of auditors?

It is not clear how access from the public to the scrutiny of accounts is made. There needs to be a contact otherwise direct access to the committee when reviewing the accounts may be preferred.

Q20: How can this process be adapted for bodies without elected members?

Best to await the developments from the Police Reform and Social Responsibility Bill before determining the way forward. Would need clarity as to which bodies are included e.g. voluntary bodies.

Q21: Which option do you consider provides a sufficient safeguard to ensure that local public sector bodies appoint an auditor? How would you ensure that the audited body fulfils its duty?

Local Authorities are responsible organisations and would make such an appointment but option 2 with the power of the Secretary of State to intervene provides further assurance.

Q22: Should local public bodies be under a duty to inform a body when they have appointed an auditor, or only if they have failed to appoint an auditor by the due date?

If the Financial Reporting Council are maintaining a list of appointed auditors then local authorities should ensure that they keep this up-to-date.

Q23: If notification of auditor appointment is required which body should be notified of the appointment / failure to appoint an auditor?

See Q21 and Q22.

Q24: Should any firm's term of appointment be limited to a maximum of two consecutive five year periods?

This complies with the practice in other sectors.

Q25: Do the ethical standards provide sufficient safeguards for the rotation of the engagement lead and the audit team for local public bodies? If not, what additional safeguards are required?

Standards seem to cover the issues and the engagement would include a review of the key personnel involved and so would require details of experience, etc.

Q26: Do the proposals regarding the appointment of an audit firm strike the right balance between allowing the auditor and audited body to build a relationship based on trust whilst ensuring the correct degree of independence?

The five year term provides sufficient time for this to occur as supported by the annual reviews. Extending this to a possible 10 years after a competitive exercise adds to this.

Q27: Do you think this proposed process provides a sufficient safeguard to ensure that auditors are not removed, or resign, without serious consideration, and to maintain independence and audit quality? If not, what additional safeguards should be in place?

Yes. The public sector relationship with auditors has been different from the private sector in the past and this brings a more consistent approach.

Q28: Do you think the new framework should put in place similar provision as that in place in the companies sector to prevent auditors from seeking to limit their liability in an unreasonable way?

Yes. Again if there is consistency across sectors then the Financial Reporting Council could set out the provisions.

### **Scope of the audit and the work of auditors**

Q29: Which option would provide the best balance between costs for local public bodies, a robust assessment of value for money for the local taxpayer and provide sufficient assurance and transparency to the electorate? Are there other options?

Option 4 and the requirement for all public bodies to produce an annual report which would encompass value for money arrangements would provide this transparency.

Q30: Do you think local public bodies should be required to set out their performance and plans in an annual report? If so, why?

Yes. This information would further enhance the transparency of public bodies thereby increasing accountability and providing consistency. However, the financial resilience issue would depend upon greater clarity from the Government over future funding.

Q31: Would an annual report be a useful basis for reporting on financial resilience, regularity and propriety, as well as value for money, provided by local public bodies?

Yes. This would allow others to make comparisons across the sector and is information already held by authorities..

Q32: Should the assurance provided by the auditor on the annual report be 'limited' or 'reasonable'?

The auditor's comments should be based upon the accounts which would then translate to 'reasonable' assurance on the annual report.

Q33: What guidance would be required for local audit bodies to produce an annual report? Who should produce and maintain the guidance?

There needs to be guidance on the content which is best maintained by the Financial Reporting Council. Local electorates can determine any value for money considerations in relation to the size and style of the annual report.

Q34: Do these safeguards also allow the auditor to carry out a public interest report without his independence or the quality of the public interest report being compromised?

Yes. The way it is investigated and then reported is more of a factor and these can be considered as part of any annual review of performance.

Q35: Do you agree that auditors appointed to a local public body should also be able to provide additional audit related or other service to that body?

Yes. Auditors are in a good position to provide external advice and support as has been the case for local authorities for many years.

Q36: Have we identified the correct balance between safeguarding auditor independence and increasing competition? If not what safeguards do you think would be most appropriate?

All additional work should be undertaken through the Audit Committee to control the additional work and help safeguard the independence of the auditor.

Q37: Do you agree that it would be sensible for the auditor and the Audit Committee of the local public body to be designated prescribed persons under the Public Interest Disclosure Act? If not, who do you think would be best placed to undertake this role?

Yes. This strengthens the role of the Committee and the links with the management of the appointed auditor.

Q38: Do you agree that we should modernise the right to object to the accounts? If not, why?

Yes. The process presently in place is rarely used given the other means of access open to anyone or any body with an interest in local authorities.

Q39: Is the process set out above the most effective way for modernising the procedures for objections to accounts? If not what system would you introduce?

If the accounts are published then one of the options may be similar to that currently in place (and in companies) in that they are considered at an 'open' meeting similar to an Annual General Meeting.

Q40: Do you think it sensible that auditors are brought within the remit of the Freedom of Information Act to the extent of their functions as public office holders? If not why?

Yes but this should be kept under review as the scope and cost of this work would ultimately have to be met by the public sector bodies concerned.

Q41: What will be the impact on (i) the auditor / audited body relationship, and (ii) audit fees by bringing auditors within the remit of the Freedom of Information Act (to the extent of their functions as public office holders only)?

There needs to be recognition that some of the requests passed to authorities may well then be passed onto the auditors incurring duplication of effort. The costs do need to be monitored as in Q40 but in principle it is the correct action.

### **Arrangements for smaller bodies**

Q42: Which option provides the most appropriate approach for smaller bodies? What could happen to the fees for smaller bodies under our proposals?

Option 2 for the involvement of independent examiners and an Audit Committee is the preferable approach but see Q43 as fees need to be controlled.

Q43: Do you think the county or unitary authority should have the role of commissioner for the independent examiners for smaller bodies in their areas? Should this be the Section 151 officer or the full council having regard to advice provided by the Audit Committee? What additional costs could this mean to county or unitary authorities?

Bringing the smaller bodies under the unitary authorities would help with consistency and the localism developments. This would increase costs but could be mitigated by the use of either the unitary Internal Audit or an additional role for the authority appointed auditor.

Q44: What guidance would be required to enable county / unitary authorities to:-  
a) appoint independent examiners for smaller bodies within their area?  
b) outline the annual return requirements for independent examiners?  
Who should produce and maintain this guidance?

The table presented should be amended to include the expected role and indicative fees would assist in the engagement as the smaller bodies are independent of the council. Any guidance should come from the Financial Reporting Council.

Q45: Would option 2 ensure that smaller bodies appoint an external examiner whilst maintaining independence in the appointment?

If this was managed by local authorities this could be supported.

Q46: Are there other options given the need to ensure independence in the appointment process? How would this work where the smaller body eg a port health authority straddles more than one county / unitary authority?

In the case of local authorities, services across authorities are not uncommon and there tends to be an appointed lead authority for any such activities.

Q47: Is the four-level approach for the scope of the examination too complex? If so how would you simplify it? Should the threshold for smaller bodies be not more than £6.5 million or £500,000? Are there other ways of dealing with small bodies eg a narrower scope of audit?

There is the option to merge the lower bands and have up to £250,000, £250,000 to £500,000 and £500,000 upwards. For the lower levels there should be limited use of audit such as a review by the unitary internal audit.

Q48: Does this provide a proportionate, but appropriate, method for addressing issues that give cause for concern in the independent examination of smaller bodies? How would this work where the county council is not the precepting authority?

The approach seems reasonable because if the unitary authority is involved in the appointment this can be beneficial.

Q49: Is the process set out above the most appropriate way to deal with issues raised in relation to accounts for smaller bodies? If not, what system would you propose?

The proposals strengthen the links to the unitary authorities but this could see the smaller bodies operating 'under' the unitary.

Q50: Does this provide a proportionate but appropriate system of regulation for smaller bodies? If not, how should the audit for this market be regulated?

This would depend upon the overall intent which could be that set out under Q49.

**The following paragraphs provide an overview of the responses made to the detailed questions and seek to summarise some of the issues.**

A large element of the consultation seeks to provide greater consistency across the public and private sectors in the approach to the appointment and engagement of the auditors. By using the Financial Reporting Council to oversee the registration of audit firms and to monitor and enforce audit standards this will increase the consistency of approach. This is welcomed given the desire for greater consistency across the sectors and the increasing joint working in many areas in delivering services.

The nature of public bodies is different from those in the private sector. Public bodies are more open and transparent and already subject to much greater public scrutiny. As such this brings additional controls which are not deemed essential to those in the private sector. One example is the role of the Audit Committee and its membership. Elected Members, without being on the main decision-making body, already fulfil the role of independent members. Separately appointed independent members on the Committee may add to this scrutiny, as the Elected Members do already fulfil this role.

The relationship with the auditor is also different in the public sector. Bodies will appoint auditors but the extent and degree of audit scrutiny is variable because of the diverse nature of public bodies. This is reflected in the issues raised with the auditor and also the sources from which these issues are raised. Therefore the changes proposed under Freedom of Information, whilst agreed in principle, will need to be managed as this change could lead to duplicated requests and increased costs to local authorities.

In terms of the accounts, local authority accounts are publicly available and more open to scrutiny, including through the publication of information throughout the year, but the accounts are becoming increasingly complex due to accounting requirements. This has led to an increased use of annual reports by local authorities although all are mindful of the way such publications can be viewed by the electorate. Guidance would be welcomed.

As regards the audit arrangements for smaller bodies the way forward will depend upon whether the intention is to see smaller bodies being under the 'management' of unitary or county authorities or whether they are seen as remaining completely independent. The former will bring an additional burden for local authorities, the scale and cost of which will depend upon the number and size of such bodies within the local area.

Yours sincerely,

Ian Coleman  
Director of Finance

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**WIRRAL COUNCIL**

**AUDIT AND RISK MANAGEMENT COMMITTEE**

**30 JUNE 2011**

<b>SUBJECT:</b>	<b>ANTI MONEY LAUNDERING POLICY</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>COUNCILLOR ADRIAN JONES</b>
<b>KEY DECISION?</b>	<b>YES</b>

## **1.0 EXECUTIVE SUMMARY**

- 1.1. Following the publication of CIPFA guidance 'Combating Financial Crime: Further Guidance on Anti-money Laundering for Public Service Organisations (2009)', the Anti Money Laundering Policy has been updated.
- 1.2. A revised Anti Money Laundering Policy for the Council is attached at Appendix 1. The changes made to the existing policy are identified by the use of italics. The revised policy was agreed by the Cabinet on 2 June 2011.

## **2.0 RECOMMENDATIONS**

- 2.1. That the revised Anti Money Laundering Policy be noted.
- 2.2. That the revised policy be promoted across the Council.

## **3.0 REASONS FOR RECOMMENDATIONS**

- 3.1 To comply with best practice identified by CIPFA and the Society of Local Authority Chief Executives (SOLACE) in the "Delivering Good Governance in Local Government Framework" , the "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption" publication and the CIPFA 'Combating Financial Crime: further Guidance on Anti Money Laundering for Public Service Organisations'
- 3.2 This Committee on 17 January 2011 resolved that future counter fraud developments should be reported to this Committee.

## **4.0 BACKGROUND AND KEY ISSUES**

- 4.1 Council policies to manage fraud have been reviewed to confirm that they comply with current best practice and CIPFA/SOLACE guidance during an exercise undertaken to assess the effectiveness of the overall arrangements for managing the risk of fraud. This involved undertaking a detailed exercise to examine all counter fraud policies that the Council has in place and an evaluation against current best practice contained in the 'Managing the Risk of Fraud – Actions to Counter Fraud and Corruption' publication produced by CIPFA for Local Authorities.

- 4.2. The Anti-Money Laundering Policy was found to be in need of update to be compliant with the latest CIPFA guidance. The Policy now contains reference to officers' responsibilities under the Terrorism Act 2000 as amended, and includes reference to the responsibilities of Chief Officers to regularly review Departmental compliance with Money Laundering Processes.
- 4.3. A revised and updated Anti Money Laundering Policy has been prepared and is attached at Appendix 1.

## **5.0 RELEVANT RISKS**

- 5.1 Failure of the Council to have adequate policies and procedures in place to protect itself against the significant threat posed by money laundering and a failure to be seen by its stakeholders to be complying with current best practice to reduce all threats to the Council in this area.

## **6.0 OTHER OPTIONS CONSIDERED**

- 6.1 No other options considered.

## **7.0 CONSULTATION**

- 7.1 CIPFA, the Society of Local Authority Chief Executives (SOLACE) and the Serious Organised Crime Agency (SOCA) have been consulted throughout the process regarding current best practice.

## **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/108/11

**REPORT AUTHOR:** David A Garry  
Chief Internal Auditor  
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email: davegarry@wirral.gov.uk

## **APPENDICES**

Anti Money Laundering Policy

## **REFERENCE MATERIAL**

CIPFA / SOLACE Delivering Good Governance in Local Government Framework  
CIPFA Managing the Risk of Fraud – Actions to Counter Fraud and Corruption  
CIPFA 'Combating Financial Crime: Further Guidance on Anti-money Laundering for Public Service Organisations (2009)'

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Cabinet	2 June 2011

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# WIRRAL COUNCIL

## ANTI-MONEY LAUNDERING POLICY

### 1.0 INTRODUCTION

*(The first paragraph has been removed)*

- 1.1 *The legislation concerning money laundering (the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007) has broadened the definition of money laundering and increased the range of activities caught by the statutory framework. As a result, the Council has established a policy and internal procedures to prevent the use of their services for money laundering.*
- 1.2 The following policy is a good practice guide that should be followed by all Wirral Council employees, although certain areas of the policy will only apply to those employees operating 'regulated activities'<sup>(1)</sup> (or relevant business) functions.

### 2.0 SCOPE OF THE POLICY

- 2.1 This Policy applies to all employees of the Council and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The Policy sets out the procedures which must be followed (for example the reporting of suspicions of money laundering activity) to enable the Council to comply with its legal obligations.
- 2.2 The Policy sits alongside the Council's Anti-Fraud and Corruption Strategy including Whistle-blowing.
- 2.3 Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Policy and Procedure.
- 2.4 Further information is set out in the accompanying Guidance Note.

### 3.0 WHAT IS MONEY LAUNDERING?

- 3.1 Money Laundering is the term used for a number of offences involving the integrating of "dirty money" (i.e. the proceeds of crime) into the mainstream economy. The objective is to legitimise the possession of such monies through circulation and this effectively leads to "clean" funds being received in exchange.

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<sup>1</sup> "Regulated activity is defined as the provision 'by way of business' of: advice about tax affairs; accounting services; treasury management, investment or other financial services; audit services; legal services; estate agency; services involving the formation, operation or arrangement of a company or trust or; dealing in goods wherever a transaction involves a cash payment of €15,000 or more."

Types:

- Placement: the process of transferring the proceeds of crime into the financial system, either directly through the high cash business or through the purchase of high value goods, property or other assets;
- Layering: the process of separating the proceeds of crime from the criminal source by creating layers of financial transactions to disguise the audit trail and provide anonymity;
- Integration: the process of whereby the layered funds re-enter the financial system as normal funds.

In most cases, the success of money laundering depends upon the transaction looking normal. Consequently, funds are usually laundered as part of seemingly ordinary transactions.

3.2 *Money laundering now goes beyond the transformation of the proceeds of crime into apparently legitimate money/assets: it now covers a range of activities (which do not necessarily need to involve money or laundering) regarding the proceeds of crime. It is technically defined as any act constituting:*

- *An offence under sections 327 to 329 of the Proceeds of Crime Act 2002, i.e:*

The primary money laundering offences, which are:

- concealing, disguising, converting or transferring criminal property or removing it from the UK (section 327);
- entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328);
- acquiring, using or possessing criminal property (section 329);

*and even*

- *an attempt, conspiracy or incitement to commit such an offence; or*
- *aiding, abetting, counselling or procuring such an offence; and*

*In addition, money laundering offences include:*

- *an offence under section 18 of the Terrorism Act 2000, namely becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of “terrorist property”<sup>2</sup> (See full details of offence in the offences table at Appendix C).*

3.3 Potentially any member of staff could be captured by the money laundering provisions if they suspect money laundering and become involved with it in some way or they are aware of another person’s involvement in money laundering and fail to report it, whether they are involved or not. The Guidance Note gives practical examples. This Policy sets out how any concerns should be raised.

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<sup>2</sup> “Terrorist Property” means money or other property which is likely to be used for the purposes or terrorism, proceeds of the commission of acts of terrorism, and acts carried out for the purposes of terrorism.

3.4 Whilst the risk to the Council of contravening the legislation is low, it is not impossible to fall into a money laundering trap unwittingly, **so it is extremely important that all employees are familiar with their legal responsibilities: Serious criminal sanctions may be imposed for breaches of the legislation.**

#### **4.0 WHAT ARE THE OBLIGATIONS ON THE COUNCIL?**

4.1 Organisations conducting “relevant business” must:

- appoint a Money Laundering Reporting Officer (“MLRO”) to receive disclosures from employees of money laundering or *terrorist financing activity* (their own or anyone else’s);
- implement a procedure to enable the reporting of suspicions of money laundering or *terrorist financing*;
- maintain customer due diligence identification procedures in certain circumstances; and
- maintain record keeping procedures;
- train staff accordingly.

4.2 Not all of the Council’s business is “relevant” for the purposes of the legislation. It is mainly the accountancy and audit services carried out by Financial Services. However, the safest way to ensure compliance with the law is to apply them to all areas of work undertaken by the Council; therefore, **all** staff are required to comply with the reporting procedure set out in section 7 below.

4.3 The following sections of this Policy provide further detail about the requirements listed in paragraph 4.1.

#### **5.0 THE MONEY LAUNDERING REPORTING OFFICER**

5.1 The officer nominated to receive disclosures about money laundering/*terrorist financing activity* within the Council is the Director of Finance, I. E. Coleman. He can be contacted as follows:

I. E. Coleman  
Director of Finance  
Wirral Council  
Treasury Building  
Cleveland Street  
Birkenhead  
CH41 6BU

Telephone: 0151 666 3056

**5.2 In the absence of the MLRO, the Deputy Director of Finance, D. L. H. Taylor-Smith, is authorised to act as the Deputy Money Laundering Reporting Officer.**

## 6.0 PROCEDURES

### Cash payments

- 6.1 Usually for cash transactions, by way of custom and practice, banks, building societies and other financial institutions automatically report movement of £1,000 over to the Serious Organised Crime Agency (SOCA); so in order to avoid the Council being caught out by this reporting system and thus perceived to be at suspicion of assisting money laundering or *terrorist financing*, Wirral Council has implemented a new policy on the acceptance of cash. Identification will now be requested from all customers paying amounts over £1,000 in cash (see appendix A). **Any** transactions that appear suspicious must be reported to the MLRO. Remember SOCA is watching to see who doesn't report in a chain of events, waiting to pounce.
- 6.2 It's all about traceability. Consequently, cheques, large or small, coming in from UK clearing banks are easily traceable through the banking system, hence a shelf company paying a cheque to the Council for, say, £100,000 is traceable. An individual walking in with £1,005 cash to pay a debt is not necessarily traceable. Therefore best practice is to insist on payment by cheque or electronic transfer from a UK Clearing Bank: NOTHING overseas or offshore *should be accepted*.

## 7.0 DISCLOSURE PROCEDURE

### Reporting to the Money Laundering Reporting Officer

- 7.1 Where you **know or suspect** that money laundering or *terrorist financing* activity is taking/has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under sections 327 – 329 of the Act, you must disclose this as soon as practicable to the MLRO. The disclosure should be within “hours” of the information coming to your attention, not weeks or months later. **SHOULD YOU NOT DO SO, THEN YOU MAY BE LIABLE TO PROSECUTION.** You MUST report in confidence and in private (see 7.4) - you must NOT ‘tip off’ anybody else or allow anybody else to see or hear what is happening - it is CONFIDENTIAL between you and the MLRO.

You may wish to consult your line manager before approaching the MLRO, but you must be aware that **both you and your line manager** would have to disclose a report to the MLRO individually. This is because it is not a defence to presume that a report to the MLRO has been made on your behalf. If you do not consult your line manager prior to making a report to the MLRO **you must not** discuss any aspect of the matter with your line manager or any other person without prior approval from the MLRO.

- 7.2 Your disclosure should be made to the MLRO using the pro-forma report attached at Appendix B, ensuring that it is either hand delivered or in an envelope marked ‘Private and Confidential for the attention of addressee only’. The report must include as much detail as possible, for example:
- Full details of the people involved (including yourself, if relevant);
  - Full details of the nature of their/your involvement;



If you are concerned that your involvement in the transaction would amount to a prohibited act under sections 327 – 329 of the Act (see Appendix C, Offences Table), then your report must include all relevant details, as you will need consent from the “SOCA”, via the MLRO, to take any further part in the transaction - this is the case even if the client gives instructions for the matter to proceed before such consent is given.

- You should therefore make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent eg a completion date or court deadline;
- The types of money laundering activity involved:
  - if possible, cite the section number(s) under which the report is being made eg a principal money laundering offence under section 327 – 329 of the Act, or general reporting requirement under section 330 of the Act, or both (see Appendix C, Offences Table);
- The dates of such activities, including:
  - whether the transactions have happened, are ongoing or are imminent;
- Where they took place;
- How they were undertaken;
- The (likely) amount of money/assets involved;
- Why, exactly, you are suspicious – the SOCA will require full reasons;

along with any other relevant available information to enable the MLRO to make a sound judgement as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable him to prepare his report to SOCA, where appropriate.

7.3 Once you have reported the matter to the MLRO you must follow any directions they may give you. **You must NOT make any further enquiries into the matter yourself**, any necessary investigation will be undertaken by SOCA. Simply report your suspicions to the MLRO who will refer the matter on to SOCA if appropriate. All members of staff will be required to co-operate with the MLRO and the Authorities during any subsequent money laundering/*terrorist financing* investigation. You must not ‘form a committee’ to consider such a matter.

7.4 Similarly, **at no time and under no circumstances should you voice any suspicions** to the person(s) whom you suspect of money laundering or *terrorist financing*, even if SOCA has given consent to a particular transaction proceeding, otherwise you may commit a criminal offence of “tipping off” (see the Guidance Note for further details).

7.5 Even saying “I can’t tell you” may infer tip off. Even if an irate Councillor demands to be informed about the issue, you must remain steadfast and not even hint at what the problem might be. You may wish to seek advice from the MLRO if you are unsure about how to proceed in such a situation. If and when the MLRO and/or SOCA give clearance you must proceed with the matter as if nothing had happened.

7.6 Do not, therefore, make any reference on a client file to a report having been made to the MLRO – should the client exercise their right to see the file, then such a note would obviously tip them off to the report having been made. The MLRO will keep the appropriate records in a confidential manner.

### **Consideration of the Disclosure by the Money Laundering Reporting Officer**

7.7 Upon receipt of a disclosure report, the MLRO must note the date of receipt on their section of the report and acknowledge receipt of it. They should also advise you of the timescale within which they expect to respond to you.

7.8 The MLRO will consider the report and any other available internal information they think is relevant eg:

- reviewing other transaction patterns and volumes;
- the length of any business relationship involved;
- the number of any one-off transactions and linked one-off transactions;
- any identification evidence held;

and undertake such other reasonable enquiries they think appropriate in order to ensure that all available information is taken into account in deciding whether a report to SOCA is required (enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you.

7.9 Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:

- there is actual or suspected money laundering/*terrorist financing* taking place; or
- there are reasonable grounds to know or suspect that is the case; and
- whether they need to seek consent from SOCA for a particular transaction to proceed.

7.10 Where the MLRO does so conclude, then they must disclose the matter as soon as practicable to SOCA on their **standard report form** and in the prescribed manner, unless they have a reasonable excuse for non-disclosure to SOCA (for example, if you are a lawyer and you wish to claim legal professional privilege for not disclosing the information). Up to date forms can be downloaded from the SOCA website at [www.soca.gov.uk](http://www.soca.gov.uk).

7.10.1 Where the MLRO considers no money laundering/*terrorist financing* is taking place or suspects money laundering or *terrorist financing* but has a reasonable excuse for non-disclosure, then they must note the report accordingly; they can then immediately give their consent for any ongoing or imminent transactions to proceed. Remember - it's better to disclose than not – “better safe than sorry”.

7.10.2 In cases where legal professional privilege may apply, the MLRO must liaise with the Head of Legal Services to decide whether there is a reasonable excuse for not reporting the matter to SOCA.

7.10.3 Where consent is required from SOCA for a transaction to proceed, the transaction(s) in question must not be undertaken or completed or proceed until SOCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from SOCA.

7.11 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering/*terrorist financing* then they shall mark the report accordingly and give their consent for any ongoing or imminent transaction(s) to proceed.

7.12 All disclosure reports referred to the MLRO and reports made by them to SOCA must be retained by the MLRO in a confidential file kept for that purpose, *for at least 5 years from the end of the business relationship*.

7.13 **The MLRO commits a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering/terrorist financing and they do not disclose this as soon as practicable to the SOCA (see Appendix C, Offences Table).**

## 8.0 CUSTOMER DUE DILIGENCE

8.1 Where the Council is carrying out certain 'regulated activities' then extra care needs to be taken to check the identity of the customer or client – this is known as carrying out Customer Due Diligence.

8.2 The Regulations regarding customer due diligence are detailed and complex, but there are some simple questions that will help you decide if it is necessary:

- Is the service a regulated activity ?
- Is the Council charging for the service i.e. is it 'by way of business'?
- Is the service being provided to a customer other than a UK public authority?

If the answer to any of these questions is **no** then you do not need to carry out customer due diligence

If the answer to all these questions is **yes** then you must carry out customer due diligence before any business is undertaken for that client. If you are unsure whether you need to carry out customer due diligence then you should contact the MLRO.

8.3 Where you need to carry out customer due diligence then you must seek evidence of identity, for example:

- checking with the customer's website to confirm their business address;
- conducting an on-line search via Companies House to confirm the nature and business of the customer and confirm the identities of any directors;
- seeking evidence from the key contact of their personal identity, for example their passport, and position within the organisation.

- 8.4 The requirement for Customer Due Diligence applies immediately for new customers and should be applied on a risk sensitive basis for existing customers. Ongoing Customer Due Diligence must also be carried out during the life of a business relationship but should be proportionate to the risk of money laundering and *terrorist funding*, based on the officer's knowledge of the customer and a regular scrutiny of the transactions involved.
- 8.5 If, at any time, you suspect that a client or customer for whom you are currently, or are planning to carry out a regulated activity is carrying out money laundering or *terrorist financing*, or has lied about their identity then you must report this to the MLRO.
- 8.6 In certain circumstances enhanced customer due diligence must be carried out for example where:
- The customer has not been physically present for identification
  - The customer is a politically exposed person <sup>(3)</sup>
  - There is a beneficial owner who is not the customer – a beneficial owner is any individual who: holds more than 25% of the shares, voting rights or interest in a company, partnership or trust.
- 8.7 Enhanced customer due diligence could include any additional documentation, data or information that will confirm the customer's identity and / or the source of the funds to be used in the business relationship / transaction. If you believe that enhanced customer due diligence is required then you must consult the MLRO prior to carrying it out.

## **9.0 RECORD KEEPING PROCEDURES**

9.1 Each unit of the Council conducting relevant business must maintain records of:

- Every customer due diligence record
- Details of all relevant transactions carried out for customers

*for at least 5 years from the end of the business relationship.* This is so that they may be used as evidence in any subsequent investigation by the Authorities into money laundering/*terrorist financing*.

- 9.2 An electronic copy of every customer due diligence record must be sent to the MLRO to meet the requirements of the Regulations and in case of inspection by the relevant supervising body.
- 9.3 The precise nature of the records is not prescribed by law. However they must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, the business units of the Council will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.

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<sup>3</sup> A politically exposed person is an individual who at any time in the preceding year has held a prominent public function outside of the UK, and EU or international institution / body, their immediate family members or close associates.

## **10.0 GUIDANCE AND TRAINING**

10.1 In support of the Policy and Procedure, the Council will:

- Make all staff aware of the requirements and obligations placed on the Council and on themselves as individuals by the anti-money laundering legislation; and
- Give targeted training to those most likely to encounter money laundering/*terrorist financing*.

## **11.0 CONCLUSION**

11.1 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This Policy and Procedure have been written to enable the Council to meet the legal requirements in a way which is proportionate to the low risk to the Council of contravening the legislation.

11.2 Should you have any concerns whatsoever regarding any transactions then you should contact the MLRO or the Deputy MLRO.

## **12.0 MONITORING AND REVIEW OF COMPLIANCE**

12.1 *It is the responsibility of all Chief Officers to undertake regular monitoring and review of their department's compliance with the Anti-Money Laundering Policy and Procedures and in particular to ensure that the procedure to be adopted is communicated to all staff.*

12.2 *It is essential that all employees are aware of the potential for criminal activity and terrorist financing activity to be concealed through Money Laundering.*

## **13.0 REVIEW OF THE POLICY**

*The Policy will be subject to regular review and audit and will be updated as and when required (see Appendix D)*

## VERIFICATION OF CUSTOMER IDENTITY

Verification of Customer Identity Checklist for client: Name: \_\_\_\_\_

NB: If you are receiving funds from a Council customer in any transaction above £1,000 cash, the identity of the customer must be checked.

All suspicions, regardless of amount, should be reported to the MLRO via the Money Laundering Reporting Form.

### A. Evidence not obtained – reasons:

1. Customer previously identified in: Month \_\_\_\_\_ Year \_\_\_\_\_

2. Other – state reason fully \_\_\_\_\_

### B. Evidence obtained to verify name and address:

(a) OK on their own

Full national passport	▶
Full national driving licence with photo	▶
Pension book	▶
Armed Forces ID Card	▶
Signed ID Card of employer known to you	▶

(b) OK with two of next group below

Young person NI card (under 18 only)	▶
Pensioner's travel pass	▶
Building Society passbook	▶
Credit Reference agency search	▶
National ID Card	▶
Copy Company Certificate of Incorporation if a limited company and 2 Directors personal identify as above	▶

(c) NB NOT suitable on their own

Gas, electricity, telephone bill	▶
Mortgage statement	▶
Council tax demand	▶
Bank/Building Society/credit card statement	▶
Young persons medical card (under 18 only)	▶
Home visit to applicants address	▶
Check of telephone directory	▶
Check electoral roll	▶
*Suitable for proof of address only	▶

NB BEST PRACTICE is to have one of Group (a) plus two of Group (c)

**C. Evidence obtained for unquoted company or partnership:**

- Certificate of Incorporation or equivalent ▶
- Certificate of Trade or equivalent ▶
- Latest report and audited accounts ▶
- Principal shareholder/partner ) *NB Personal* ▶
- Principal director ) *ID* ▶

**D. Disadvantaged Customers:**

e.g. Confirmation of identity from Social Worker or  
Bail Officer, Police, School, Courts etc ▶

**E.** If evidence not obtained for the reasons in A, do you have any suspicions regarding identity? \_\_\_\_\_

\_\_\_\_\_

**I confirm that I have seen the originals of the documents indicated above and have identified the above Customer(s)**

**Signed** \_\_\_\_\_ **Date** \_\_\_\_\_

NB Wherever possible TAKE PHOTOCOPIES of the identification evidence and PUT ON FILE. Copies should be stamped to indicate a copy and signed to evidence sight of the original.

**CONFIDENTIAL**

**MONEY LAUNDERING REPORT**

**re Money Laundering Activity**

**To: Money Laundering Reporting Officer**

From: .....  
*[insert name of employee]*

Directorate: ..... Ext/Tel No:.....  
*[insert post title and Business Unit]*

**DETAILS OF SUSPECTED OFFENCE**

**Name(s) and address(es) of person(s) involved:**  
*[if a company/public body please include details of nature of business]*

**Nature, value and timing of activity involved:**  
*[Please include full details eg what, when, where, how. Continue on a separate sheet if necessary]*



**Nature of suspicions regarding such activity:**

*[Please continue on a separate sheet if necessary]*

**Has any investigation been undertaken (as far as you are aware)?**  Yes  No

*[Please tick the relevant box]*

**If yes, please include details below:**

**APPENDIX B**

**Have you discussed your suspicions with anyone else? )?**

Yes

No

*[Please tick the relevant box]*

**If yes, please specify below, explaining why such discussion was necessary:**

**Have you consulted any supervisory body guidance re money laundering? (e.g. the Law Society)**

Yes

No

*[Please tick the relevant box]*

**If yes, please specify below:**

**Do you feel you have a reasonable excuse for not disclosing the matter to the SOCA? (eg are you a lawyer and wish to claim legal professional privilege?)**

Yes

No

*[Please tick the relevant box]*

**If yes, please set out full details below:**

**APPENDIX B**

**Are you involved in a transaction which might be a prohibited act under sections 327- 329 of the Act and which requires appropriate consent from the SOCA?  
(see appendix C, Offences Table)**

Yes  No

*[Please tick the relevant box]*

**If yes, please enclose details in the box below:**

**Please set out below any other information you feel is relevant:**

**Signed:**..... **Dated:**.....

*Please do not discuss the content of this report with anyone else and especially anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years' imprisonment.*

**THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO**

Date report received: .....

Date receipt of report acknowledged: .....

**CONSIDERATION OF DISCLOSURE:**

**Action Plan:**

**OUTCOME OF CONSIDERATION OF DISCLOSURE:**

**Are there reasonable grounds for suspecting money laundering activity?**

**APPENDIX B**

**If there are reasonable grounds for suspicion, will a report be made to the SOCA?**

Yes  No

*[Please tick the relevant box]*

**If yes, please confirm date of report to SOCA: .....**  
and complete the box below:

**Details of liaison with the SOCA regarding the report:**

**Notice Period: ..... to .....**

**Moratorium Period: ..... to .....**

**Is consent required from the SOCA to any ongoing or imminent transactions which would otherwise be prohibited acts?**

Yes  No

*[Please tick relevant box]*

**If yes, please confirm full details in the box below:**

**Date consent received from SOCA: .....**

**Date consent given by you to employee: .....**

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the SOCA, please set out below the reason(s) for non-disclosure:

*[Please set out any reasonable excuse for non-disclosure]*

Date consent given by you to employee for any prohibited act transactions to proceed: .....

Other relevant information:

Signed:..... Dated:.....

***THIS REPORT TO BE RETAINED SECURELY FOR AT LEAST 5 YEARS FROM THE END OF THE BUSINESS RELATIONSHIP***

Earliest disposal date: .....

**OFFENCES TABLE**

<b>Section Reference</b>	<b>Offence</b>	<b>Definition</b>
<b>S327</b>	<b>Concealing Criminal Property</b>	<p>A person commits an offence if they conceal, disguise, convert or transfer criminal property or if they remove criminal property from England, Wales, Scotland or Northern Ireland.</p> <p>This is punishable by a maximum term of imprisonment of 14 years at the Crown Court and an unlimited fine.</p> <p>At the Magistrates Court it is 6 months and £5,000 fine.</p>
<b>S328</b>	<b>Arrangements</b>	<p>This offence requires a person to become actively involved in some arrangement which helps someone else to get, keep, use or control the proceeds of a crime.</p> <p>The punishment is as for S327.</p>
<b>S329</b>	<b>Acquisition, use and possession</b>	<p>This offence is committed by anyone that has criminal proceeds in their possession provided they know or suspect that it represents the proceeds of a crime unless they paid 'adequate consideration' for it.</p> <p>Someone who pays less than the open market value is therefore guilty of the offence but someone who pays the full retail price, despite knowing or suspecting they are stolen goods is not guilty.</p> <p>The punishment is as for S327.</p>
<b>S330</b>	<b>Failure to Disclose Offence: Regulated Sector</b>	<p>This offence is committed by an employee of a business in the regulated sector who has knowledge or suspicion of another persons involvement in money laundering and does not make a report through the appropriate channels. Negligence is not a defence as the employee will be tried upon what they should have known given their experience, knowledge and training.</p> <p>This is punishable by a maximum term of imprisonment of 5 years and/or a fine.</p>

**APPENDIX C**

<p><b>S331</b></p>	<p><b>Failure to Disclose Offence: Nominated Officers in the Regulated Sector</b></p>	<p>This offence is committed by a nominated officer (MLRO) of a business in the regulated sector who has knowledge or suspicion of another persons involvement in money laundering and does not make a report through the appropriate channels without an acceptable excuse under the legislation. Negligence is not a defence as the nominated officer will be tried upon what they should have known given their experience, knowledge and training.</p> <p>This is punishable by a maximum term of imprisonment of 5 years and/or a fine.</p>
<p><b>S332</b></p>	<p><b>Failure to Disclose Offence: Other Nominated Officers</b></p>	<p>This offence is committed by a nominated officer (MLRO) of a business outside of the regulated sector who has knowledge or suspicion of another persons involvement in money laundering and does not make a report through the appropriate channels without an acceptable excuse under the legislation. The officer will be tried on what they knew or suspected not on what they might have been expected to know or suspect.</p> <p>This is punishable by a maximum term of imprisonment of 5 years and/or a fine.</p>
<p><b>S333</b></p>	<p><b>Tipping Off Offence</b></p>	<p>This offence is committed if an officer makes a disclosure which is likely to prejudice an investigation being carried out by a law enforcing authority, knowing that such an investigation is in motion.</p> <p>This is punishable by a maximum term of imprisonment of 5 years and/or a fine.</p>



## APPENDIX D

<b>Date</b>	<b>Review History</b>
April 2006	Anti-Money Laundering Policy, Guidance Note and Briefing Note for Front Line Staff established.
April 2006	Anti-Money Laundering Policy approved by the Executive Board on 6 April 2006.
April 2008	Anti-Money Laundering Policy, Guidance and Briefing Note for Front Line Staff reviewed and updated to take account of revised Money Laundering Regulations which came into force on 15 December 2007.
May 2008	Revised Anti-Money Laundering Policy approved by Cabinet on 22 May 2008.
March 2010	Money Laundering Programme reviewed by Internal Audit.
November 2010	Policy reviewed and updated to take into account the recommendations made by Internal Audit.  <a href="H:\Finance\IntAudit\NEWSTRUCTUREANTIFRAUD\moneyLaundering\Follow-up_Anti_Money_Laundering_2010-11\Luan's_2010-11_follow_up_work\Wirral_Council_Policy\Nov_2010_policy_&amp;_guidance">H:\Finance\IntAudit\NEWSTRUCTUREANTIFRAUD\moneyLaundering\Follow-up_Anti_Money_Laundering_2010-11\Luan's 2010-11 follow up work\Wirral Council Policy\Nov 2010 policy &amp; guidance</a>

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## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

30 JUNE 2011

<b>SUBJECT:</b>	<b>BRIBERY ACT 2010</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>COUNCILLOR ADRIAN JONES</b>
<b>KEY DECISION?</b>	<b>YES</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report outlines the Bribery Act 2010, and sets out the actions required to ensure compliance. The report also sets out the sanctions which are applicable to the Council, in the event of a prosecution under the Act.
- 1.2. A period of consultation preceded the implementation of the Act which was initially planned for 1 April 2011. Following the period of consultation the implementation date was delayed. On 30 March 2011 the Ministry of Justice published long awaited Guidance relating to the Act and announced that the implementation date will be 1 July 2011.
- 1.3. A draft Anti Bribery Policy is attached which has been prepared in accordance with CIPFA best practice and which was agreed by the Cabinet on 2 June 2011.
- 1.4. Following discussions with the Head of Legal and Member Services, an action plan has been prepared to ensure that the Council implements appropriate actions to comply with the requirements of the Act. This is attached at Appendix 2: section 1 of this identifies the current situation within the Council and section 2 identifies those actions required.

#### **2.0 RECOMMENDATIONS**

- 2.1. That the Council takes appropriate steps to ensure compliance with the legislation as identified in the attached action plan.
- 2.2. That the Anti-Bribery Policy be noted.
- 2.3. That Members endorse the promotion of the policy across the Council.

#### **3.0 REASONS FOR RECOMMENDATIONS**

- 3.1 The sanctions introduced by the Act are severe and offences include the corporate offence of 'failing to prevent an act of bribery.' There is however a defence available to the Council of having 'Adequate Procedures' in place. Appropriate actions will have to be taken in order that the Council can rely on the defence of having 'Adequate Procedures.'

- 3.2. This Committee on 17 January 2011 resolved that future counter fraud developments should be reported to this Committee.

#### **4.0 BACKGROUND AND KEY ISSUES**

- 4.1. Whilst most of the offences occur through the offering or acceptance of bribes there is also an offence under which an organisation can be prosecuted for failing to prevent bribery (section 7) The Act includes specific details about the type of functions and activities covered by the Act. Included amongst the list is 'any Function of a Public Nature'
- 4.2. The maximum sanctions for "other persons" (this includes Wirral Council) could be an unlimited fine if the case goes to the Crown Court. In addition if the Council was successfully prosecuted under the Act, the Council could be prevented from tendering for any dealings with other councils. Senior Officers can also be convicted of an offence where they are deemed to have given their consent, or connivance to giving or receiving a bribe or bribing a foreign official.
- 4.3. There is a defence available to the Council. The defence is that of having adequate procedures in place. To successfully rely on this defence the Serious Fraud Office would have to be satisfied that the anti bribery philosophy is embedded in the culture of Wirral. In order to prove that the Council has adequate procedures in place the Ministry of Justice has advocated a list of actions which the Council should undertake. The list includes:
- Completion of a risk assessment to identify all areas of the organisation potentially susceptible to Bribery
  - Ensuring that there is top level commitment to a culture of zero tolerance to bribery
  - Putting in place proportionate due diligence procedures
  - Ensuring that all pertinent policies are practical and accessible and understood by all employees
  - Ensuring that there is a system in place to monitor and review the effectiveness of actions.
- 4.4. The Council already has a governance framework which essentially includes all strategies, codes, policies, plans, rules, arrangements, terms and procedures which not only detail necessary responsibilities and practices to ensure the effective discharge of Council duties and functions in a lawful, transparent, and accountable manner but also assist the Council to mitigate against the risks to which it is exposed, including many of those now falling within the remit of the Bribery Act 2010.

- 4.5. However there remain a number of actions which the Council should take to ensure full compliance with the Act. Areas to be addressed are:
- a. The main areas which are likely to be susceptible to bribery need to be identified and the Council must be satisfied that all those whom we deal with are aware of and endorse the Council's zero tolerance stance. The relevant people who must be informed are suppliers, employees, Members, charities, partnerships, agencies and consultants.
  - b. All documentation needs to be scrutinised to ensure that it reflects the Council's zero tolerance approach. These documents will include, but not be limited to, new supplier forms and tender documents.
  - c. The Council has to be satisfied that it has adequate policies and procedures in place to prevent bribery and that these policies are appropriately publicised and communicated to all stakeholders.
  - d. A statement on penalties and sanctions should be prepared to inform internal and external stakeholders of the consequences of none compliance.
  - e. A review mechanism needs to be put in place to monitor compliance and ensure that any changes to the bribery risk are identified.
- 4.6. Details of how these aims will be achieved are set out in the attached action plan.

## **5.0 RELEVANT RISKS**

- 5.1 Failure of the Council to have a fully embedded culture of zero tolerance to bribery which could lead to the prosecution of the Council under section 7 of the Act with the potential sanction of an unlimited fine, prohibition from certain trading opportunities and consequential adverse publicity.

## **6.0 OTHER OPTIONS CONSIDERED**

- 6.1 No other options considered. Wirral Council must comply with the requirements of the Bribery Act

## **7.0 CONSULTATION**

- 7.1 CIPFA, especially the Better Governance Forum, has been consulted throughout the process regarding current best practice.

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

- 8.1 There are none arising directly from this report.

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

- 9.1 There are none arising directly 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/109/11**

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

### **APPENDICES**

1. Anti Bribery Policy
2. Bribery Act Compliance Action Plan

### **REFERENCE MATERIAL**

**The Bribery Act Guidance - Ministry of Justice, March 2011**

### **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Cabinet	2 June 2011



## **Anti Bribery Policy**

### **1.0 Policy Statement - Anti Bribery**

- 1.1 Bribery is a criminal offence. Wirral Council will neither pay bribes nor offer improper inducements to anyone for any purpose, nor accept bribes or improper inducements.
- 1.2 To use a third party as a conduit to channel bribes to others is a criminal offence. The Council does not, and will not, engage indirectly in or otherwise encourage bribery.
- 1.3 Wirral Council is committed to the prevention, deterrence and detection of bribery and has a zero-tolerance towards bribery. Anti-bribery compliance is to be embedded in every aspect of Council operations.

### **2.0 Objective of this policy**

- 2.1 This policy provides a coherent and consistent framework to enable Council employees to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.
- 2.2 It is the responsibility of all personnel, including those permanently employed, temporary agency staff and contractors; and Members to:
  - act honestly and with integrity at all times and to safeguard the Council resources for which they are responsible
  - comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates, in respect of the lawful and responsible conduct of activities

### **3.0 Scope of this policy**

- 3.1 This policy applies to all Council activities. For partners, joint ventures and suppliers, the Council will seek to promote the adoption of policies consistent with the principles set out in this policy.
- 3.2 Within the Council, the responsibility to control the risk of bribery occurring resides at all levels of the organisation. It does not rest solely within assurance functions, but in all business units and corporate functions.

3.3 This policy covers all personnel, including all levels and grades, those permanently employed, temporary agency staff, contractors, non-executives, agents, Members (including independent members), volunteers and consultants.

#### **4.0 The Council commitment to action**

4.1 This Council commits to:

- Setting out a clear anti-bribery policy and keeping it up to date
- Making all employees aware of their responsibilities to adhere strictly to this policy at all times
- Training all employees so that they can recognise and avoid the use of bribery by themselves and others
- Encouraging all employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution
- Taking firm and vigorous action against any individual(s) involved in bribery
- Providing information to all employees to report breaches and suspected breaches of this policy
- Including appropriate clauses in contacts to prevent bribery.

#### **5.0 Bribery**

5.1 Is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

#### **6.0 The Bribery Act**

6.1 There are four key offences under the Act:

- bribery of another person (section 1)
- accepting a bribe (section 2)
- bribing a foreign official (section 6)
- failing to prevent bribery (section 7)

6.2 The Bribery Act 2010

([http://www.opsi.gov.uk/acts/acts2010/ukpga\\_20100023\\_en\\_1](http://www.opsi.gov.uk/acts/acts2010/ukpga_20100023_en_1)) makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business. There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.



## **7.0 Penalties**

7.1 An individual guilty of an offence under sections 1, 2 or 6 is liable:

- On conviction in a Magistrates Court, to imprisonment for a maximum term of 12 months (six months in Northern Ireland), or to a fine not exceeding £5,000, or to both
- On conviction in a Crown Court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

7.2 Organisations are liable for these fines and if guilty of an offence under Section 7 are liable to an unlimited fine.

## **8.0 Bribery is not tolerated by Wirral Council**

8.1 It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
- engage in activity in breach of this policy.

## **9.0 Facilitation payments**

9.1 Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions.

## **10.0 Gifts and hospitality**

10.1 This policy is not meant to change the requirements of the Gifts and Hospitality Policy. This makes it clear that:

10.2 With the exceptions listed below, an employee should refuse any personal gift (including cash) offered to him/her or to a member of his/her family by any person who has, or seeks, dealings with the Authority, and the offer should be reported to the Chief Officer of the department concerned.

Exceptions:

1. A trivial gift of promotional character given to a wide range of people and not uniquely to the employees. These gifts are usually given at Christmas time and include calendars, diaries, desk charts, flow charts, tape measures, scales and other articles of use in the office or for the job.
2. Trivial gifts on the conclusion of any courtesy visit to a factory or firm of a sort normally given by that firm.

10.3 Similarly employees should be cautious about the acceptance of Hospitality or Entertainment, as detailed in the Gifts and Hospitality policy' which states that:

Special caution is needed where the host is a private individual or seeking to do business with the Authority or to obtain a decision from it or has been involved with the Authority commercially. It is important to avoid any suggestion of undue influence and therefore in these circumstances hospitality/entertainment should normally be avoided with the exception of modest refreshments provided during discussions/negotiations. Any hospitality/entertainment received should be registered.

### **11.0 Staff responsibilities**

11.1 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control. All staff are required to avoid activity that breaches this policy.

11.2 You must:

- ensure that you read, understand and comply with this policy
- raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

11.3 As well as the possibility of civil and criminal prosecution, staff that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

### **12.0 Raising a concern**

12.1 This Council is committed to ensuring that all employees have a safe, reliable, and confidential way of reporting any suspicious activity. Each and every member of staff can raise concerns.

12.2 All employees have a responsibility to help detect, prevent and report instances of bribery. Anyone who has a concern regarding a suspected instance of bribery or corruption, should report it

12.3 There are multiple channels through which concerns can be raised. Please refer to the Confidential Reporting (Whistleblowing) policy <http://wbcnet.admin.ad.wirral.gov.uk/Personnel/Confidential%20Reporting.htm>

12.4 Concerns can be anonymous. In the event that an incident of bribery, corruption, or wrongdoing is reported, action will be taken as soon as possible to evaluate the situation. The Council has clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind. This is easier and quicker if concerns raised are not anonymous.

12.5 Staff who refuse to accept or offer a bribe, or those who raise concerns or report wrongdoing can understandably be worried about the repercussions. The Council will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

12.6 The Council is committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.

12.7 If you have any questions about these procedures, please contact

Internal Audit Counter Fraud Team

**0151 666 3492**

**Other relevant policies**

Fraud and Corruption Policy

<http://wbcnet.admin.ad.wirral.gov.uk/Personnel/Documents/Anti%20Fraud%20and%20Corruption%20policy%20June%202010.doc>

Anti Money Laundering Policy

[http://wbcnet.admin.ad.wirral.gov.uk/Personnel/money\\_laundering.htm](http://wbcnet.admin.ad.wirral.gov.uk/Personnel/money_laundering.htm)

Confidential Reporting (Whistleblowing) Policy

<http://wbcnet.admin.ad.wirral.gov.uk/Personnel/Confidential%20Reporting.htm>

Gifts and Hospitality Policy

<http://wbcnet.admin.ad.wirral.gov.uk/Personnel/Conduct.htm#GIFT>

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**Bribery Act Compliance Action Plan**

**Section 1 : Current Situation**

**Governance framework currently in place**

All officers and Members of the Council are bound by policies which ensure that all actions are lawful, transparent, ethical and accountable. The Policies and Procedures which make up this framework include

<p>A Constitution, which includes the following:</p> <ul style="list-style-type: none"> <li>• Members' Code of Conduct;</li> <li>• Standards Committee Terms of Reference;</li> <li>• Council Procedure Rules;</li> <li>• Scheme of Delegation of Functions to Cabinet Members;</li> <li>• Executive Procedure Rules;</li> <li>• Overview and Scrutiny Board and Committees Terms of Reference;</li> <li>• Overview and Scrutiny Procedure Rules;</li> <li>• Scheme of Delegation of Functions to Officers;</li> <li>• Budget and Policy Framework Procedure Rules;</li> <li>• Contract Procedure Rules;</li> <li>• Officer Employment Procedure</li> </ul>	<p>Various strategies and policies, including</p> <ul style="list-style-type: none"> <li>• Anti-fraud and Corruption Policy;</li> <li>• Corporate Procurement and Commissioning Strategy;</li> <li>• Sustainable Procurement Policy and Guidance;</li> <li>• Whistle-blowing Policy;</li> <li>• Investment Strategy;</li> <li>• Enterprise Strategy; and Full Employment Strategy</li> </ul>	<p>Frameworks and Plans, including a:</p> <ul style="list-style-type: none"> <li>• Employment and Enterprise Investment Framework;</li> <li>• Rural Economy Plans; and</li> <li>• Liverpool City Region Employment and Skills Strategy and Commissioning Plan</li> </ul> <p>Other instruments, including:</p> <ul style="list-style-type: none"> <li>• Terms and Conditions for the Supply of Goods;</li> <li>• Terms and Conditions for Services;</li> <li>• Partnership Toolkit;</li> <li>• Guide for suppliers/How to do business with Wirral MBC;</li> <li>• The Chest, the North West's Local Authority Procurement Portal;</li> <li>• Small Business Friendly</li> </ul>
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<p>Rules;</p> <ul style="list-style-type: none"> <li>• Officer Code of Conduct;</li> <li>• Protocol on Member/Officer Relations; and</li> <li>• Code of Corporate Governance</li> </ul>		<p>Concordat; and</p> <ul style="list-style-type: none"> <li>• Wirral Compact (agreement with the Local Voluntary and Community Sector and Wirral MBC);</li> </ul>
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<p><b>Section 2:</b>  <b>Actions required to comply with the 6 principles set out in the Ministry of Justice Guidance</b></p>		
Principle	What is required	How this will be achieved
<p>Principle 1-Proportionate Procedures</p>	<p>Adequate, Proportionate Anti Bribery policies and procedures need to be in place, which articulate the Council’s anti bribery stance.</p>	<ul style="list-style-type: none"> <li>• Obtaining Council Approval for the Anti Bribery Policy</li> <li>• Scrutinising existing Policies and Procedures to ensure compliance (in particular with regard to Procurement and Recruitment)</li> <li>• Scrutinising Council documents to ensure compliance with anti bribery stance (e.g. tender documents/ PQQs / planning documents/ recruitment documents etc</li> <li>• Risk assessment of all bribery risks within the Council to ensure that policies and procedures specific to risk areas are adequate.</li> </ul>

Principle 2- Top level commitment	Top level Political and Executive commitment to the anti bribery stance of the Council which is cascaded internally to all officers and Members and externally to all suppliers/agents and others must be in evidence.	<ul style="list-style-type: none"> <li>• Political endorsement for the Anti Bribery Policy and this action plan</li> <li>• Internal and external communication of the anti bribery stance of the Council through various media such as the Team Brief process, the Intranet, One council magazine etc.</li> <li>• Promotion of the Anti Bribery policy</li> </ul>
Principle 3- Risk Assessment	A periodic informed and documented assessment of the Council's exposure to the internal and external risk of bribery on its behalf by persons associated with the Council must be undertaken.	<ul style="list-style-type: none"> <li>• Chief Officers to identify areas within their area of operation which may be vulnerable to the risk of Bribery</li> <li>• Due diligence enquiries to inform risks associated with third parties</li> <li>• Accurate and appropriate documentation of the risk assessment and its conclusions</li> <li>• Periodic revisiting of risk assessments by Chief Officers to ensure new and emerging risks are anticipated.</li> </ul>
Principle 4- Due Diligence	The Council must apply due diligence procedure taking a proportionate and risk based approach in respect of persons who perform or will perform services for or on behalf of the Council	<ul style="list-style-type: none"> <li>• Third party intermediaries to be identified and documented by Chief Officers (e.g. Partnerships/ suppliers/ agency staff)</li> <li>• Proportionate due diligence to be</li> </ul>

	<p>in order to mitigate identified bribery risks.</p>	<p>applied to all those identified to ensure that their stance against bribery accords with that of the council.</p> <ul style="list-style-type: none"> <li>• All new associated persons to be subject to due diligence (eg new suppliers/ employees/agency staff)</li> </ul>
<p>Principle 5- Communication (including Training)</p>	<p>The Council needs to ensure that the anti Bribery policies and procedures are embedded and understood throughout the organisation through internal and external communication including training that is proportionate to the risks faced.</p>	<ul style="list-style-type: none"> <li>• Online fraud awareness training which includes details of anti bribery procedures to be rolled out to all online employees.</li> <li>• Face to face training to be provided to relevant employees and Members.</li> <li>• Communications channels identified in principle 2 (above) to be employed.</li> <li>• Staff/Members and others to be encouraged to report any suspicions of actual bribery or susceptibility to bribery through appropriate channels to appropriate officers of the council.</li> <li>• Staff/Members and others to be encouraged to make any suggestions for improvement of bribery prevention procedures to appropriate officers of the council.</li> </ul>



		<ul style="list-style-type: none"> <li>• External communication of the council's anti bribery stance to suppliers/agents/others.</li> <li>• Internal and external communication of sanctions to be imposed in respect of bribery and rules governing recruitment, procurement and tendering.</li> </ul>
<p>Principle 6- Monitoring and Review</p>	<p>The Council monitors and reviews procedures designed to prevent bribery by persons associated with the council and makes improvements where necessary.</p>	<ul style="list-style-type: none"> <li>• Staff surveys questionnaires and feedback forms to be utilised to monitor understanding</li> <li>• Chief Officers to undertake periodic risk assessments of bribery risks.</li> <li>• Internal audit to review and assess actions taken by Chief officers and make appropriate recommendations for improvement.</li> </ul>

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## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

**30 JUNE 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:	GEORGE DAVIES
KEY DECISION?	NO

#### **1.0 SUMMARY**

- 1.1 This report summarises the use of covert surveillance by the Council between 11 April 2011 and 1 June 2011 and invites the Committee to approve the Council's current policy on RIPA pending the enactment of new legislation.
- 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 on the use of covert surveillance.
- 2.2 That members approve the Council's current policy and procedure on RIPA pending the coming into force of new amending legislation.

#### **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 and to approve annually its policy on 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 Directors 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 March 2011.

## **5.0 THE USE OF RIPA BY THE COUNCIL**

- 5.1 Between 6 April 2011 and 1 June 2011 the Council granted 7 authorisations for covert surveillance.
- 5.2 Two authorisations were 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 Two authorisations were granted as part of a campaign to detect offences of selling alcohol to persons under the age of 18.
- 5.4 Three authorisations were granted to obtain evidence of alleged anti-social behaviour. One concerned the deployment of a covert vehicle on one occasion to detect a suspected arson attempt. No further crime was committed and the authorisation was cancelled. Another authorisation was to enable staff to detect persistent anti-social behaviour. No unacceptable behaviour was observed and the authorisation was cancelled. Finally one authorisation is in force and the investigation is continuing.

## **6.0 CHANGES IN LEGISLATION**

- 6.1 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.

- 6.2 On the 26 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.
- 6.3 The above proposals have been incorporated in the draft legislation and are expected to be enacted in a year's time.
- 6.4 If the Bill becomes 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.
- 6.5 Evidence obtained by authorised cover surveillance has been used to support civil proceedings for anti-social behaviour, and in prosecutions for flytipping, underage sales of tobacco, and of counterfeit goods. It is a valuable resource for a local authority provided proper safeguards are in place to prevent its abuse.

## **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 proposed new legislation was delivered on 7 June 2011 by Ibrahim Hasan (an acknowledged expert in the field) to Authorising and Applying Officers.

12.3 Pending the implementation of the proposed new legislation the Council's current policy on the use of RIPA still applies (see Appendix 1).

## **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:** Appendix 1 includes the Council's current Policy and Procedure Document on RIPA

## **REFERENCE MATERIAL**

## **SUBJECT HISTORY (last 3 years) AND BACKGROUND PAPERS**

<b>Council Meeting</b>	<b>Date</b>
<b>Reports to the Audit &amp; Risk Management Committee</b>	23 September 2009 30 June 2010 28 September 2010 22 November 2010 28 March 2011
<b>Report to the Cabinet</b>	26 November 2010

# **APPENDIX 1**



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

## 1. INTRODUCTION

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

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

- 1.2 The use of covert surveillance by public authorities, particularly local authorities has been the subject of much recent debate. The use of covert surveillance is properly a matter of public concern. The purpose of this policy is to set out exactly how the Council will use its surveillance powers and comply with best practice.
- 1.3 **Councils may only use covert surveillance for the purpose of preventing or detecting crime or preventing disorder and where doing so is in the public interest.** The Council uses covert surveillance to support its enforcement activities. It has been used principally by the Regeneration Department in dealing with anti-social behaviour and trading standards cases. This has resulted in many successful cases being brought which might otherwise not have been possible bringing rogue traders to account and improving the lives of Wirral residents suffering from severe anti-social behaviour. In 2009/10 twelve authorisations for directed surveillance were granted by the Council's authorising officers.
- 1.4 The Council approved a policy and procedure for the use of covert surveillance in 2004. The Council has been inspected three times by the Office of the Surveillance Commissioner in 2003, 2007 and 2009. The use of surveillance was also the subject of a review by the Council's Internal Audit Team in 2008. The need to revise and update the Council's Policy and Procedure was identified as part of that review.



## 2. RELEVANT LEGISLATION

### 2.1 The Human Rights Act 1998 (HRA)

2.1.2 The HRA gives effect to the rights and freedoms guaranteed under the European Convention on Human Rights and Fundamental Freedoms ("the Convention"). Article 8 of the Convention is relevant in the context of covert surveillance in that everyone has the right to respect for his/her private and family life, home and correspondence. It is now clear from decided cases that this right extends to activities of a professional or business nature and so includes employees. Article 6 of the Convention is relevant in the context of covert surveillance in that everyone has the right to a fair trial, including internal procedures or hearings, and fairness extends to the way in which evidence is obtained.

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

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

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

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

2.1.4 The HRA can be found at:

[www.opsi.gov.uk/ACTS/acts1998/19980042.htm](http://www.opsi.gov.uk/ACTS/acts1998/19980042.htm)

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

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

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

### 3.0 COVERT SURVEILLANCE

3.1 The term surveillance includes

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

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

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

3.4 Covert surveillance can be either

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

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

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

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

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

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

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

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

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

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

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

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

If the purpose of the surveillance is to obtain confidential information then this will need to be approved by the Head of Legal and Member Services and the Chief Executive. If in the course of an operation confidential material is obtained through surveillance this must be notified immediately to the Head of Legal and Member services. It must be retained and provided to the inspector from the Office of the Surveillance Commissioner at the next inspection.

- 3.11 An applying officer wishing to use directed surveillance must complete **FORM RIPADS1** (all forms are attached to this policy). The applying officer must fully complete all parts of the form. The officer should refer as necessary to the Home Office Code of Practice, available as set out in paragraph 3.18 below.
- 3.12 The applying officer must consider the proportionality of the use of surveillance. The officer must consider the seriousness of the matter being investigated, the impact that any evidence obtained through the surveillance will have on the investigation and the level of intrusion which will be caused. The officer must take steps to ensure that any intrusion is kept to the minimum level necessary. Any intrusion in to the private life of persons not the subject of the investigation (e.g. family or visitors) should be minimised.
- 3.13 The completed form should be referred to an **authorising officer**. All Chief Officers may designate officers within their department as authorising officers for the purposes of RIPA. On receipt of the form the authorising officer will contact the Head of Legal and Member Services to obtain a unique reference number. The authorising officer must be a Director or a Head of Service or Service Manager. The authorising officer will place the form on the central register. The register is an electronic folder with access rights limited to authorising officers (for their area only) and the Head of Legal and Member Services or his/her nominated representatives (to all contents). When an authorising officer places a form on the register he/she will also separately notify the Head of Legal and Member Services by e-mail that this has been done. If the authorising officer does not have access to the register he or she will e-mail the form to the Head of Legal and Member Services who will arrange for it to be placed on the register. All forms for authorised applications shall be placed on the register immediately. All applications shall remain on the register for at least 3 years. Officers should ensure that when they complete the authorisation forms they comply with the following requirements:
- (a) the information on which an investigation is based must be clearly identified
  - (b) applications should state clearly why the covert activity is believed to be necessary and proportionate.
  - (c) Authorising Officers should clearly state why they consider the covert activity is necessary and proportionate (including the steps to be taken to minimise intrusions into privacy, particularly of those persons not suspected of crime or disorder). They must never be granted retrospectively.

- (d) Authorising Officers must describe accurately all the covert activity which they are authorising so as to ensure that the limits are not infringed.
- (e) Any relevant technical feasibility studies should be presented to the Authorising Officer along with the application for authorisation. They should be attached to the authorisation. If the authorisation is granted, the person carrying out technical installations (e.g. of cameras and sound recording equipment) must see the relevant parts of the authorisation prior to the installation of any surveillance equipment.
- (f) Review dates should be stipulated by Authorising Officers at the time they authorise the covert surveillance for any extended period. This is to ensure that the need for continuation of the surveillance is regularly assessed and recorded on Form RIPAD52 and that (where appropriate) authorisations are either renewed (before they expire) on Form RIPAD54 or cancelled on Form RIPAD53.
- (g) Cancellations of authorisations should be made promptly when the need for covert surveillance has ceased. The cancellation should contain a full description of the activity which has been authorised, what the results of the surveillance were, and how and when any products of the surveillance will be stored, retained or destroyed.

### 3.14 Urgent Oral Applications

- 3.14.1 It is possible to grant urgent oral authorisations. It is envisaged that this will be done very rarely, if ever. No authorisations have been granted in this way in the past 3 years. The Code of Practice states that this should not be done:

*unless the time that would elapse before the authorising officer was available to grant the authorisation would, in the judgement of the person giving the authorisation, be likely to endanger life or jeopardise the investigation or operation for which the authorisation was being given. An authorisation is not to be regarded as urgent where the need for an authorisation has been neglected or the urgency is of the authorising officer's own making.*

- 3.14.2 Where an urgent authorisation is granted the authorising officer must record as soon as is practicable the reasons for granting the authorisation urgently. An urgent authorisation will lapse after **seventy two hours**.

### 3.14 Review/Cancellation

- 3.15.1 Written authorisations will lapse automatically unless they are renewed after **3 months**. However, authorisations should be reviewed on a regular basis and cancelled when they are no longer required for the purpose for which they were granted. In each case the authorising officer within each public authority should determine how often a review should take place. This should be as frequently as is considered necessary and practicable. On carrying out a review the authorising officer should complete a **Form RIPADS2**. Once



completed the form should be placed on the central register immediately either by the authorising officer directly or via the Head of Legal and Member services. If the form is placed directly on the register the authorising officer must notify the Head of Legal and Member Services that this has been done by e-mail.

- 3.15.2 If upon review the need for directed surveillance no longer exists then the authorisation will be cancelled immediately. On cancellation the authorising officer shall complete **Form RIPADS3**. The completed form shall be placed on the central register either by the authorising officer directly or via the Head of Legal and Member services. If the form is placed directly on the register the authorising officer must notify the Head of Legal and Member Services that this has been done by e-mail.

### 3.16 **Renewal**

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

### 3.17 **Audit Checks**

The Head of Legal and Member Services shall carry out a regular audit of authorisations contained on the central register at least once every 3 months.

### 3.18 **Code of Practice**

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

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

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

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

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

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

3.20 The Head of Legal and Member Services will compile and maintain electronically a central record of authorisations granted by authorising Officers. That central record shall contain the following information about the authorisation:

- (a) Whether it is for Directed Surveillance or Covert use of Human Intelligence Source.
- (b) Its unique reference number.
- (c) Applicant's name and title.
- (d) Department and Section.
- (e) Identity of Target and the title of the investigation.
- (f) Date of authorisation.
- (g) Renewal Date and name and/or title of Authorising Officer.
- (h) Review Date.
- (i) Whether the urgency provisions were used and, if so, why?
- (j) Whether the investigation is likely to result in obtaining confidential information.

(k) Cancellation Date.

The information contained in the Central Record will be used by the Head of Legal and Member Services to monitor the use by departments of RIPA. It will be a standing item on the agenda of the quarterly meetings of the Coordinators Group referred to in paragraph 7.1.

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

#### 4.0 COVERT HUMAN INTELLIGENCE SOURCES (CHIS)

- 4.1 The use of CHISs is also regulated by RIPA. A CHIS is a person who establishes or maintains a relationship with someone in order to obtain information, to provide another person with access to information or to disclose information as a consequence of that relationship. Should an officer consider the use of a CHIS as necessary, they must liaise with the Head of Legal and Member Services. If the use of a CHIS is deemed necessary, special arrangements will be made for their use in accordance with the Home Office Code of Guidance on Covert Human Intelligence Sources (see paragraph 4.5 below). It is not anticipated that CHISs will be used often by the Council. However, if professional witnesses are used they may fall within the definition of CHISs. Only the Chief Executive can authorise the use of a CHIS.

- 4.2 If an investigating officer does believe that the use of a CHIS is necessary in the course of an investigation he/she should complete **FORM RIPACHIS1**. The officer must consider the safety and welfare of a person acting as a source and must carry out a risk assessment before authorisation is granted. The use must be proportionate to what is intended to be achieved. The authorisation will lapse automatically if not renewed after a period of **12 months**.

- 4.3 Special considerations apply if the person to be used as a source is **vulnerable** or a **juvenile**. In such circumstances advice should be sought from the Head of Legal and Member Services. Authorisation may only be granted by the Chief Executive, as Head of Paid Service.

- 4.4 The same procedures outlined above in respect of directed surveillance of:

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



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

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

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

4.5.2 A trading standards officer enters a shop and makes a "test purchase" from a retailer suspected of selling "counterfeit goods". No authorisation would be required for a CHIS because he would not be establishing a personal relationship with the retailer (although if he had attached to his person a concealed camera it would be necessary for him to obtain authorisation for directed surveillance). If on the other hand, the trading standards officer struck up a conversation with the retailer whilst posing as a member of the public in order to ascertain whether the retailer (without any encouragement from the Trading Standards Officer) would offer to sell him (or another customer) counterfeit goods, then he would be acting as a CHIS and authorisation would be required. The essence of a CHIS is that he obtained information by winning someone's confidence on a false basis

#### 4.6 Code of Practice

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

#### 5.0 COMMUNICATIONS DATA

5.1 Requests for communications data will be dealt with by **designated persons**. Those persons who are authorising officers for the purposes of directed surveillance and CHISs shall also be designated persons for the purposes of

obtaining communications data. Each local authority must have its own **Single Point of Contact (SPOC)**, to whom applicants can submit their requests for communications data. This is to ensure there is a specific point of accountability in each authority requesting data for reasons connected with RIPA and the HRA etc. The SPOC for Wirral Council is the Trading Standards Manager

- 5.2 It is important to note that we are not referring here to the interception of communications or the **content** of communications. The Council does not have power to intercept communications or acquire content.
- 5.3 There are 3 types of communications data;
- traffic data;
  - service use data; and
  - subscriber data.
- 5.4 More information on what constitutes these types of communication data is set out in the Home Office Code of Practice (see paragraph 5.9 below). Advice can also be sought from the Head of Legal and Member Services. Local authorities are only able to seek disclosure under RIPA of service use data and subscriber data **not** of traffic data.
- 5.5 Applications may be made for service use data e.g. itemised bills or subscriber data e.g. whether a person uses a particular network, who is the user of a particular number. A request for such information can only be made where it is necessary for the purpose of preventing or detecting crime or preventing disorder. The request must be proportionate. The form for completion for disclosure of communications data including guidance on completion is attached as **FORM RIPACD 1**. An authorisation or notice remains valid for **one month**. A valid authorisation or notice may be renewed for a further period of one month.
- 5.6 An authorisation or notice must be cancelled as soon as it is no longer necessary for the service provider to comply with the notice or the conduct required by the notice is no longer proportionate to what was sought to be achieved.
- 5.7 The **Senior Responsible Officer** must be responsible for:
- the integrity of the process in place within the public authority to acquire communications data;
  - compliance with Chapter II of Part I of the Act and with this code;
  - oversight of the reporting of errors to the Interception of Communications Commissioners Office (IOCCO) and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors;

- engagement with the IOCCO inspectors when they conduct their inspections; and
- where necessary, overseeing the implementation of post-inspection action plans approved by the Commissioner.

In Wirral the Senior Responsible Officer is the Head of Legal and Member Services.

- 5.8 In Wirral there has been very limited use of these powers. In the year 01/01/08 – 31/12/08 there were only 2 requests made for subscriber data by the Council.
- 5.9 The Home Office Code of Practice on the use of Communications Data can be viewed at: <http://security.homeoffice.gov.uk/ripa/publication-search/ripa-cop/acquisition-disclosure-cop.pdf>

## 6.0 REPORTING AND REVIEW

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

## 7.0 COORDINATION AND TRAINING

- 7.1 All Departments that use or may use the Council's powers under RIPA shall nominate a Departmental Coordinator under this Policy. The Departmental Coordinators shall meet at least once a quarter to review the operation of this policy, share best practice and consider training needs. Those meetings shall be chaired by the Head of Legal and Member Services or his/her nominated representative. Appendix 1 shows the list of Departmental coordinators.
- 7.2 The Council shall ensure that adequate training is provided to officers in the use of the powers. A training register shall be maintained and all authorising/designated officers will receive training at least every 2 years. A copy of the register is attached as Appendix 2. If an authorising/designated officer has not attended any training for a period of 2 years they shall **automatically cease** to be a responsible/authorised officer.

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## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

30 JUNE 2011

<b>SUBJECT</b>	<b>MEMBERS TRAINING</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR ADRIAN JONES</b>
<b>KEY DECISION</b>	<b>NO</b>

#### 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.

#### 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. An initial training session took place on 6 June 2011, and I would recommend that a further session be arranged for early autumn.

## **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.

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FNCE/137/11

**APPENDICES**

None

**REFERENCE MATERIAL**

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

**SUBJECT HISTORY**

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

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