



## Audit and Risk Management Committee

<b>Date:</b>	Thursday, 31 January 2013
<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 any disclosable pecuniary interests and/or any other relevant interest in connection with any item(s) on this agenda and, if so, to declare them and state the nature of the interest.

**2. MINUTES (Pages 1 - 4)**

To receive the minutes of the meeting held on 26 November 2012.

**3. INTERNAL AUDIT UPDATE (Pages 5 - 14)**

**4. HESPE ACTION PLAN UPDATE**

Verbal report

**5. GRANT THORNTON CERTIFICATION WORK REPORT 2011/2012 (Pages 15 - 26)**

**6. GRANT THORNTON AUDIT PROGRESS REPORT (Pages 27 - 32)**

**7. GIFTS HOSPITALITY AND CONFLICTS OF INTEREST**

Verbal report

**8. INSURANCE AND RISK MANAGEMENT (Pages 33 - 38)**

**9. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 1)**

**10. 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.

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

# Public Document Pack Agenda Item 2

## AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 26 November 2012

<u>Present:</u>	Councillor	J Crabtree (Chair)	
	Councillors	D Dodd A Brighouse RL Abbey	S Foulkes P Hayes D McCubbin
<u>Deputies:</u>	Councillors	S Mountney (In place of JE Green) M Sullivan (In place of J Walsh)	
<u>In attendance:</u>	Councillor	P Davies	

### 31 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

No such declarations were made.

### 32 MINUTES

**Resolved – That the minutes of the meeting held on 19 September 2012, be approved.**

### 33 HIGHWAYS AND ENGINEERING SERVICES CONTRACT AWARD AND MANAGEMENT - ACTION PLAN

Further to minute 21 (19 September 2012), the Chief Executive presented an Action Plan that had been prepared in response to the recommendations made in the Audit Commission's Public Interest Report (PIR): Highways and Engineering Services Contract Award and Management dated 8 June 2012. The PIR contained 21 recommendations that sought to address the issues and concerns raised within it and the Action Plan prepared by officers had been approved by the Cabinet on 18 October 2012 (minute 113 refers), having been endorsed by the Wirral/LGA Improvement Board.

In response to comments from Members in relation to the difficulties that had been faced by whistleblowers, the Deputy Chief Executive confirmed that there was a continuing dialogue between the whistleblowers and the Chief Executive. He assured Members that whistleblowing was taken very seriously by the Council and protection was afforded to those who raised issues in good faith. Members referred also to the role to be played by the Procurement Section in the introduction of an effective performance management system from the start of a contract and expressed a view that Internal Audit should also be involved in the process.

A Member referred to a specific recommendation contained within the Action Plan that there should be a fundamental review of Internal Audit at elected member level and questioned what that involvement would be. In response, the Interim Director of Finance reported that a review of the effectiveness of Internal Audit had required a significant amount of technical preliminary work being undertaken, shared with Liverpool City Council. Following evaluation, a further report would be presented to the next meeting of the Committee, with recommendations for Members'

consideration, to determine how best to improve Internal Audit in Wirral. He welcomed the submission of further comments from Members to inform the ongoing review.

**Resolved –**

- (1) That the report and Action Plan be noted.**
- (2) That the Review of Internal Audit be presented to the next meeting of the Committee.**
- (3) That a further update be presented to the next meeting of the Committee, in order for Members to monitor the implementation of the Action Plan within the agreed timescales.**

#### 34 **INTERNAL AUDIT UPDATE**

The Chief Internal Auditor provided an evaluation of the performance of the Internal Audit Section and reported upon issues that had arisen from the audit work undertaken during the monitoring period 1 September to 31 October 2012. Internal Audit had recently introduced a more effective reporting mechanism that summarised audit work completed and identified issues raised on a more timely monthly basis. He commented that as a result of this and following detailed discussions with the Chair it was agreed that it was not appropriate to include a significant amount of duplicate detail in his report and that instead it would in future focus on any items of note arising from audit work conducted, any issues arising that required actions to be taken by Members, performance information related to the Internal Audit Service and, developments being undertaken to improve the effectiveness of the Internal Audit Service.

During the monitoring period, the following items of note were brought to the attention of Members and the outcome of follow up audit work would be the subject of further reports to Committee –

- (a) Metro Catering Income (see minute 39 post)
- (b) Court of Protection
- (c) Adult Social Services Establishments
- (d) Highways Maintenance: Colas Payments
- (e) DASS Personal Budgets (see minute 38 post)
- (f) Information Assurance and Governance

He presented also a detailed Improvement Plan that had been prepared to drive a number of developments and initiatives aimed at increasing the overall efficiency and effectiveness of systems of internal audit across the Council. He indicated that one of the key actions identified in the Improvement Plan involved the evaluation and consideration of shared arrangements for the delivery of internal audit services. Significant progress had subsequently been made in this area and agreement reached with Liverpool City Council that included a shared Head of the Internal Audit Service.

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

#### 35 **ANNUAL AUDIT LETTER 2011/2012**

The Assurance Manager, Grant Thornton UK, presented the Annual Audit Letter 2011/2012, which had been prepared previously, by the Audit Commission District Auditor. It summarised the audit work undertaken for the 2011/2012 audit of Wirral Council, including the Merseyside Pension Fund. The Annual Governance Report

(AGR) presented to the last meeting of the Committee (minutes 22 and 25 (19 September 2012) refer) outlined the findings of the audit of the 2011/2012 financial statements and its arrangements for securing value for money. Subsequently, the District Auditor had –

- issued an unqualified opinion on the Council's 2011/2012 financial statements on 25 September 2012;
- issued an adverse conclusion in respect of the arrangements the Council put in place during 2011/2012 for securing economy, efficiency and effectiveness in its use of resources; and
- certified completion of the audit.

A range of recommendations had been made to secure improvements in 2012/2013, in particular to ensure that the Council addressed the weaknesses identified in –

- the Highways and Engineering Services report in the public interest;
- respect of financial resilience, securing economy, efficiency and effectiveness and proper arrangements;
- its overall governance arrangements;
- respect of the issues raised in the report on gifts and hospitality and conflicts of interest.

The Council had responded positively to the recommendations and had included its response within the Improvement Plan.

**Resolved – That the Annual Audit Letter 2011/2012 be noted.**

#### 36 **AUDIT FEE LETTER 2012/2013**

The Assurance Director, Grant Thornton UK, commented that Grant Thornton UK LLP had been appointed by the Audit Commission as auditors to the Council for at least the next five years and he advised Members of the quality of external audit that would be provided and the broad range of specialist skills and support that would be provided to the Council. He reported that the Audit Commission had set the proposed work programme and scale of fees for 2012/2013 and he presented details of the reduced Planned Audit Fee for the Council in 2012/2013 along with the scope and timing of the work and details of the audit team.

**Resolved – That the Audit Fee Letter 2012/2013 be noted.**

#### 37 **CORPORATE RISK AND INSURANCE MANAGEMENT**

The Interim Director of Finance reported upon progress made in relation to the objectives for corporate risk and insurance management and the anticipated developments in the coming months. He commented that regular update reports sought to support the Risk Management Strategy and maintain the successful management of the Insurance Fund. However, he proposed that future monitoring reports would focus primarily on any relevant risks.

**Resolved – The progress reported and the issues for the next period in respect of Corporate Risk and Insurance Management be noted.**

#### 38 **ADULT SOCIAL SERVICES - PROGRESS OF ACTIONS IN RELATION TO PERSONAL BUDGETS**

Further to minute 15 (19 September 2012), the Director of Adult Social Services presented a progress report that had also been presented to the Health and Well Being Overview and Scrutiny Committee (minute 33 (5 November 2012) refers),

regarding the actions to be taken to implement the outstanding recommendations in relation to the Department of Adult Social Services (DASS) Personal Budgets, in line with revised target dates. He commented that whilst it was acknowledged that there had been slippage from the original dates planned for compliance, Members had expressed a view that, when issues were brought to the attention of the Committee as a high priority, an action plan, with named responsible officers should be presented and that there should be an automatic referral to Overview and Scrutiny Committees.

The Director set out the six high and five medium priority recommendations in relation to DASS Personal Budgets and he reported that revised target dates for implementation had been set during September and October 2012, which represented significant slippage from the original dates indicated. Subsequently, DASS had undertaken a thorough review of the audit recommendations and he submitted the departmental response showing revised comments and timescales for compliance. In response to comments from Members, the Director acknowledged that the slippage identified was not acceptable. Significant work had been undertaken already and he aimed to adhere to the timescales set out in the action plan.

**Resolved – That the report be noted and update reports be presented to future meetings of the Committee to inform of compliance with the action plan.**

### 39 **METRO CATERING INCOME PROCEDURES – AUDIT ACTIONS**

Further to minute 15 (19 September 2012), the Deputy Director of Children's Services presented a progress report to inform of the actions taken to address a number of weaknesses identified in an audit of CYPD Metro Catering's procedures for the management of meal income. The Director outlined the issues that had been identified and set out the actions that had been and were being taken to ensure compliance with the audit recommendations within agreed timescales.

In response to comments from Members as to measures that could be adopted to increase income and simplify income management, the Deputy Director indicated that the charges for school meals could be reviewed. However, any proposed charging increase would have to be considered in the knowledge that Metro Catering was a declining activity within the Council, with schools able to make their own arrangements for the provision of school meals. He commented also that many local authorities had switched to an electronic payment system for school meals, which parents' accessed remotely. This would provide a simpler process than the current system and demonstrations of payment systems had been arranged in order to explore options further. However, these would have an initial cost implication.

**Resolved –**

- (1) That the actions following the audit recommendations be noted.**
- (2) That the report be referred to the Children and Young People O&S Committee for consideration.**

## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

31 JANUARY 2013

<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>KEY DECISION ?</b>	<b>NO</b>

#### 1.0 EXECUTIVE SUMMARY

1.1 This report identifies and evaluates the performance of the Internal Audit Section and includes details of any issues arising from the actual work undertaken during the period 1 November 2012 to 31 December 2013. There are four items of note concerning audit work undertaken that are brought to the attention of the Members for this period and these are identified in order of risk at Section 2.2.

#### 2.0 BACKGROUND AND AUDIT OUTPUT

2.1. Internal Audit recently introduced a more effective reporting mechanism for Members of the Audit and Risk Management Committee that summarises audit work completed and identifies issues raised on a more timely monthly basis. This report supports the revised arrangements by focussing on the following:

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

The information contained within this report is for the period 1 November 2012 to 31 December 2013.

#### 2.2. Items of Note

##### 2.2.a Adult Social Services: Appointeeships

An audit was undertaken in the period to review the adequacy of the controls in the management of income from welfare benefits on behalf of people who use adult social services. The review concentrated on the more complex cases managed by the Adult Social Services Department, Financial Protection Team (as opposed to the more routine cases handled by the Personal Finance Unit, Finance Department). The review resulted in an audit opinion of one star, as four high priority, and seven medium priority recommendations were generated. The implementation of many of the recommendations will be in parallel with those resulting from the audit of the Court of Protection system (also managed by the Financial Protection Team)

– particularly those relating to the documentation and standardisation of procedures. As with the Court of Protection audit, the response of the Department has been very positive, and indications are that the recommendations will be implemented within the agreed timescale. The results of the forthcoming follow-up audit work will be reported to this Committee.

#### 2.2.b. CYPD: Leaving Care

An audit was undertaken in the period to review the adequacy of the controls in the management of the leaving care process for looked-after children. This service encompasses the payment of First Home Grants to young people leaving the care system, and provides advice and support to care leavers in their transition to adult independence.

The audit generated an audit opinion of one star, as two high and two medium priority recommendations were made. One of the high priority recommendations in particular, relating to compliance with legislation, could be particularly significant in its impact, and we have advised the department that a decision should be taken as a matter of urgency, so as to ensure that this risk is mitigated. The results of the forthcoming follow-up audit work, scheduled for March 2013, will be reported to this Committee.

#### 2.2.c Adult Social Services Personal Budgets

Work is currently ongoing to determine progress made by the department to implement actions agreed following the audit of Personal Budgets. Members will recall that an update was provided to this Committee in November 2012 by the Chief Officer for the department following some concerns raised by Internal Audit.

#### 2.2.d Information Governance

The Information Assurance Policy, referred to in the November 2012 Internal Audit Update report is scheduled to be presented to Cabinet early in the new year. We are advised that progress on implementing the audit recommendations relating to Information Assurance and Governance will take place following this. We will continue to monitor the situation and report the findings and any actions required to this Committee.

#### 2.2.e Adult Social Services: Bad Debts

A project is ongoing to review the situation in respect of uncollected income in the Department of Adult Social Services. A multi-disciplinary team has been configured to look at a range of issues, including evaluation of a range of recovery, legal and write-off actions; and an Internal Audit review of the processes for charging, collection and recovery of uncollected income. The Internal Audit element of the review is expected to result in a range of recommendations suggesting how the income processes can be improved so as to limit the Department's exposure to non-collection. An interim Internal



Audit report is being prepared for the end of January, detailing emerging findings of this element of the work.

### 2.3 Internal Audit Performance Indicators

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

IA Performance Indicator	Target (%)	Actual (%)
Delivery of Internal Audit Plan.	62	60
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms indicating satisfaction with the Internal Audit service.	80	95
Internal audit reports issued within 10 days of the completion of fieldwork.	100	93

2.3.b There are currently no issues arising.

### 2.4 Internal Audit Developments

2.4.a Good progress is being made to deliver the Internal Audit Improvement Plan which is designed to drive a number of developments and initiatives aimed at increasing the overall efficiency and effectiveness of systems of internal audit across the Council.

2.4.b Actions undertaken to date include:

- Implementation of a revised audit report format incorporating opinions on systems, compliance and organisational impact.
- Introduction of Letter of Engagement for all audits
- Development of a Training and Development Program for audit staff
- Developed reporting arrangements for Chief Officers and Members
- Ongoing development of a three year audit plan
- Improved engagement with Chief Officers and managers
- Enhanced escalation procedures for audit issues identified
- Improved reporting arrangements for ARMC members

2.4.c The first UK Public Sector Internal Audit Standards come into force in April 2013 and all local authorities will be required to implement the new standards from April and report on compliance with these by June 2014. Internal Audit plan to undertake a self assessment exercise against the standards over the coming months and report the findings and any required actions to this Committee in June 2013.

2.4.d Discussions have recently taken place with the Chair of this Committee regarding proposals for the delivery of the Internal Audit service and further talks are scheduled as requested by Members at the previous meeting of this Committee.

### **3.0 RELEVANT RISKS**

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

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

### **4.0 OTHER OPTIONS CONSIDERED**

4.1 No other options considered.

### **5.0 CONSULTATION**

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

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

6.1 There are none arising from this report.

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

7.1 There are none arising from this report.

### **8.0 LEGAL IMPLICATIONS**

8.1 There are none arising from this report.

### **9.0 EQUALITIES IMPLICATIONS**

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

No because there is no relevance to equality.

### **10.0 CARBON REDUCTION IMPLICATIONS**

10.1 There are none arising from this report.

### **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

11.1 There are none arising from this report.

## 12.0 RECOMMENDATIONS

12.1 That the report be noted.

## 13.0 REASON FOR RECOMMENDATION

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

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

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

**REPORT AUTHOR:** Mark P. Niblock  
Acting Chief Internal Auditor  
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email: markniblock@wirral.gov.uk

## APPENDICES

Internal Audit Improvement Plan

## REFERENCE MATERIAL

Internal Audit Plan 2012/13

## SUBJECT HISTORY (last 3 years)

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

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## Equality Impact Toolkit

<b>Section 1:</b>	<b>Your details</b>
<b>Council officer:</b>	M P Niblock
<b>Email address:</b>	markniblock@wirral.gov.uk
<b>Head of Service:</b>	<b>Acting Chief Internal Auditor</b>
<b>Chief Officer:</b>	<b>Interim Director of Finance</b>
<b>Department:</b>	Finance Department
<b>Date:</b>	08/01/13

**Section 2:** What Council function / proposal is being assessed?  
**INTERNAL AUDIT UPDATE REPORT**

**Section 2b:** Is this EIA being submitted to Cabinet or Overview & Scrutiny Committee?

Yes If 'yes' please state which meeting and what date

**Audit and Risk Management Committee – 22 January 2013**

**And please add hyperlink to your published EIA on the Council's website**

.....

**Section 3: Will the Council function / proposal affect equality in .....? (please tick relevant boxes)**

- Services**
- The workforce**
- Communities**
- Other** (please state)

If you have ticked one or more of above, please go to section 4.

- None** (please stop here and email this form to your Chief Officer who needs to email it to [equalitywatch@wirral.gov.uk](mailto:equalitywatch@wirral.gov.uk) for publishing)

**Section 4: Within the Equality Duty 2010, there are 3 legal requirements. Will the Council function / proposal support the way the Council .....(please tick relevant boxes)**

- Eliminates unlawful discrimination, harassment and victimisation
- Advances equality of opportunity
- Fosters good relations between groups of people

If you have ticked one or more of above, please go to section 5.

- None** (please stop here and email this form to your Chief Officer who needs to email it to [equalitywatch@wirral.gov.uk](mailto:equalitywatch@wirral.gov.uk) for publishing)

**Section 5:** Will the function / proposal have a positive or negative impact on any of the protected groups (race, gender, disability, gender reassignment, age, pregnancy and maternity, religion and belief, sexual orientation, marriage and civil partnership)?

You may also want to consider socio-economic status of individuals.

Please list in the table below and include actions required to mitigate any negative impact.

Protected characteristic	Positive or negative impact	Action required to mitigate any negative impact	Lead person	Timescale	Resource implications

**Section 5a:** Where and how will the above actions be monitored?

**Section 5b:** If you think there is no negative impact, what is your reasoning behind this?

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**Section 6:** What research / data / information have you used in support of this process?

**Section 7:** Are you intending to carry out any consultation with regard to this Council function / policy?

Yes / No – (please delete as appropriate)

If 'yes' please continue to section 8.

If 'no' please state your reason(s) why:

(please stop here and email this form to your Chief Officer who needs to email it to [equalitywatch@wirral.gov.uk](mailto:equalitywatch@wirral.gov.uk) for publishing)

**Section 8:** How will consultation take place?

Before you complete your consultation, please email your 'incomplete' EIA to [equalitywatch@wirral.gov.uk](mailto:equalitywatch@wirral.gov.uk) via your Chief Officer in order for the Council to ensure it is meeting it's legal requirements. The EIA will be published with a note saying we are awaiting outcomes from a consultation exercise.

Once you have completed your consultation, please review your actions in section 5. Then email this form to your Chief Officer who needs to email it to [equalitywatch@wirral.gov.uk](mailto:equalitywatch@wirral.gov.uk) for re-publishing.





## **Wirral Council**

Certification work report 2011/12

9 January 2013

# Contents

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## Appendices

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# 1 Executive Summary

## Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 We have certified 3 claims and returns for the financial year 2011/12 relating to expenditure of £246 million.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

## Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

## Key messages

- 1.6 It should be noted that all work relating to the certification of the Teachers Pensions return and National Non Domestic Rates return in this certification report was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report therefore represent some of the results of your previous auditors' work.
- 1.7 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

### Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

**Exhibit One: Summary of Council performance**

<b>Aspect of certification arrangements</b>	<b>Key Message</b>
Submission and certification	<p>All claims were submitted on time for certification and all claims were certified within the required deadline.</p> <p>For the Housing Benefit Claim the Authority made manual amendments to the claim. These adjustments were as a result of an external 'Benefit Maximisation review'. The Council officers had not carried out their own verification checks on the adjustments to the claim. Therefore we were unable to certify the effectiveness of the arrangements in place by the authority to satisfy itself that the Chief Financial Officer's certificate should be given.</p>
Accuracy of claim forms submitted to the auditor Amendments and qualifications	<p>All three claims submitted to us required amendment. A qualification letter was submitted for the Housing Benefit Claim. The main adjustments to the Housing Benefit claim were for manual adjustments proposed by an external consultant. As these had not been checked by Wirral MBC staff this led to additional work and wording in the Qualification Letter.</p> <p>Backdating errors were reduced compared to the prior year, but continue to be an issue for further consideration by the Wirral MBC Benefits Quality Assurance team. Every error we found in this area related to cases with underlying liability for the period incorrectly marked as 'backdated'.</p> <p>We found a number of other errors in our detailed case testing which were extrapolated, these are set out in detail in the Qualification Letter.</p>
Supporting working papers	<p>Supporting working papers for the majority of claims and returns were good, which enabled certification within the deadlines.</p> <p>Quality assurance arrangements could be improved on the Teachers Pensions claim to ensure the claim form is checked for errors prior to submission for certification.</p> <p>Support from Housing Benefit staff and local system access combined with timely receipt of reports and uprating evidence enabled the certification process to proceed in an efficient manner.</p>

**The way forward**

- 1.8 We have made a number of recommendations to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.9 Implementation of the agreed recommendations will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

### **Acknowledgements**

- 1.10 We would like to take this opportunity to thank the grant claim co-ordinator and Council officers for their assistance and co-operation during the course of the certification process.

**Grant Thornton UK LLP**

**9 January 2013**

## 2 Results of our certification work

### Key messages

- 2.1 We have certified 3 claims and returns for the financial year 2011/12 relating to expenditure of £ 246 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

### Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011-12		Achievement in 2010-11		Direction of travel
		No.	%	No.	%	
<b>Total claims/returns</b>		3		10		
Number of claims submitted on time	100%	3	100	9	90	↑
Number of claims certified on time	100%	3	100	8	80	↑
Number of claims certified with amendment	0%	3	100	8	80	↓
Number of claims certified with qualification	0%	1	33	5	50	↑

- 2.3 This analysis of performance shows that:
- There is an improvement on the number of claims submitted and certified on time and a reduction in the number of claims certified with qualification.
  - The nature of the Housing Benefit COUNT methodology and Certification Instruction BEN01 mean that amendments and a Qualification Letter are likely unless all system reconciliations and cases are correct.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Where we have identified significant matters or opportunities for improvement in the compilation of claims and returns, these are summarised below and recommendations are included in the action plan at Appendix C.

- 2.6 We charged a total fee of £18,057 for the certification of claims and returns in 2011-12. In addition, your previous auditors the Audit Commission, charged a total fee of £57,156. Details of fees charged for specific claims and returns are included at Appendix B.

### **Significant findings**

- 2.7 The following significant findings were identified in relation to the management arrangements and certification of individual grant claims and returns:

#### **Grants co-ordination**

- 2.8 No significant issues identified with Grants co-ordination.

#### **Compilation procedures**

- 2.9 No significant issues identified although there is scope for improvement within the quality assurance procedures on the Teacher Pensions claim.

#### **2.10 Certification of Housing Benefit BEN01**

- The classification of backdated claims continues to be an area where errors are identified. The volume of errors decreased compared to 2010-11 but there is still scope for further improvement.
- The use of external consultants to propose manual adjustments, which were not checked by benefits staff due to the timing of the claim submission and certification timetable, resulted in additional work and the requirement to raise the issue for Department for Work and Pensions consideration via the qualification letter.
- The two main areas where errors affecting subsidy were found were minor errors in income calculations not matching information provided and in classification of overpayments, particularly where there was no underlying liability and so the overpayment should be technical overpayment.
- There were a number of minor errors that did not impact subsidy that benefits staff should be aware of in considering future quality assurance arrangements, including household composition information not matching between the Council Tax and Housing Benefit systems, and incorrect Child Benefit being recorded.

## A Approach and context to certification

### Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

### Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.



### Certification fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

Role	2011/12	2010/11
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

## B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended ?	Amendment Amount (£)	Qualified ?	Fee 2010/11 (£)	Audit Commission Fee 2011/12 (£)	Grant Thornton Fee 2011/12 (£)	Total Fee 2011/12 (£)
Housing and council tax benefit scheme	165,678,624	Yes	165,712	Yes	52,152	44,437	17,292	61,729
National non-domestic rates return	61,500,415	Yes	-1	No	5,121	7,725		7,725
Teachers' pensions return	19,741,260	Yes	-617	No	3,060	4,319		4,319
Reporting to those charged with Governance						675	765	1,440
<b>Total</b>	<b>246,920,299</b>		<b>165,094</b>		<b>60,333</b>	<b>57,156</b>	<b>18,057</b>	<b>75,213</b>

## C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing Benefit BEN01	To enable effective S151 officer signing of the authority certificate, adjustments from systems, Quality Assurance and consultants reports should be checked and verified by benefits staff prior to submission of the claim.	H	Every effort is made to address issues arising from the production of system reports during the 4 week period before claim submission to minimise the number of adjustments post submission. Historically intervention has taken prior to the production of those reports and, subject to resources, this will continue and prevent the issue highlighted for 2011/12 from recurring.
Housing Benefit BEN01	Errors in backdating and income calculation were repeated from previous years. The Authority's internal Quality Assurance should continue to focus on these areas.	M	Errors relating to backdating do not effect a reduction in Subsidy but the priority can change whilst errors in income calculation tend to due to individual data entry errors. There is no overarching training issue specifically linked to backdating of claims.. The QA team continues to focus on these areas as an intrinsic part of their wider QA testing
Housing Benefit BEN01	Classification of technical overpayments where there is no underlying liability, particularly in relation to Council Tax benefit, should be reviewed prior to submission of the claim.	M	This issue has now been incorporated into the checking regime
Teachers Pensions PEN05	Ensure there is a robust Quality Assurance process to check the claim form prior to submission for certification.	M	Agreed that this will be implemented on June 2013 prior to claim submission by Compliance Manager and Grant Co-Ordinator.

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## **Audit Progress Report**

**17 January 2013**

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Please be aware that we would wish to scan this opinion in whole or in part onto our electronic database to be available for our internal tax practice to access. We might also wish to copy it to interested clients or their advisors on request.

## Audit Progress Report as at January 2013

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## GRANT THORNTON AUDIT PROGRESS REPORT FOR THE AUDIT COMMITTEE

### Fees

#### 2012/13 fees

- 1 The fees for 2012/13 were determined by the Audit Commission and set out in the Audit Fee letter presented to the Audit and Risk Management Committee on 26 November 2012:
  - audit of the financial statements including the whole of government accounts and value for money conclusion £211,680;
  - certification of grant claims and returns £42,600;
  - pension fund audit £36,882
- 2 The fees are the Commission's best estimate of the fee required to carry out the audit where an audited body has no significant risks and has in place a sound control environment, materially accurate financial statements and good working papers are provided to deadlines. If any additional work is required we will discuss this with officers and fees will be reviewed and updated as necessary.

#### 2013/14 fees

- 3 The Audit Commission is consulting on its 2013/14 proposed work programme and scales of fees and plans to publish the final work programme and scales of fees for 2013/14 in April 2013. There are no plans to make any changes to the work programme for 2013/14. The Audit Commission therefore proposes that scale audit fees are set at the same level as the fees applicable for 2012/13. Consultation closes on 8 February 2013.

### Additional non-audit work

- 4 At the briefing of the Audit and Risk Management Committee on 15 November 2012 I informed members that Grant Thornton Forensics Department had bid for and won a tender to carry out an independent review of Wirral Council's BIG and ISUS schemes following issues raised by members of the public. I am required by International Auditing Standards to make you aware of this additional work and to consider if there are any independence or ethical issues arising from the work. In addition I am required to comply with rules put in place by the Audit Commission regarding the acceptance of such work.
- 5 I can confirm that this work has been considered by me and the Director of Audit Quality and Compliance at Grant Thornton and we have concluded that it does not pose any threat to our auditor independence as your external auditor. The review is being undertaken by Grant Thornton's Forensic Team which has separate management and review procedures to the Audit Team. The Audit Team retains the independence required under the Audit Commission Act 1998 should a formal objection be placed. For your information:
  - The fee for the work was agreed at £39,000
  - The Grant Thornton lead for the Forensics Team is Rob Hampson
  - The Council lead is Peter Timmins

### Independence of the Audit Team

- 6 There are no independence issues within the Audit Team that we currently need to bring to your attention.

### Progress on the audit

- 7 The table below shows each element of our work and the expected outputs. As at January 2013 all audit and certification work for the Council and Merseyside Pension Fund is on

track or the start date is not yet due. From our planning work this year, there are no fraud or possible illegal acts that we have become aware of that we need to bring to your attention. Your previous auditors identified a number of significant deficiencies and material weaknesses in the Council's internal control and these and others have been the subject of reports to members by Council officers during 2012/13.

- 8 Our Audit Plans will be completed following completion of our planning and interim work and will consider our approach to the audit of accounts and the risks raised by your previous auditors in the 2011/12 qualified value for money conclusion.

<b>Phase of work</b>	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>	<b>Progress</b>
<b>Wirral Council</b>				
Audit planning and interim audit	November 2012 to March 2013	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VFM.	On track.
Final accounts audit	June to September 2013	Report to those charged with governance. Opinion on the financial statements.	This report will set out the findings of our accounts audit and VFM work for the consideration of those charged with governance.	Not yet started
VFM conclusion	January to September 2013	Report to those charged with governance. Value for money conclusion.	As above.	On track.
Financial resilience	January to September 2013	Financial resilience report	Report summarising the outcome of our work.	On track.
Whole of government accounts (WGA)	August - September 2013	Opinion on the WGA return	This work will be completed alongside the accounts audit.	Not yet started.
Annual audit letter	October 2013	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.	Not yet started.



Phase of work	Timing	Outputs	Comments	Progress
Grant certification	June to December 2013	Grant certification report	A report summarising the findings of our grant certification work	Not yet started. we are planning to certify two grants in 2012/13 – Housing and Council Tax Benefit and ; National Non Domestic Rates
<b>Merseyside Pension Fund</b>				
Audit planning and interim audit	November 2012 to March 2013	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Pension Fund's accounts	On track
Final accounts audit	June to September 2013	Report to those charged with governance. Opinion on the Pension Fund statements.	This report will set out the findings of our accounts audit work for the consideration of those charged with governance	Not yet started

### **Other work that informs our audit**

- 9 **Questions and objections:** we have received a number of questions from members of the public that we are taking into account in the normal course of our audit.

**LGA Improvement Board:** Mike Thomas continues to attend the LGA Improvement Board at the request of the Council.

### **Grant Thornton workshops and reports**

- 10 **Joint accounts workshops** being run by Grant Thornton and CIPFA for Council officers in Chester on 6 February 2013 and Manchester on 14 February 2013.
- 11 **'Towards a Tipping Point?'** report: This report provides a summary of the key issues, trends and good practice that have emerged from our second national programme of financial health reviews. (December 2012). There is also a **lunchtime webinar on Wednesday 30 January 2013** to present the summary findings of the financial health checks of English local authorities, the concept of a tipping point and any post-launch update.

### **Audit Commission reports**

- 12 **Auditing the accounts 2011/12:** Quality and timeliness of local public bodies' financial reporting (13 December 2012)

- 13 **'Striking a balance'** presents the Audit Commission's findings from research undertaken during 2012 on the level of reserves that councils hold and on the decisions councils make relating to them (6 December 2012)
- 14 **Tough times 2012** - Councils' responses to a challenging financial climate (21 November 2012)
- 15 **Protecting the public purse 2012** - Fighting fraud against local government (8 November 2012).

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## AUDIT &amp; RISK MANAGEMENT COMMITTEE

31 JANUARY 2013

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

**1.0 EXECUTIVE SUMMARY**

- 1.1 This report sets out the key actions in relation to corporate risk and insurance management during 2013/14. It highlights those areas where Members will be involved and any key decisions which will need to be taken. Significant actions completed since the last report can be found in the appendix.

**2.0 BACKGROUND AND KEY ISSUES**

- 2.1 Risk and insurance management comprises two significant areas of activity. One is the provision of advice and support to Members and officers in developing the corporate risk management framework and processes. The other is risk financing which incorporates insurance procurement, management of the Council's internal Insurance Fund and claims management.
- 2.2 In addition to day-to-day operations the service is responsible for major procurement exercises and improvement activities. This report focuses on the latter.
- 2.3 The table below summarises key actions planned between now and the end of 2013/14. It highlights those areas in which Members will have an involvement and what form that will take. Future reports will focus on these issues.

<b>Category</b>	<b>Action</b>	<b>Date</b>	<b>Member Involvement?</b>	<b>Comments</b>
Risk financing	Peer review of insurance arrangements for Sefton Council	March	No	Members will be advised when project is complete.
Risk financing	Annual renewal of Casualty, Motor, Computer, Engineering and Foster Care policies	March 2013	No	Outcome of renewal negotiations will be reported to Members.
Risk financing	Procurement of Property, All Risks, Money, Fidelity Guarantee and Personal Accident / Business Travel policies	May 2013	Yes	Members to consider officer recommendations and options for reducing external premiums.

Risk financing	Report on funding requirements	June 2013	Yes	Conclusions of the external actuary will be reported to Members as part of the Insurance Fund Annual Report (below).
Risk financing	Insurance Fund Annual Report	June 2013	Yes	Members to consider recommendations on provisions and reserves.
Risk financing	Academy schools insurance procurement	August 2013	No	Outcome will be reported to Members.
Risk financing	Insurance Fund Budget 2014/15	Nov 2013	Yes	Members to agree Insurance Fund Budget and apportionment between schools and the General Fund.
Risk financing	Procurement of Motor and Engineering insurance and inspection contracts	Jan 2014	Yes	Members to consider officer recommendations and options for reducing external premiums.
Risk management	Determine risk appetite and the future objectives for risk management	May 2013	Yes	Member engagement session to be arranged.
Risk management	Roll out risk information element of Concerto (P2) across departments	May 2013	No	Progress will be reported to Members.
Risk management	Risk management training session	Sept 2013	Yes	Members will be invited to the session planned for 2 September.
Risk management	Review risk management framework and processes	Dec 2013 *	Yes	In relation to the framework for governing risk management and risk reporting structures.
Risk management	Draft new corporate risk management policy and strategy	Dec 2013 *	Yes	Proposed strategy and policy will be presented to Members' for consideration.
Risk management	Identify the core competencies for Members and officers	Dec 2013 *	Yes	Consultation through Member Training Group.

\* Assumes project start date of April 2013

### **3.0 RELEVANT RISKS**

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

### **4.0 OTHER OPTIONS CONSIDERED**

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

### **5.0 CONSULTATION**

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

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

6.1 None.

### **7.0 RESOURCE IMPLICATIONS**

7.1 The Academy schools initiative undertaken by the Risk & Insurance Team is continuing to generate income which offsets insurance administration costs.

7.2 The Risk and Insurance team has sufficient capacity to deal with its current responsibilities. However there is uncertainty as to whether the additional work required as a result of the planned improvements to risk management arrangements could be delivered within existing staff resources.

### **8.0 LEGAL IMPLICATIONS**

8.1 There are none arising directly from this report.

### **9.0 EQUALITIES IMPLICATIONS**

9.1 There are none arising directly from this report.

### **10.0 CARBON REDUCTION IMPLICATIONS**

10.1 There are none arising directly from this report.

### **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

11.1 There are none arising directly from this report.

### **12.0 RECOMMENDATION**

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

### **13.0 REASON FOR RECOMMENDATION**

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

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**REFERENCE MATERIAL / SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Audit & Risk Management – Corporate Risk & Insurance Management	29 November 2011
Audit & Risk Management – Corporate Risk & Insurance Management	1 February 2012
Audit & Risk Management – Corporate Risk & Insurance Management	13 March 2012
Audit & Risk Management – Corporate Risk & Insurance Management	14 June 2012
Audit & Risk Management – Corporate Risk & Insurance Management	19 September 2012
Audit & Risk Management – Corporate Risk & Insurance Management	26 November 2012

## **Appendix**

### **Principal Actions Completed – November 2012 to January 2013**

#### **Insurance Management**

Individual charges for risk and insurance services in 2013/14 were produced for all schools which buy back cover as a traded service.

A suite of information was produced for the Council's insurance brokers to support the production of a tender document for the Property and Personal Accident / Business Travel policies.

A settlement was agreed with the claimant in what was potentially the most costly liability claim ever brought against the Council. The settlement was significantly below expectations and will place the authority in a more favourable position when the Casualty policy is tendered in 2015.

A Peer Review for Sefton Council began. This is aimed at assisting Sefton with improving its corporate arrangements for insurance procurement and management

#### **Risk Management**

Outstanding areas of functionality in relation to how risk information is captured and reported across the organisation have been addressed by Concerto.

A register of programme level risks affecting the Council's savings projects has been produced.

Preparations have been made for incorporating consideration of risk and uncertainty into Member engagement sessions to take place in February.

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