



Audit and Risk Management Committee

Date:	Tuesday, 19 March 2013
Time:	6.15 pm
Venue:	Committee Room 1 - Wallasey Town Hall

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AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members are asked to consider whether they have 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 31 January 2013.

3. ANNUAL GOVERNANCE STATEMENT (Pages 5 - 8)

4. HESPE ACTION PLAN UPDATE

Verbal Report of the Assistant Chief Executive

5. INTERNAL AUDIT UPDATE (Pages 9 - 22)

6. INTERNAL AUDIT STRATEGIC PLAN 2013/2016 (Pages 23 - 50)

7. ANNUAL REPORT (Pages 51 - 68)

8. ANNUAL SELF ASSESSMENT (Pages 69 - 90)

9. GRANT THORNTON AUDIT PLAN (Pages 91 - 110)

10. HOUSING AND COUNCIL TAX BENEFIT GRANT (Pages 111 - 128)

- 11. INSURANCE AND RISK MANAGEMENT (Pages 129 - 132)**
- 12. ADULT SOCIAL SERVICES: PERSONAL BUDGETS AUDIT - REVIEW OF RESOURCE ALLOCATION SYSTEM (Pages 133 - 148)**
- 13. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 1)**
- 14. EXEMPT INFORMATION
- EXCLUSION OF MEMBERS OF THE PUBLIC**

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

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

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

Public Document Pack **Agenda Item 2**

AUDIT AND RISK MANAGEMENT COMMITTEE

Thursday, 31 January 2013

Present: Councillor J Crabtree (Chair)

Councillors D Dodd A Cox
A Brighthouse P Hayes
RL Abbey JE Green
S Foulkes

40 **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.

41 **MINUTES**

Resolved – That the minutes of the meeting held on 26 November 2012, be approved.

42 **INTERNAL AUDIT UPDATE**

The Chief Internal Auditor presented a report which identified and evaluated the performance of the Internal Audit Section and included details of any issues arising from the audit work undertaken during the period 1 November to 31 December 2012. He provided details of the following items of note concerning audit work undertaken, that were reported in order of risk, in relation to –

- **Adult Social Services: Appointeeships**
- **CYPD: Learning Care**

The findings of audits conducted in these areas had identified significant issues and minimal assurance opinions provided. However, the departments had responded positively to the reports and were implementing recommendations to address concerns.

- **Adult Social Services: Personal Budgets**

Early indications were that progress was being made to address weaknesses within the revised timescales previously reported (minute 38 (26 November 2012) refers). More detail would be provided following completion of the work and he suggested that Members may wish to consider inviting the Director of Adult Social Services to provide a brief on this, following the outcome of the follow up work.

He commented also that to address similar issues within DASS, IA had been providing training for managers regarding building effective controls.

- **Information Governance**

Following issues previously identified (minute 34 (26 November 2012) refers), he commented that an Information Assurance Policy would be presented to the

Cabinet in February 2013. Following this, progress would be made in the implementation of audit recommendations.

- **Adult Social Services: Bad Debts**

IA was currently undertaking work as part of a multi-disciplinary team, focusing at present on the processes for charging, collection and recovery of uncollected income. In response to a question from a Member, the Interim Director of Finance highlighted a number of factors that had led to the extent of the bad debt being identified. Problems in relation to various processes had now been addressed and he was confident that progress would continue to be made in the collection of income.

The Chief Internal Auditor reported also upon audit work in relation to Emergency Payments by CYPD. It had not been included in his report as the work had not been completed at the time of writing. However, follow up work had since indicated that all of the recommendations except one had been implemented and work was progressing to timescale on the one remaining area.

The situation in relation to each of the items of note would continue to be monitored to ensure that recommendations were implemented within agreed timescales and any actions required would form the basis of further reports to Committee.

The Chief Internal Auditor provided information in respect of compliance with relevant IA Performance Indicators and commented that no issues had arisen during the monitoring period. He outlined actions undertaken to date and indicated that good progress was being made to deliver the Internal Audit Improvement Plan, which was 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.

He reported also that the first UK Public Sector Internal Audit Standards would come into force in April 2013. All local authorities would be required to implement the new standards from April and report upon compliance by June 2014. Internal Audit planned to undertake a self assessment exercise against the standards over the coming months and to report the findings and any required actions to this Committee in June 2013.

In response to comments from members with regard to the future structure and delivery of the Internal Audit service, the Chair advised that he had discussed a number of proposals with officers. Further meetings would be arranged and he invited other Members of the Committee to attend if it was possible for them to do so.

Resolved –

- (1) That the report be noted.**
- (2) That the Chair be requested to liaise with Committee Members, to arrange further meetings with officers to discuss the future delivery of the Internal Audit service.**

43 **HESPE ACTION PLAN UPDATE**

Further to minute 33 (26 November 2012), the Deputy Director CYPD and Assistant Chief Executive provided a verbal update upon compliance with the Action Plan that had been prepared in response to the 21 recommendations that were contained within the Audit Commission's Public Interest Report: Highways and Engineering Services Contract Award and Management dated 8 June 2012.

The Action Plan had been circulated to all Chief Officers for consideration and no concerns had been received, other than a comment from the Interim Director of Technical Services in relation to a lack of interest to an offer of consultancy work from April 2014, when the HES contract was due to expire. Progress against the Action Plan was being monitored as part of the Improvement Plan process and was reported also to the Council Excellence O&S Committee.

Members referred to various matters contained within the Richard Penn Report, following his investigation into issues raised in the Report in the Public Interest in relation to the role of the Director of Technical Services in the procurement and management of the HES contract, and questioned whether any of its recommendations impacted on the Action Plan. Members also sought assurance that there was an ongoing dialogue with the whistleblowers.

Resolved –

(1) That the report be noted.

(2) That a written report be presented to the next meeting of the Committee upon –

(a) Progress against the HESPE Action Plan

(b) An evaluation of the Richard Penn report and its impact upon any of the recommendations contained within the Action Plan.

44 GRANT THORNTON CERTIFICATION WORK REPORT 2011/2012

The Assurance Manager of Grant Thornton UK LLP, the Council's auditors, presented the Certification Work Report for 2011/2012 and commented that the certification represented a final but important part of the process to confirm the Council's entitlement to funding. Three claims and returns had been certified for the financial year 2011/2012, which related to expenditure of £246m, viz: –

- Housing and Council Tax Benefit Scheme
- National Non-Domestic Rates Return
- Teachers' Pensions Return

The report summarised an overall assessment of the Council's management arrangements in respect of the certification process and indicated total fees charged of £75,213. The report drew attention to significant matters in relation to individual claims and an Action Plan made a number of recommendations to address the key messages and other findings. The implementation of the agreed recommendations would assist the Council in compiling accurate and timely claims for certification.

The certification in relation to the Housing and Council Tax Benefit Scheme was qualified and the report set out the areas where errors affecting subsidy were found. These were minor errors in income calculations not matching information provided; and in the technical classification of overpayments, where there was no underlying liability.

Resolved – That the report be noted.

45 GRANT THORNTON AUDIT PROGRESS REPORT

The Assurance Director, Grant Thornton UK LLP, presented the Audit Progress Report as at January 2013. The report referred to the fees for 2012/2013 (minute 36 (26 November 2012) refers), which had been determined by the Audit Commission as a best estimate of the fee required to carry out an audit, where the audited body

had no significant risks and had in place a sound control environment, materially accurate financial statements and good working papers were provided to deadlines. The Audit Commission was presently consulting on its proposed work programme and scale of fees for 2013/2014 and planned to publish them in April 2013. As there were no plans to make any changes to the work programme, it was proposed that the scale audit fees would be set at the same level as the fees applicable for 2012/2013.

He referred also to additional non-audit work that was being undertaken, which involved an independent review of the Council's BIG and ISUS schemes, following issues raised by members of the public. He had concluded that the review did not pose a threat to the audit or to the independence of Grant Thornton. In response to a question from a Member, he commented that matters related to BIG and ISUS had been drawn to his attention some two years ago, whilst he was District Auditor, and were matters that would normally have been more appropriate for Internal Audit. Councillor Foulkes confirmed that he had also raised concerns with regard to the BIG and ISUS schemes, during his tenure as Leader of the Council.

As at January 2013, all audit and certification work for the Council and Merseyside Pension Fund was on track or the start date was not yet due. The Assurance Director reported also upon other work that informed the audit and provided details of Grant Thornton workshops and reports.

Resolved – That the report be noted.

46 **GIFTS HOSPITALITY AND CONFLICTS OF INTEREST**

Further to minute 30 (19 September 2012), the Deputy Director CYPD and Assistant Chief Executive referred to the review that had been undertaken by the District Auditor of work carried out by Internal Audit in relation to gifts and hospitality and conflicts of interest. The Review had found that although the Council's procedures were generally adequate, testing had identified a high instance of non-compliance, with poor or incomplete recording of both gifts and hospitality and declarations of conflicts of interest. To address the weaknesses in compliance with its procedures and to secure improvements, the Council had put in place an Action Plan to ensure the implementation of all of the recommendations contained within the District Auditor's report

The Assistant Chief Executive commented also that Members had questioned whether any instances of non-compliance had merited disciplinary action. Investigations had found no evidence of any wrongdoing, other than a failure to make appropriate declarations. All Council staff had now been provided with clear guidance in relation to their obligations concerning gifts and hospitality and conflicts of interest and he indicated that revised policies were being consulted upon, with a view to them being presented to the Employment and Appointments Committee for approval, in February 2013.

Resolved – That the report be noted.

47 **INSURANCE AND RISK MANAGEMENT**

The Interim Director of Finance reported upon the key actions in relation to corporate risk and insurance management that were planned to the end of 2013/2014. He set out the areas in which Members would be involved, what form that involvement would take, and highlighted the issues that future reports would focus upon.

Resolved – That the report be noted.

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

19 MARCH 2013

SUBJECT:	ANNUAL GOVERNANCE STATEMENT 2012/13
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF EXECUTIVE
KEY DECISION ?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2011, Regulation 4(3).
- 1.2 This report outlines a planned approach for the production of the Council's Annual Governance Statement 2012/13.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 It is necessary for the Council: to have approved and adopted a Code of Corporate Governance that complies with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government; and to report publicly through the Annual Governance Statement the extent to which the governance processes outlined in the Code are operating effectively in practice.
- 2.2 The Framework identifies six core principles of good governance:
 1. Focusing on the purpose of the Authority and on the outcomes for the community and creating and implementing a vision for the local area.
 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
 3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
 5. Developing the capacity and capability of Members and Officers to be effective.
 6. Engaging with local people and other stakeholders to ensure robust accountability.

2.3 **ANNUAL GOVERNANCE STATEMENT 2012/13**

2.4 The approach

The production of the Council's Annual Governance Statement will be based on relevant supporting evidence provided by Internal Audit, with the overall direction provided by the Chief Executive Strategy Group to ensure high level corporate engagement and ownership.

Internal Audit will be responsible for undertaking the relevant assurance work, however it is important to note that the Annual Governance Statement is not owned by the audit function and is a Council statement on the effectiveness of its governance processes.

The review of the Annual Governance Statement and the accompanying assurances are also important roles for the Audit and Risk Management Committee.

2.5 Evidence

Internal Audit will provide the following sources of evidence and documentation to support the production of the Annual Governance Statement:

- a) A review of the key governance processes in place, covering such areas as:
 - Policy: Corporate Plan; Departmental Service Plans; Equalities And Diversity
 - Performance: Performance Management System; Performance Indicators; Improvement Plan
 - HR Systems: Gifts and Hospitality And Conflicts of Interest; Case Management; Absence Management; Confidential Reporting And Grievance Procedures
 - Risk Management: Corporate and Departmental
 - Constitution/Legal: Advice And Overview; Registered Interests
- b) Review of reports completed by external review agencies, e.g. the Audit Commission (now Grant Thornton), and the Care Quality Commission; so as to highlight key findings and actions to address any issues.
- c) Collation and review of Chief Officers and Managers Assurance Statements (in which assurances are provided and weaknesses highlighted over a range of key governance processes which specific areas of responsibility).

Following a review of the above, Internal Audit will compile a list of 'Areas of Good Practice' and 'Areas for Improvement' to be utilised in producing the Annual Governance Statement.

2.6 Timescales

A full draft will be reported for consideration by the Audit and Risk Management Committee on the 10th June 2013 with a final version reported to the Committee in September 2013. The Annual Governance Statement will be approved by the Leader and Chief Executive with appropriate sign off arrangements put in place.

3.0 **RELEVANT RISKS**

- 3.1 Potential failure of the Council to comply with the statutory requirement set out in the Accounts and Audit (England) Regulations 2011, Regulation 4(3).

4.0 OTHER OPTIONS CONSIDERED

4.1 Not applicable due to the statutory requirement.

5.0 CONSULTATION

5.1 Full consultation will take place with Members of the Council's Chief Executive Strategy Group and Cabinet Members regarding the production of the Annual Governance Statement.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising directly from this report. Any implications identified in the production of the Annual Governance Statement will be reported to the Chief Executive's Strategy Group, Cabinet and the Audit and Risk Management Committee to identify the appropriate action that will be taken.

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

7.1 There are none arising directly from this report. Any implications identified in the production of the Annual Governance Statement will be reported to the Chief Executive's Strategy Group, Cabinet and the Audit and Risk Management Committee to identify the appropriate action that will be taken.

8.0 LEGAL IMPLICATIONS

8.1 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2011, Regulation 4(3).

9.0 EQUALITIES IMPLICATIONS

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

There are none arising directly from this report. A full Equalities Impact Assessment will be undertaken and published with the draft Annual Governance Statement. This assessment will include actions that will be taken to address any implications that are identified.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report. Any implications identified in the production of the Annual Governance Statement will be reported to the Chief Executive's Strategy Group, Cabinet and the Audit and Risk Management Committee to identify the appropriate action that will be taken.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly from this report. Any implications identified in the production of the Annual Governance Statement will be reported to the Chief Executive's Strategy Group, Cabinet and the Audit and Risk Management Committee to identify the appropriate action that will be taken.

12.0 RECOMMENDATIONS

12.1 That the approach and timescales for the production of the Annual Governance Statement is noted.

13.0 REASON FOR RECOMMENDATION

13.1 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2011, Regulation 4(3).

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APPENDICES

None

REFERENCE MATERIAL

- CIPFA/SOLACE Delivering Good Governance in Local Government: Guidance Note and Framework (2007).
- CIPFA/SOLACE Delivering Good Governance in Local Government: Framework Addendum (2012).
- CIPFA Annual Governance Statement: A Rough Guide for Practitioners 2007/08.
- Accounts and Audit Regulations (England) 2011.
- CIPFA Code of Practice for Internal Audit in Local Government 2006.
- CIPFA The Role of the Chief Financial Officer in Local Government 2010.

SUBJECT HISTORY (last 3 years)

The production of the Annual Governance Statement (AGS) is an annual exercise. This is the first report to be presented to Members as part of the 2012/13 process.

Report(s) are submitted to Audit and Risk Management Committee prior to a final AGS being submitted to Cabinet for consideration and approval (as part of the Statement of Accounts).

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

19 MARCH 2013

SUBJECT:	INTERNAL AUDIT UPDATE
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
KEY DECISION ?	NO

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 January 2013 to 28 February 2013. There are five 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 January to 28 February 2013.

2.2. Items of Note

2.2.a Asset Management

An audit was undertaken in the period to review the adequacy of the controls in operation over the corporate Asset Management System. The aim of the audit was to establish if the existing system was fit for purpose and effectively controlled. The audit generated a 'minimum' assurance opinion and identified 13 recommendations of which 6 were High priority. The High priority recommendations related to the need for a clear corporate Asset Management Plan and Strategy; ensuring asset recording systems were accurate and up to date; ensuring that as part of the programme to rationalise all Council buildings and office accommodation that a clear action plan is in place drawing upon all relevant information – both quantitative and qualitative; ensuring office accommodation is utilised to its full potential and the movement of staff is undertaken efficiently; ensuring correct fees and charges are applied, documented, and approved; and the existence of a clear documented policy regarding evidencing the value of properties disposed of by the organisation. The recommendations have been discussed with senior management and an action plan for implementing recommendations within an

agreed timescale agreed. Follow up work is scheduled for early in the new financial year and an update on this will be provided to Members in due course.

2.2.b Absence Management

An audit was undertaken in the period to review the adequacy of the controls in operation over the corporate Absence Management System. The aim of the audit being to gain assurance on the operation of the corporate policy regarding sickness issues including compliance with legislative requirements. The audit generated a 'limited' assurance opinion and identified 4 recommendations of which 3 were High priority. The High priority recommendations related to improving data capture systems, ensuring adequate training was provided to Managers and Staff throughout the Authority and the need for all related documentation to be completed accurately and submitted in a timely fashion. The recommendations have been discussed with senior management and an action plan for implementing recommendations within an agreed timescale agreed. Follow up work is scheduled for early in the new-year and an update on this will be provided to Members in due course.

2.2.c Improvement Plan

An audit was undertaken in the period to review the adequacy of the controls in operation over the Improvement Plan. The audit focused on the current process in place for the Improvement Plan but not the delivery of the actual improvement targets due to the Plan being in the infancy of its programme life cycle. The audit generated a 'substantial' assurance opinion and identified 4 recommendations of which 2 were medium priority. However, audit testing will be undertaken next financial year in order to gain assurance regarding outcomes, the achievement of targets and deadlines within the Improvement Plan and the impact of those achievements.

2.2.d Libraries

An audit was undertaken to review the cash management arrangements at the Council Libraries where income is collected on behalf of a number of external organisations. e.g. for charitable items and voluntary activities. The objective was to determine whether the financial, legal and reputational risks had been identified and the controls in place provided managers with reasonable assurance that the activities comply with current policy and the assets held are protected against loss. Five libraries were visited to provide an assurance opinion for the overall library system and the findings generated a 'minimum' assurance rating. It was acknowledged that the levels of cash transactions for this activity are minimal but the impact from the legal and reputational risks are considered significant. Four detailed recommendations assessed as 'high' priority were included within the report to address the key risks identified. These relate to the need for; a Departmental Policy to cover this activity; detailed operational guidance notes to be provided to each library; the introduction of a document to formalise the arrangements with the external organisations and the maintenance of adequate stock and cash records. All recommendations have been agreed by the Library Management Team and Internal Audit will provide significant assistance and input to the development of the recommendations and ensure implementation within an acceptable timescale.

2.2.e. The Holy Spirit School

This school was the subject of an audit in December 2011, during which many significant issues were highlighted and an audit opinion of one star was given. Two follow up audits have now been completed at the school, in October 2012 and February 2013, and excellent progress has been made. The changes effected at the school were very evident during discussions with the Head Teacher and School Business Manager, and it was pleasing to note that all recommendations have now been implemented.

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.	90	86
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms indicating satisfaction with the Internal Audit service.	80	93
Internal audit reports issued within 10 days of the completion of fieldwork.	100	97

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. Of the 18 actions identified 12 have now been fully implemented and good progress has been made in respect of the remaining actions within the agreed timescales. Only 1 action has fallen behind and this relates to improvements required to the current filing system in operation, a fairly low risk issue that will be addressed when resources become available early in the new financial year. Some of the improvements implemented 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,
- Implementation of a three year strategic internal audit plan,
- Improved engagement with Chief Officers and managers,
- Enhanced escalation procedures for audit issues identified,
- Improved reporting arrangements for ARMC members,

- Collaborative arrangement with Liverpool Internal Audit,
- Regular scheduled attendance at departmental DMT's,
- Comprehensive staff training program developed,
- Implemented RAG ratings system for audit opinions and action progress.

A copy of the Internal Audit Improvement Plan is attached at Appendix 1 identifying the progress made to date to implement all actions.

2.4.b The improvement plan was designed to be delivered over a twelve month period up to September 2013 and during this period implement some significant and fundamental changes to the nature of the service and its delivery. However, it is acknowledged that there will always be the need to constantly challenge and evaluate the effectiveness and efficiency of the way in which the service is delivered well into the future. Consequently it is my intention to continue to utilise the Improvement Plan vehicle on a constantly rolling basis adding new improvement targets and reporting on progress in similar fashion to as at present. Improvement targets added to date include:

- Self-assessment against the Public Sector Internal Auditing scheduled for May 2013, reporting outcomes and actions to Members upon completion,
- A complete review and revise of the Internal Audit Charter and Strategy, reporting to Members in June 2013 on this,
- Implementation of the Excellent Internal Auditor Framework,
- Development of the Internal Audit Intranet facility as a vehicle for communicating audit and risk related issues to clients.
- Implementing a post audit assessment system to identify areas for improvement.

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 upon completion.

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'.

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APPENDICES

Appendix 1: 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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BUSINESS PLAN PROGRESS REPORT

Appendix 1

PRIORITY: 2 Corporate Governance and Decision Making

TARGET: 2.3 Strengthen contract procedure rules and management & ensure that info is in place to allow informed decision making.

OBJECTIVE: 2.3.4 Provide an effective system of Internal Audit (Delivered by: Peter Timmins)

INTERNAL AUDIT IMPROVEMENT MILESTONES

Milestone	Manager	End Date	% Comp
Evaluate shared service options for delivery of the Internal Audit Service.	PT/MPN	Mar 13	100%
Develop skills and experience of IA workforce through assessment of staff training needs and delivery of appropriate training. <i>(Training program developed, to be delivered following implementation of new structure).</i>	MPN	Sept 13	50%
Raise organisational profile and standing of Internal Audit Service through regular scheduled attendance at Finance DMT as standing member.	MPN	Mar 13	100%

Enhance Internal Audit engagement with Chief Officers through more regular programmed meetings and attendance at Departmental DMT's on a scheduled quarterly basis.	MPN	Nov 12	100%
Develop and implement an enhanced escalation procedure for audit issues that involves the DOF, Chief Officers and Members of the ARMC.	MPN	Dec 12	100%
Develop and implement a comprehensive programme of training for ARMC Members. Training prepared, to be delivered to Members at scheduled session in April 2013.	MPN	Apr 13	85%
Develop and implement a more robust document filing and storage structure for Internal Audit Service. <i>(Currently ongoing, resources to complete exercise causing problems, however low priority target as existing system remains functional at present. A more realistic target would be Sept 13.)</i>	MPN	Dec 12	10%
Introduce more performance data on the delivery of the Internal Audit Service into ARMC Committee reports.	MPN	Dec 12	100%
Develop the Internal Audit report format and content to include:	MPN	Dec 12	100%

<ul style="list-style-type: none"> - a Corporate Impact Risk Rating opinion - an Actions Required section - an executive summary - a detailed key to opinions provided 			
Develop and implement a Terms of Engagement protocol and notification for all audits to be completed.	MPN	Dec 12	100%
Develop and implement a new report format and content for ARMC.	MPN	Nov 12	100%
Develop and introduce an electronic monthly Internal Audit Update Summary for Members that includes risk ratings and RAG rated progress updates	MPN	Nov 12	100%
Implement RAG rating assessment for opinion and progress on Internal Audit issues.	MPN	Nov 12	100%
Establish a mechanism for Members of the ARMC to raise issues and questions relating to audits completed and issues raised during audits.	MPN	Dec 12	100%
Develop a three year Audit Plan that includes more detailed review and testing of performance systems across the Council.	MPN	Mar 13	95%

<i>(Three year Strategic Plan is currently being agreed with CO's, to be delivered to ARMC for approval in March 2013.)</i>			
Replace/upgrade Internal Audit APACE planning and Management system. <i>(Slow progress due to prohibitive cost of replacement, evaluating other options at present.)</i>	MPN	Sept 13	20%
Review and evaluate Internal Audit staffing structure for fitness for purpose. <i>(Existing staffing structure now reviewed and evaluated. A proposed staffing structure has been prepared and is currently out for consultation, a more realistic target for implementation is May/June 2013)</i>	PT/MPN	Mar 13	50%
Report outcome of this objective to ARMC and Improvement Board. <i>(Regular updates on progress to ARMC at every meeting - Nov12, Jan 13 and scheduled for March 13)</i>	PT/MPN	Mar 13	60%

In addition, following improvement targets added:

Self-assessment undertaken against CIPFA Code of Practice – **Completed**

Planned assessment against Public Sector Audit Standards scheduled for May 2013, reporting to Members in June 2013,

Review and revise Internal Audit Charter and Strategy, reporting to Members in June 2013,

Excellent Internal Auditor implementation scheduled for May 2013.

Equality Impact Toolkit

Section 1:	Your details
Council officer:	M P Niblock
Email address:	markniblock@wirral.gov.uk
Head of Service:	Acting Chief Internal Auditor
Chief Officer:	Interim Director of Finance
Department:	Finance Department
Date:	05/03/13

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 – 19 March 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 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 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?

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 for publishing)

Section 8: How will consultation take place?

Before you complete your consultation, please email your 'incomplete' EIA to 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 for re-publishing.

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

19 MARCH 2013

SUBJECT:	INTERNAL AUDIT PLAN 2013-16
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
KEY DECISION ?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report identifies the following:

- The draft plan of work for Wirral Council's Internal Audit Service for 2013-16,
- An explanation of how the audit Plan was prepared,
- A list of proposed areas to be audited over the next three years for 2013-2016.
- An explanation of how the audit plan will be finalised.

2.0 RELEVANT BACKGROUND INFORMATION

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

2.2 The Public Sector Internal Audit Standards produced jointly by the Chartered Institute for Public Finance and Accountancy and the Chartered Institute of Internal Auditors sets out the expected professional standards for Internal Audit in Local Government.

2.3 The standards set out the requirement for a risk based internal audit plan. This report sets out the Strategic Internal Audit Plan for the next three years and within this the Annual Internal Audit Plan for 2013/14.

2.4 In line with the standards the audit plan has been devised following a risk based approach using the following sources:

- The Corporate Risk Register
- Departmental Risk Registers
- Engagement with senior officers
- Review of the External Audit and Inspections reports
- A review of corporate strategies
- Cumulative audit knowledge and experience
- Engagement with other Heads of Audit
- Professional judgement on the risk of fraud and error

2.5 Using the above sources of information, the plan has been drafted to balance the following:

- The requirement to give an objective and evidence based opinion on all aspects of governance, risk management and internal control,
- The requirement for External Audit to place reliance on audits of the key financial systems for their annual opinion on the financial statements,
- Significant control and governance issues recently identified and currently being addressed by the organisation,
- The requirement to inform and support the production of the Annual Governance Statement for the Council,
- The corporate strategic vision for Internal Audit to add value through improving controls and streamlining processes,
- The allocation of time required for responding to queries on control issues,
- The allocation of time required for responding to fraud queries,
- The resource and skill mix available to undertake the work.

2.6 In addition, there are a number of major changes taking place across the organisation that will come into force during the period of this audit plan such as the reorganisation and transformation of the type of services that the Council provides and the way in which those services are delivered. These changes have been a significant consideration in the preparation of the audit plan and will continue to have a major ongoing impact on its delivery on account of the impact that these changes will have on the structure, culture, operational and control risk environment of the Council.

2.7 As a result of these ongoing changes the audit plan will continue to be constantly revisited during the year and any necessary adjustments made to reflect the changing environment. Chief Officers, senior managers and Members will all have a role to play in this and it is my intention to ensure that regular scheduled meetings take place to discuss these developments, any emerging risks identified as a result of this and any required changes to the plan resulting.

2.8 Contingency days have also been identified within the plan to address any emerging risks identified during the lifecycle of the audit plan.

A summary of the strategic audit plan is shown below:

Audit	2013/14 Audit Days	2014/15 Audit Days	2015/16 Audit Days
Total Core Financial Systems	250	250	250
Total Cross Cutting Compliance	510	435	410
Total Service Specific	510	435	410
Total Pension Fund	100	100	100
Total ICT	250	250	250
Total Counter Fraud	250	300	300
Total Advisory	150	200	250
Total Carry Forward	100	100	100
Total Contingency	150	200	200
Total Audit Days	2270	2270	2270

2.9 The main points / changes to note are:

- A move to a three year strategic internal audit plan – the rationale here is to ensure that Internal Audit takes a wider strategic view of risk and to ensure that audit effort is utilised as efficiently and effectively as possible to mitigate risk in a changing environment. This is particularly important for Wirral Council at present as a significant number of reported control and governance issues are in evidence and require the attention of senior management across the organisation. The audit plan is designed to inform that process providing relevant assurance opinions on systems either in place or developing and providing direction assessments regarding actions required to implement the necessary improvements required,
- The plan provides an overview of the assurance that will be obtained through each audit, the exact scopes of the audits will be agreed with Senior Management prior to commencement of the audit to ensure that the key current risks are being addressed,
- The Audit plan shows an increasing amount of advisory work during the three year period – this is due to a corporate drive to include Value for Money reviews within the audit plan to help identify cost savings and efficiencies,
- The Draft Audit plan will be finalised following further consultation with officers by the 31st March 2012. This will be tabled at the Audit Committee in June 2013,

- The audit plan will remain flexible, and will be reviewed on a quarterly basis to ensure it is in line with emerging risks.

3.0 RELEVANT RISKS

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

- 3.1 The Council not achieving its corporate objectives.
- 3.2 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.
- 3.3 Meeting statutory requirements to provide adequate and effective systems of internal audit.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options considered.

5.0 CONSULTATION

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

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?

(a) 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 RECOMMENDATION

12.1 That in accordance with the terms of reference for the Audit and Risk Management Committee, Members should comment in respect of the draft strategic internal plan for 2013-2016.

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 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
telephone: 0151 666 3432
email: markniblock@wirral.gov.uk

APPENDICES

Appendix 1: Strategic Internal Audit Plan 2013-16

REFERENCE MATERIAL

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

SUBJECT HISTORY (last 3 years)

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

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WIRRAL COUNCIL

INTERNAL AUDIT SERVICE

DRAFT STRATEGIC AUDIT PLAN

2013 - 2016

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

1. PURPOSE

1.1. This document provides details of the three year strategic Internal Audit Plan for 2013-16.

1.2. The function of Internal Audit is set out in the Public Sector Internal Auditing Standards:

“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

1.3. Internal Audit also has an important role to support the Director of Finance (Resources) in discharging his statutory responsibilities, which include:

- S151 Local Government Act 1972 – to ensure the proper administration of financial affairs.
- S114 Local Government Act 1988 – to ensure the Council’s expenditure is lawful.
- Accounts and Audit Regulations 2011 – to ensure that an adequate and effective internal audit of the Council’s accounting records and of its system of internal control is undertaken in accordance with the proper practices in relation to internal control.

1.4. Internal Audit also seeks to assist Wirral Council in achieving its key priorities. Internal Audit contributes to these aims by helping to promote a secure and robust internal control environment which enables a focus to be maintained on these key priorities. This is more important to the Council than ever as it attempts to address the many significant governance and control issues that have been identified and reported across the organisation recently.

During this very difficult period the organisation requires a very strong internal audit function that is able to operate in a much wider and more strategic way, assisting the organisation by helping it to put in place a more efficient and effective control and governance environment.

2. INTERNAL AUDIT PLAN

2.1. In line with the Public Sector Standards the audit plan has been devised following a risk based approach using the following sources:

- The Corporate Risk Register
- Departmental Risk Registers
- Engagement with senior officers
- Discussions with the Director of Finance
- Review of the External Audit and Inspections reports
- A review of corporate strategies
- Cumulative audit knowledge and experience
- Engagement with other Heads of Audit
- Professional judgement on the risk of fraud and error

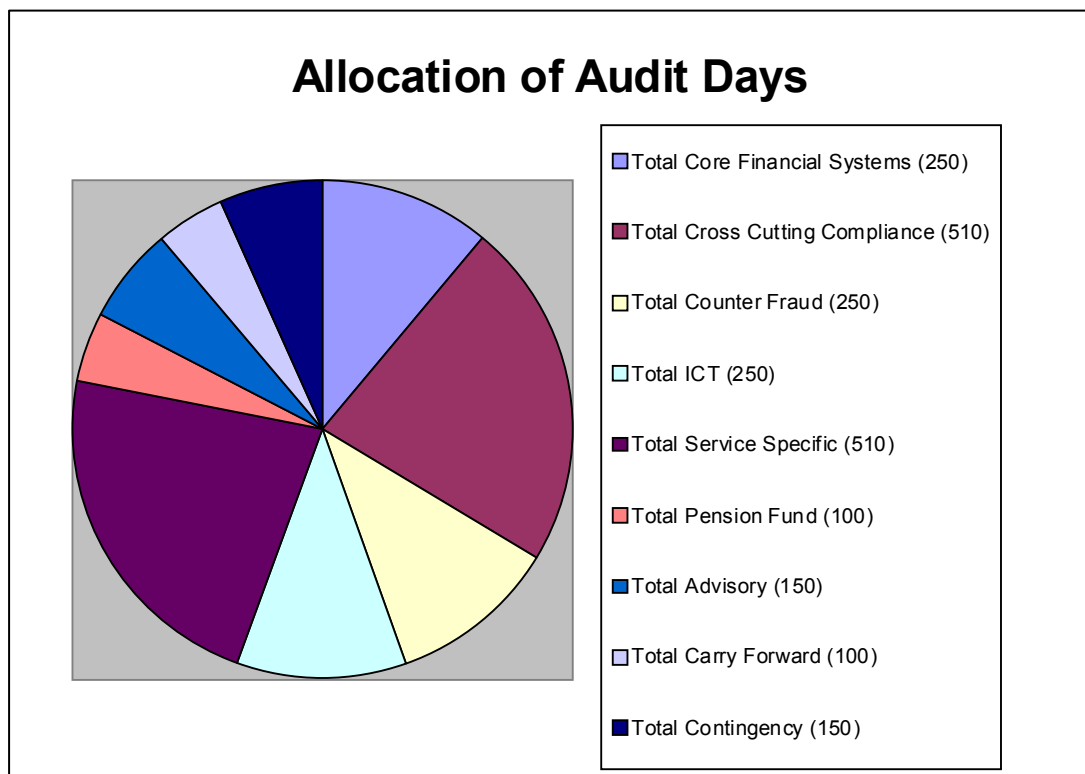
2.2. The allocation of audit days is summarised as follows:

Audit	2013/14 Audit Days	2014/15 Audit Days	2015/16 Audit Days
Total Core Financial Systems	250	250	250
Total Cross Cutting Compliance	510	435	410
Total Service Specific	510	435	410
Total Pension Fund	100	100	100
Total ICT	250	250	250
Total Counter Fraud	250	300	300
Total Advisory	150	200	250
Total Carry Forward	100	100	100
Total Contingency	150	200	200
Total Audit Days	2270	2270	2270

2.3. Using the sources of information noted in paragraph 2.1 the plan has been drafted to balance the following:

- The requirement to give an objective and evidence based opinion on all aspects of governance, risk management and internal control,
- The requirement for External Audit to place reliance on audits of the key financial systems,
- The requirement to inform and support the production of the Annual Governance Statement for the Council,
- Significant control and governance issues recently identified and currently being addressed by the organisation,
- The corporate strategic vision for Internal Audit to add value through improving controls and streamlining processes,
- The allocation of time required for responding to queries on control issues,
- The allocation of time required for responding to fraud queries,
- The resource and skill mix available to undertake the work.

2.4. The split of audit days for 2013/14 is shown in diagrammatic form below.



- 2.5. A strategic three year approach has been taken to ensure that Internal Audit takes a wider more strategic view of risk and to ensure audit effort is utilised as efficiently and effectively as possible to mitigate risk in a rapidly changing work environment. This is particularly important for Wirral Council at present as a significant number of reported control and governance issues are in evidence and require the attention of senior management across the organisation. The audit plan is designed to inform that process providing relevant assurance opinions on systems either in place or developing and providing direction assessments regarding actions required to implement the necessary improvements required.
- 2.6. The table below shows the audit days allocated against each audit area. It also notes an overview of the assurance that will be sought through each individual piece of work. The exact scope of each piece of work will be agreed with Senior Officers and Managers prior to the work commencing to ensure that the key risks that are current at that time are being addressed.
- 2.7. There are a number of major changes taking place across the organisation that will come into force during the period of this audit plan such as the reorganisation and transformation of the type of services that the Council provides and the way in which those services are delivered. These changes have been a significant consideration in the preparation of the audit plan and will continue to have a major ongoing impact on its delivery on account of the impact that these changes will have on the structure, culture, operational and control risk environment of the organisation.
- 2.8. As a result of these ongoing changes the audit plan will continue to be constantly revisited during the year and any necessary adjustments made to reflect the changing environment. Chief Officers, senior managers and Members will all have a role to play in this and it is my intention to ensure that regular scheduled meetings take place to discuss these developments, any emerging risks identified as a result of this and any required changes to the plan resulting.

Contingency days have also been identified within the plan to address any emerging risks.

Audit	Overview of Assurance	2013/14 Audit	2014/15 Audit	2015/16 Audit
Core Financial Systems				
Accounts Receivable/Debt Management	Full system and compliance audits to provide assurance over the effectiveness of the Council's core financial systems.	X	X	X
Accounts Payable		X	X	X
Income / Cash Management	Detailed testing to evaluate compliance, challenge and effective reporting.	X	X	X
Council Tax		X	X	X
NNDR		X	X	X
Budget Control		X	X	X
Payroll		X	X	X
Benefits		X	X	X
Treasury Management		X	X	X
General Ledger		X	X	X
Financial Management and Accounting		X	X	X
Total Core Financial Systems			250	250
Cross Cutting Compliance Audits				
Risk Management	Review current arrangements for compliance with best practice and operational effectiveness focussing on challenging robustness of arrangements, how well embedded they are across the organisation and compliance.	X	X	X
Financial Savings Delivery	Testing and evaluation of achievement of key savings targets across the organisation for timely delivery.	X	X	X
Shared Service Arrangements	To ensure appropriate controls are established for the administration of these developing arrangements to ensure that stated aims and objectives are achieved.	X	X	
Service Transformation	Targeted assessment and evaluation of the effectiveness of the control environment in key areas to mitigate the risk of potential large scale workforce change.	X	X	X

Audit	Overview of Assurance	2013/14 Audit	2014/15 Audit	2015/16 Audit
AGS	Undertake work to support and assist in the preparation of the Annual Governance Statement.	x	x	x
Capital Programme	To provide assurance that the system in operation is fit for purpose and evaluation of compliance through testing including challenge member reporting.	x	x	x
Income /Debt Management	To provide assurance on effectiveness of systems in operation across all directorates over three year period and evaluation of compliance through testing (CYPD/DASS/Building Control – 13/14).	x	x	x
Public Health Transition	To provide assurance on effectiveness of controls in operation over merger arrangements including budgeting and resource integration.	x		
Spending Freeze	Assessment and testing of compliance with policy and guidance across the organisation.	x	x	x
Performance Management	To provide assurance that the new system and framework is operating effectively to drive improvement and support effective decision making.	x		
Improvement Plan	Evaluate actual coordination and delivery against a sample of targets, robustly challenging performance and assessing impact of achievement. Evaluate future arrangements following delivery of Plan.	x	x	
HR Policies and Procedures	Assurance that core HR policies and procedures are being complied with.	x	x	x
Transport	To provide assurance on the effectiveness of the systems in place across the Council.		x	
Constitution - Procedure Rules, Scheme of Delegation, Code of Governance.	Assurance that procedure rules effective and are being complied with across the organisation.	x	x	x
Gifts, Hospitality, Conflicts	Evaluate compliance with new policy and procedure through more testing.	x	x	x

Audit	Overview of Assurance	2013/14 Audit	2014/15 Audit	2015/16 Audit
Community Engagement	Review the overall process for consultation and evaluate the effectiveness of arrangements for including outcomes and feedback into the policy decision making process.		x	
Commissioning	To provide support and guidance into any developments in this area including development of Central Commissioning Hub.		x	
Corporate / Departmental Planning	Review of current arrangements for consistency and evaluation of effectiveness of corporate policy and process.	x		x
Public Health Information Governance Toolkit	TBC			
Public Services Network	To gain assurance that arrangements in place over data sharing amongst related parties are robust, effective and comply with all relevant legislation and best practice.	x		x
Health and Safety	To provide assurance that controls in operation in high risk areas are fit for purpose and evaluation of Chief Officer awareness of responsibilities.		x	
Budgetary Control	To gain assurance that corporate budgeting process is effective and complied with by officers by reviewing a sample of departments arrangements.	x	x	x
Asset Management	To gain assurance that appropriate 'developed' arrangements are in place to ensure the usage of Council assets is monitored and optimised.	x		x
Procurement Strategy	Providing assurance on corporate procurement strategies and policies and their operation across the Council, covering works, services, and supplies.	x	x	x
CREES	Annual review of Carbon Reduction evidence submitted to Environment Agency for accuracy and completeness and compliance with legislation.	x	x	x
Constitution	To review and advise on the governance arrangements in place for the revised constitution.	x	x	

Audit	Overview of Assurance	2013/14 Audit	2014/15 Audit	2015/16 Audit
Control Awareness Training	Delivery of training to selected groups of managers from across the organisation covering building and implementing effective control environments in times of change.	x	x	x
Grants	Time allocation for grant certification work	x	x	x
Total Cross Cutting Audits		510	435	410
Service Specific Systems Audits				
CYPD				
Adoption Reform	To gain assurance regarding delivery of responsibilities associated with new grant.	x	x	
Residential Care - Quality	To gain assurance that the systems in place for monitoring payments and quality of service provision are operating effectively.	x		
Petty Cash Usage	To gain assurance that the systems in place are operating effectively.		x	
Schools	Individual School audits to be undertaken on a risk basis.	x	x	x
Schools Thematic Audits	Targeted audits to evaluate effectiveness of key systems in operation at a sample of Schools including Pupil Premium/ Creditors/Debtors/Payroll/Financial Procedures.	x	x	x
Early Years Services	To gain assurance as to the effectiveness of the controls in operation over the range of services especially nursery provision and payment.	x		
Schools Trading	Review of value for money achieved by schools in relation to services obtained from external bodies.	x		x
Establishments	Risk based review of centres covering all financial and general controls for fitness for purpose.			
DASS				
Establishments	Risk based review of centres covering all financial and general controls for fitness for purpose.	x		x

Audit	Overview of Assurance	2013/14 Audit	2014/15 Audit	2015/16 Audit
Personalisation/Direct Payments	Input to the process for testing and developing new models of delivery ensuring the adequacy and fitness for purpose of proposed operational controls. Focussed specifically on assessments, financial safeguarding and resource allocation.	x	x	
Assistive Technology	To gain assurance regarding effectiveness of systems and controls in operation over achievement of outcomes and projected savings.		x	
Residential Home Payments	To gain assurance regarding effectiveness of systems and controls in operation over payment processes to ensure correct timely payments with no duplicates.	x	x	x
Voluntary Sector	Review of funding arrangements in place for the voluntary sector for effectiveness, related to commissioning.		x	
Procurement of Commissioned Care	To gain assurance regarding control over systems for procurement of care from private and voluntary sectors evaluating controls for effectiveness.	x	x	x
Budget Models	Input to the development of more robust and fit for purpose budget models for the department.	x		
Safeguarding	Comparative review of processes in place ensuring that changes arising from the Social Care Bill relating to joint services are adequate and effective.	x	x	
Sport and Recreation	To gain assurance that all charges are appropriate, levied correctly and income due is collected. Evaluation of staffing resource issues.	x		x

Audit	Overview of Assurance	2013/14 Audit	2014/15 Audit	2015/16 Audit
Regeneration / Environment				
Parks and Countryside	Review of benefits realisation of in house service.	x		
Highways Maintenance	To gain assurance that robust processes are in place to ensure that the highways maintenance programme is in place, on time and complies with best practice. Includes residual work on existing COLAS contract and delivery; and new contract when let.	x	x	x
Environmental Health	To gain assurance that controls in operation are effective, manage risks and ensure legislative compliance.		x	
BIFFA Savings	Input to process being developed to identify and realise identified commercial negotiation savings.	x		
Floral Pavilion	Independent objective challenge to business plan and action plan developed and provide opinion on commercial viability.	x		
Regional Growth Fund	Assurance on the effectiveness of controls in operation over the utilisation and spend of the grants available in this area including systems for making payments.	x		x
HCA Affordable Homes Funding	To review system in operation to ensure that all opportunities are maximised by the Council, identify potential funding streams and develop performance targets for the delivery of housing units in a timely manner.		x	
Inward Investment	Review the effectiveness of the systems in place to manage the various initiatives for the promotion of inward investment including Invest Wirral, Peel Development and delivery of the Enterprise Zone.	x	x	

Audit	Overview of Assurance	2013/14 Audit	2014/15 Audit	2015/16 Audit
Resources				
Refunds	Counter money laundering exercise to determine validity of a sample of refunds provided by the Council.		x	
Business Travel	To review the policies and contractual arrangements in place for business travel for fitness for purpose.			x
Personal Finance Unit	To ensure the recommendations identified from the independent review are effectively implemented and completion on wider review of systems and controls across organisation.	x		
Welfare Benefits Scheme	To provide support and guidance on controls within the new arrangements under welfare reform.	x	x	
VAT	Review to ensure that VAT on Council expenditure has been reclaimed correctly including that on credit cards.			x
Procure to Pay	To gain assurance on the effectiveness of the controls in operation of the iprocurement system ensuring compliance with policies, accuracy, and consistency.		x	
Libraries/One Stop Shops	To ensure the processes in place for the combined operation are robust.		x	
Procurement	To gain assurance on fitness for purpose of corporate procurement strategies and policies and their operation across the Council, covering works, services, and supplies.	x		x
Transformation				
Training Expenses	To provide assurance on the effectiveness of the systems in place to administer the recovery of training costs across the Council.			x
Confidential Reporting	To ensure that the revised policy and procedure in place has been communicated effectively, is embedded across the organisation and monitored.	x		x
Grievances	To ensure that the revised policy and procedure in place has been communicated effectively, is embedded across the organisation and monitored.	x		x

Audit	Overview of Assurance	2013/14 Audit	2014/15 Audit	2015/16 Audit
Complaints	To ensure that the current system is fit for purpose and that targets are appropriate and deliverable. Included within this review will be an evaluation of targets in Customer Charter.	x		
Staff Vetting	To provide assurance that systems and procedures in operation ensure that relevant permissions to work in the UK are correctly obtained and that CRB checks undertaken are current and valid.		x	
Case Management	To gain assurance over effectiveness of the Council's procedures for maintaining an accurate, relevant and meaningful database on current and expired employee cases, with effective reporting lines.		x	
Elected Members – Toolkit	Input to developing system providing advice and guidance on proposed controls.	x		
Elected Members – ICT	Input to the review of Members ICT providing assurance regarding the effectiveness and fitness for purpose of proposed systems and procedures.	x	x	
Localism Act	Input to developing system providing advice and guidance on proposed controls over the Council's process for revising structures and responsibilities including Area Committees.		x	
Reprographics	Assurance that the systems and procedures in operation provide effective control over the security of confidential and sensitive information.	x		
Freedom of Information	Full system and compliance review to provide assurance over the effectiveness of controls in operation.	x		x
Workforce Planning	To gain assurances that the systems in place to manage the transitional arrangements for changing services are fit for purpose.	x	x	x
Total Service Specific		510	435	410

Audit	Overview of Assurance	2013/14 Audit	2014/15 Audit	2015/16 Audit
Pension Fund				
Investments	Review of items identified on Risk Register and evaluation of controls implemented to manage and mitigate risks.	x	x	x
	Annual review and evaluation through testing of key controls in operation to mitigate any risks to the fund.	x	x	x
Benefits and Payroll	Review and testing of Benefits and Payroll operation to provide assurance that controls in place are effective and being complied with.	x	x	x
Admin / Member Services	Review of controls in operation over processes in place for administering AVC's, Membership, Admitted bodies and Transfers.	x	x	x
Total Pension Fund		100	100	100
ICT				
Information Assurance To include: <ul style="list-style-type: none"> • Public Services Network • Sharing Information with external Organisations • Information Asset Management Information Governance 	Assess the developing corporate arrangements for the management of information and compliance with relevant legislation and best practice concerning FOI, Data Protection and Information Security.	x	x	x

Audit	Overview of Assurance	2013/14 Audit	2014/15 Audit	2015/16 Audit
ICT Applications	To provide assurance that controls are in place to ensure the Confidentiality, Integrity and Availability of key ICT applications. All key applications to be reviewed on a rolling 3 year basis. Academy and Civica DIP to be audited in 2013/14.	x	x	x
Business Continuity/Disaster Recovery	Assurance that corporate arrangements are fit for purpose and being complied with effectively.	x	x	x
Outsourced/Shared ICT Service Arrangements	Assurance that controls put in place to manage and mitigate risks presented as a result of this process are adequate.	x	x	x
Geographic Information Systems (GIS)	Assurance that the system is consistently managed across the Authority and that technical solutions meet the Authority's strategy.	x		
Agile Working	To provide assurance that technical solutions meet the Authority's strategic requirements and that the associated risks are mitigated.	x		x
Security of Mobile Devices To include: • Smart phones configuration and usage • Mobile device encryption	Linked to Agile Working: Assurance that the use of mobile devices to access Council information is secure.	x		x
Virtualised Desktop	Review of the project to support Agile Working as part of the Strategic Asset Review.	x		
Public Health (Information Governance Toolkit)	Assurance that the Authority complies with Public Health information security standards.	x		x
Data Leakage Prevention	Review of developing systems to protect Council Information from malicious or accidental leakage to unauthorised persons.	x		

Audit	Overview of Assurance	2013/14 Audit	2014/15 Audit	2015/16 Audit
ICT Infrastructure To include: • Network device configuration • Internet filtering • Protective monitoring • Windows 7	Assurance that appropriate controls are in place to ensure the resilience and correct operation of critical elements of the ICT Infrastructure including hardware and systems software.	x	x	x
Bring-your-own-Device	Assurance that Council information is protected when accessed via personal devices.	x		
Developing ICT systems	Assurance that new ICT systems, whether developed in-house or procured, are fit for purpose, compatible with existing systems and ensure the confidentiality, integrity and availability of Council information.	x	x	x
Total ICT		250	250	250
Counter Fraud				
Money Laundering	Assurance exercise to ensure continued compliance with current legislation including update of existing Council Policy.	x		
Counter Fraud Policies	Time allocation for the annual update of internal fraud policies.	x		
Fraud Awareness Training	Continued delivery of awareness training for all employees.	x	x	x
National Fraud Initiative	To identify possible cases of fraud from data provided through NFI and ensure that corrective action is taken in respect of any identified under/overpayment.	x	x	x
Fraud - Reactive	Investigations of allegations/referrals to Internal Audit	x	x	x
Fraud – Proactive	Risk based proactive work to prevent and detect fraud.	x	x	x
Total Counter Fraud		250	300	300

Audit	Overview of Assurance	2013/14 Audit	2014/15 Audit	2015/16 Audit
Advisory				
Audit Queries	Time allocation for specific queries that arise from departments that require audit advice	x	x	x
VFM	Time allocation for reviewing the overarching arrangements in place for securing VFM and for undertaking individual reviews.	x	x	x
Corporate Working Groups	Time allocation to contribute to corporate working groups	x	x	x
National/Regional Working Groups	Time allocation to contribute to Audit Working Groups	x	x	x
Total Advisory		150	200	250
Carry Forward	Residual work from 2012/13	100	100	100
Contingency	Time allocation to allow for new emerging risks and unplanned work for example large investigations.	150	200	200
Total Audit Days		2270	2270	2270

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Equality Impact Toolkit

Section 1:	Your details
Council officer:	M P Niblock
Email address:	markniblock@wirral.gov.uk
Head of Service:	Acting Chief Internal Auditor
Chief Officer:	Interim Director of Finance
Department:	Finance Department
Date:	05/03/13

Section 2:	What Council function / proposal is being assessed?
	INTERNAL AUDIT PLAN 2013-16

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 – 19 March 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 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 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?

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 for publishing)

Section 8: How will consultation take place?

Before you complete your consultation, please email your 'incomplete' EIA to 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 for re-publishing.

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

19 MARCH 2013

SUBJECT:	ANNUAL REPORT ARMC
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
KEY DECISION ?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 To comply with best professional practice the Audit and Risk Management Committee is required to complete an annual report to Cabinet on the work undertaken by the Audit and Risk Management Committee.
- 1.2 Attached at Appendix A is the Annual Report prepared by the Chair in consultation with Internal Audit.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Department for Communities and Local Government (DCLG) issued amended regulations in 2006, to the 2003 Accounts and Audit Regulations – ‘The Accounts and Audit (Amendment) (England) Regulations 2006.
- 2.2 One of the amended regulations impacts on the process for preparing the Statement of Internal Control (SIC) which is subsumed within the Annual Governance Statement (AGS) and relates specifically to the the systems of internal audit in operation. This is:-
- Regulation 6 requires bodies to regularly review their system of internal audit, and for the findings to be considered by a committee of the body, or by the body as a whole.
- 2.3 Advice from CIPFA includes the assertion that the “systems of internal audit” can be considered to include the role and effectiveness of the Audit Committee which therefore should be assessed and evaluated.
- 2.4 To assist Councils in this evaluation exercise CIPFA has provided a self assessment checklist and recommended that this be completed annually by the Committee.
- 2.5 An annual report for 2012/13 has been prepared by the Chair in consultation with Internal Audit and is attached at Appendix A for consideration and approval by the Members.

3.0 RELEVANT RISKS

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

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options considered.

5.0 CONSULTATION

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

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?

(b) 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 RECOMMENDATION

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

13.0 REASON FOR RECOMMENDATION

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

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

APPENDICES

Audit and Risk Management Committee Annual Report 2012/13

REFERENCE MATERIAL

CIPFA Publication 'A Toolkit for Local Authority Audit Committees'

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	ARMC March 2012

**DRAFT
AUDIT AND RISK MANAGEMENT
COMMITTEE**

ANNUAL REPORT 2012/13

**Councillor J Crabtree, Chair
Councillor D Dodd, Vice-Chair**

**AUDIT AND RISK MANAGEMENT COMMITTEE:
ANNUAL REPORT 2012/13**

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1. INTRODUCTION

This Annual Report produced by Wirral Council's Audit and Risk Management Committee has been prepared in accordance with the CIPFA best practice publication 'A Toolkit for Local Authority Audit Committees'. The report demonstrates how the Audit and Risk Management Committee has fulfilled its terms of reference during a very difficult year and how it is fully committed to helping to improve the Council's governance and control environments during what should prove to be a very challenging year ahead, following the recent publication of external reports highly critical of the Council's governance arrangements.

2. SOME KEY INFORMATION

2.1. Audit and Risk Management Committee Membership

The Audit and Risk Management Committee has 9 Members:

Councillor Jim Crabtree - Chair
Councillor Darren Dodd - Vice-Chair
Councillor Alan Brighthouse
Councillor Paul Hayes
Councillor Ron Abbey
Councillor Jeff Green
Councillor Joe Walsh
Councillor Steve Foulkes
Councillor Tony Cox

There is strong officer support to the Audit and Risk Management Committee, through the regular attendance of the Director of Finance, Director of Law, HR and Asset Management and the Chief Internal Auditor. During 2012/13 this also included individuals acting in these capacities due to changes in personnel. Other officers attend as and when appropriate.

2.2. Key Features of the Audit Committee and its Operation

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

Best Practice	Expectation	Met	Comment
Independence	Independent from the executive and scrutiny	√	The Committee reports to the Council
Number of Members	3 to 5 members	√	The Committee has 8 Members
Number of meetings	Aligned to business needs	√	The frequency of meetings, 5 times a year complies with best practice.

Co-option	To be considered relative to skills	√	Training is currently provided to increase Members' skills, an evaluation of the adequacy and effectiveness of this is currently being conducted and appropriate actions will be taken to address any shortcomings in due course.
Terms of Reference	Accord with suggested best practice	√	The Committee has adopted the CIPFA recommended model TOR and a review is currently being undertaken to ensure that they remain fit for purpose.
Skills and training	Members have sufficient skills for the job	√	General and specific training is provided to increase Members' skills, an evaluation of the adequacy and effectiveness of this is currently being conducted and appropriate actions will be taken to address any shortcomings in due course

2.3. Meetings and Attendance

The Audit Committee normally meets 5 times per year in January, March, June, September and November.

There is also a special meeting / briefing arranged specifically for the Statement of Accounts each year between July and September.

Attendance by Members and approved deputies was over 90%.

3. CORE ACTIVITY 2012/13

3.1. Terms of Reference

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

Internal Audit

The Audit and Risk Management Committee:

- Approved the Chief Internal Auditor's audit plan,
- Considered regular reports produced by the Chief Internal Auditor, highlighting internal audit work completed, internal audit performance against key indicators and any significant issues arising during the period,

- Approved amendments to the reporting arrangements to Members including the introduction of monthly summary reports from Internal Audit,
- Considered the Chief Internal Auditor's Annual Report and assurance opinion on the Council's control environment,
- Considered reviews of the effectiveness of the systems of internal audit,
- Ensured internal and external audit plans were complementary and provided optimum use of the total audit resource,
- Considered and approved revisions to Chief Internal Auditors Audit Plan,
- Considered the Chief Internal Auditors Annual Report on the implementation of recommendations identified in Audit Commission reports,
- Approved arrangements for reporting of high priority recommendations to appropriate Overview and Scrutiny Committees,
- Received an update on the Internal Audit Counter Fraud Teams' remit and activities undertaken,
- Received regular detailed updates on progress towards delivering Internal Audit's Improvement Plan, which is designed to increase overall efficiency and effectiveness of systems of Internal Audit across the Council,
- Received and considered implications of the introduction of the first UK Public Sector Internal Audit Standards,
- Considered the future structure and delivery of the Internal Audit Service,
- Introduced more robust arrangements for requiring officer attendance at meetings to answer questions on completed audits and actions arising.

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

External Audit

The Audit and Risk Management Committee:

- Considered the external auditor's Audit Plan,
- Considered progress against the plan presented by the external auditor,
- Received and considered all external audit and inspection reports issued in the year and considered management's response to them, ensuring robust and thorough responses,
- Reviewed the Council's progress on all external audit and inspection recommendations on a regular basis and asked managers to explain progress where appropriate, thereby holding them to account,
- Received and considered all of the external auditors reports on the Merseyside Pension Fund,
- Considered the external auditors Annual Report on Governance,
- Considered a report on the future of local public audit,
- Considered the External Auditor's Certification Work report,
- Received and considered the External Audit report on Grant Claims and Returns,
- Considered the annual audit fee, the scope and timing of work and details of the Audit Team,

- Received updates from the District Auditor on local and national issues to establish whether sufficient assurance that the Council was aware of, and responding to, the issues,

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

Risk Management

The Audit and Risk Management Committee:

- Received details of the risk management system, how it works and arrangements in place for mitigating risks,
- Considered reports on the departmental and corporate risk registers and promoted risk management across the Council,
- Considered reports on Corporate Risk and Insurance Management,
- Considered reports on Corporate Risk and Insurance Management which reported upon the delivery of agreed plans, the involvement with legislative changes at a national level, progress of innovative support for academies and work in respect of claims management,
- Considered a report on the Corporate Risk Management Strategy and the Management of Risk and Opportunity,
- Received details of the Corporate Risk and Insurance actions planned for 2013/14, including the areas Members would be involved in.

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

Internal Control and Governance

The Audit and Risk Management Committee:

- Agreed the Council's Annual Governance Statement and action plans to improve identified weaknesses. In 2012/13 this also included a substantially revised Statement in light of external findings being agreed in September,
- Considered and supported changes to the Council's Anti-Fraud and Corruption Strategy,
- Reviewed the effectiveness of the Council's Anti-Fraud and Corruption arrangements
- Supported work undertaken as part of the Audit Commission's National Fraud Initiative
- Considered and supported the production of an Anti Bribery Policy and its promotion across the Council
- Considered a report on Fraud Prevention in the Council
- Considered and supported amendments to the Council's Money Laundering Policy.
- Agreed the Audit and Risk Management Committee self assessment and draft action plan.

- Agreed to undertake skills assessments for Members and introduce an appropriate training programme for Committee Members and deputies.
- Agreed to retain the existing trainer to deliver Members training in 2012/13.
- Approved the updated Audit and Risk Management Committee self assessment checklist.

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

Accounts

The Audit and Risk Management Committee:

- Agreed the Council's accounting policies,
- Agreed the Annual Statement of Accounts,
- Received and considered the external auditor's report on the accounts, and ensured that the Council responded to the auditor's comments
- Agreed the annual Merseyside Pension Funds accounts,
- Agreed the Merseyside Pension Fund's Annual Governance Statement and action plans to improve identified weaknesses,
- Received and reviewed the Insurance Fund Annual Report,
- Considered the implications of legislative changes to accounting and auditing arrangements from International Financial Reporting Standards and the Accounts and Audit Regulations,
- Received and considered reports on improvements to the arrangements for completing the annual Statement of Accounts,
- Considered financial reports on budget projections for 2012/15.

The Statement Of Accounts presents the overall financial position of the Council at 31 March and is produced in accordance with prescribed guidance. Committee received a briefing / presentation in September 2012 to which all Members of the Council were invited.

The Audit and Risk Management Committee received regular reports on the Council's Treasury Management arrangements. These included compliance with the Treasury Management Strategy and Investment Policy and the monitoring of the Prudential Indicators.

Specific Issues

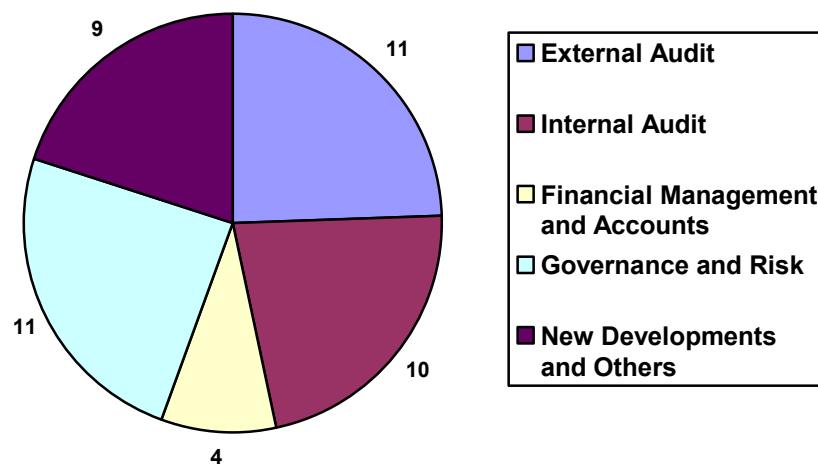
The Audit and Risk Management Committee also considered reports on the following specific issues which arose in the period:

- Regulation of Investigatory Powers Act 2000,
- Insurance arrangements and performance,
- HESPE PIDA Follow Up,

- Single Fraud Investigation Service,
- Care Homes Contingency Planning,
- Gifts Hospitality and Conflicts of Interest,
- Progress of actions in relation to Personal Budgets,
- Metro Catering Income Procedures.

To give a flavour of our business during the year, the following shows the types and numbers of reports considered between April 2012 and February 2013:

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



4. OTHER ACTIVITIES

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

- Authorising amendments to the draft Annual Governance Statement.
- Arranging special meetings and devoting significant resource to addressing the issues arising from the PIDA disclosures which were made.
- Arranging a special briefing / presentation to consider the Annual Statement Of Accounts.
- Referring several matters to Cabinet for attention.
- Asking Chief Officers to attend as appropriate and present reports on issues identified which affected governance.

5. OUTCOMES

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

- Presided over significant changes in the management structure of the organisation, not least the Director and Deputy Director of Finance, officers with statutory responsibilities to ensure the proper administration of financial affairs and systems of internal control,
- Encouraged and presided over significant developments and improvements to strengthen the delivery of the Internal Audit service that has included changes in the management arrangements of the service, the development of a collaborative arrangement with Liverpool Internal Audit and overseeing the implementation of a detailed improvement plan for the delivery of the internal audit service,
- Received reports which showed how improvements had been planned, and delivered, to the Statement Of Accounts which were recognised by the external auditor,
- Encouraged a strengthening of the Council' control environment, specifically by overseeing various targeted reviews and the production of and challenge to the Annual Governance Statement,
- Encouraged and presided over the development of the Council's Counter Fraud arrangements by overseeing the CIPFA Managing Fraud initiative as acknowledged by the Audit Commission's recognition of good practice in a national publication,
- Presided over the implementation of the Local Audit Bill and oversaw the replacement of the Audit Commission with Grant Thornton as the Council's providers of external auditor services.

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

6. PLANS FOR 2013/14

During 2012/13 the Audit and Risk Management Committee has consolidated the progress that has been made in previous years, and going forward will look to develop further and become a champion of good governance for the Council helping to address many of the reported problems and issues in what promises to be a very challenging and difficult environment. Our priorities for 2013/14 are to continue to meet our duties as specified in the Constitution by developing and building on our current status. For 2013/14 we will:

- Continue to develop the Wirral Council Audit and Risk Management Committee to robustly and proactively review governance issues following recent failings in this important area. This will include the development of

a Guidance document/booklet for Members of the Committee explaining the role and providing detailed advice and guidance on all relevant issues.

- Continue to drive up standards and meet the demanding requirements of the external inspection and assessment regime,
- Continue to review all governance arrangements to ensure the Council adopts the very latest best practice,
- Continue to support the significant developments that are taking place within the Internal Audit service and ensure appropriate responses are given to their recommendations,
- Continue to support the work of the External Audit and ensure appropriate responses are given to their recommendations,
- Ensure we maintain and further improve our standards in relation to the production of accounts,
- Oversee the implementation of the Public Sector Internal Auditing Standards,
- Continue to help the Council to manage the risk of fraud and corruption,
- Continue to develop, through training and development opportunities, the Wirral Council Audit and Risk Management Committee to enable the review of risk and partnerships' issues and the safeguard of public sector interests,
- Oversee the development of more robust and embedded arrangements for the management and maintenance of effective risk management across the organisation, including more scrutiny and challenge of corporate and departmental risk registers and officer reports,
- Equip existing and any new Members to fulfil our responsibilities by providing more detailed and effective training on all key areas of responsibility including financial arrangements and risk management, governance and audit,
- Take appropriate steps to attempt to retain the current Committee membership to ensure that collective knowledge and understanding of the role and requirements of the Committee remains consistent, relevant and up to date,
- Continue to develop more effective systems to challenge officers on progress made in implementing actions required following audits and inspections including requiring more officers to attend to answer questions relating to actions taken following audit work undertaken.

Councillor Jim Crabtree (Chair)
Wirral Council Audit and Risk Management Committee
March 2013

7. APPENDIX

AUDIT AND RISK MANAGEMENT COMMITTEE

TERMS OF REFERENCE

1. To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
2. The Committee has the following duties, powers and authorities:
 - 2.1. approval of the Council's statement of accounts;
 - 2.2. the responsibilities of the Council under section 151 of the Local Government Act 1972 to make proper provision for its financial affairs;
 - 2.3. to consider and make recommendations to Council or Cabinet as appropriate on;
 - 2.3.1. the annual Audit Report and the Management Letter of the external auditor;
 - 2.3.2. any other statutory report of the external auditor;
 - 2.3.3. any internal audit report that may be referred to the committee by the Chief Executive, the Director of Finance or the Head of Legal and Member Services (as Monitoring Officer);
 - 2.3.4. summaries of specific internal audit reports as requested;
 - 2.3.5. the effectiveness and adequacy of the response by the Council, the Cabinet, any committee or sub-committee of the Council or of any officer to any internal or external audit report or management letter;
 - 2.3.6. the systems of control and the arrangements for the prevention of fraud and corruption within the Council;
 - 2.3.7. any other matter relevant to the audit of the Council's accounts and financial records or its systems for the control and safeguarding of all the Council's assets;
 - 2.3.8. a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale; and
 - 2.3.9. the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the

level of assurance it can give over the Council's corporate governance arrangements;

- 2.4. to approve (but not direct) the strategy, plan and performance of the Council's internal audit service;
 - 2.5. to oversee the production of the Authority's Statement on Internal Control and recommend its adoption;
 - 2.6. to maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and to make recommendations to Council or Cabinet, as appropriate;
 - 2.7. to monitor the Council's policies on "Raising Concerns at Work", to the anti-fraud and corruption strategy and the complaints procedure;
 - 2.8. to liaise with the Audit Commission over the appointment of the Council's external auditors.
3. The Chair of the Audit and Risk Management Committee shall act as the Council's Risk Management Champion.
 4. Executive Members will not normally be members of the Audit and Risk Management Committee

Equality Impact Toolkit

Section 1:	Your details
Council officer:	M P Niblock
Email address:	markniblock@wirral.gov.uk
Head of Service:	Acting Chief Internal Auditor
Chief Officer:	Interim Director of Finance
Department:	Finance Department
Date:	05/03/13

Section 2:	What Council function / proposal is being assessed?
	ARMC ANNUAL REPORT TO CABINET 2012/13

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 – 19 March 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 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 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?

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 for publishing)

Section 8: How will consultation take place?

Before you complete your consultation, please email your 'incomplete' EIA to 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 for re-publishing.

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

19 MARCH 2012

SUBJECT:	SELF ASSESSMENT
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
KEY DECISION ?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 To comply with best professional practice the Audit and Risk Management Committee is required to complete an annual evaluation of its role and effectiveness as part of the systems of internal audit.
- 1.2 The CIPFA publication 'A Toolkit for Local Authority Audit Committees' recommends the use of a self assessment checklist to achieve this task. The Chair has completed the checklist which is attached at Appendix 1.
- 1.3 Attached at Appendix 2 is a draft Action Plan developed following the exercise and identifying recommendations to improve the existing arrangements and address any risks. Implementation will be monitored by Internal Audit and an update report on this provided to a future meeting of this Committee.

2.0 RECOMMENDATION

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

3.0 REASON FOR RECOMMENDATION

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

4.0 BACKGROUND AND KEY ISSUES

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

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

5.0 RELEVANT RISKS

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

6.0 OTHER OPTIONS CONSIDERED

6.1 No other options considered.

7.0 CONSULTATION

7.1 The Chair of this Committee has comprehensively involved throughout the process to complete the annual assessment and his views on behalf of the ARMC Members are reflected in the document attached at Appendix 1.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

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

(a) No because there is no relevance to equality.

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.

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

APPENDICES

Audit and Risk Management Self Assessment Checklist
Self Assessment Action Plan

REFERENCE MATERIAL

CIPFA Publication 'A Toolkit for Local Authority Audit Committees'

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	March 2012 (annual report)

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Audit and Risk Management Committee

Self-Assessment Checklist

ESTABLISHMENT OPERATION AND DUTIES					
Role and Remit					
Priority	Issue	Yes	No	N/a	Comments/action
1	Does the audit committee have written Terms of Reference?	X			Members of the ARMC be requested to familiarise themselves with the documented Terms of Reference. Action Plan Rec 11
1	Do the terms of reference cover the core functions of the audit committee as identified in the CIPFA guidance?	X			
1	Are the terms of reference approved by the council and reviewed periodically?	X	X		Partial compliance - TOR are approved by Council, however they have not been reviewed recently. Action Plan Rec: 2
1	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	X			
1	Can the audit committee access other committees and full council as necessary?	X			
1	Does the authority's statement on internal control include a description of the audit committee's establishment and activities?	X			
2	Does the audit committee periodically assess its own effectiveness?	X			

Priority	Issue	Yes	No	N/a	Comments/action
2	Does the audit committee make a formal annual report on its work and performance during the year to full council?	X			
Membership, induction and training					
1	Has the membership of the audit committee been formally agreed and a quorum set?	X			
1	Is the chair independent of the executive function?	X			
1	Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risks management, accounting concepts and standards, and the regulatory regime?	X			
1	Are new audit committee members provided with an appropriate induction?	X			
1	Have all members' skills and experiences been assessed and training given for identified gaps?		X		Skills assessment is required for all Members of ARM and appropriate training should be designed and delivered to address identified gaps. Action Plan Rec: 4
1	Has each member declared his or her business interests?	X			
2	Are members sufficiently independent of the other key committees of the council?	X	X		Partial compliance - consider undertaking an exercise to review independence of all ARM Members. Action Plan Rec: 3
Meetings					
1	Does the audit committee meet regularly?	X			
1	Do the terms of reference set out the frequency of meetings?		X		TOR should identify frequency and schedule of meetings. Action Plan Rec: 2

Priority	Issue	Yes	No	N/a	Comments/action
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	X	X		Partial compliance – due to the timing of the current Members mail drop papers are not always received in time to allow adequate preparation. Consideration should be given to introducing a second mid week mail drop for Members. Action Plan Rec: 5
1	Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	X			
1	Are members attending meetings on a regular basis and if not, is appropriate action taken?	X			Not all Members regularly attend Committee briefings. Action Plan Rec: 6
1	Are meetings free and open without political influences being displayed?	X			
1	Does the authority's S151 officer or deputy attend all meetings?	X			
1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	X			
INTERNAL CONTROL					
1	Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	X			
1	Does the committee have responsibility for review and approval of the SIC and does it consider it separately from accounts?	X			

Priority	Issue	Yes	No	N/a	Comments/action
1	Does the audit committee consider how meaningful the SIC (AGS) is ?	X	X		Partial compliance – there may be scope to provide Members with more detailed training in this area. Action Plan Rec: 1
1	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	X			
1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	X			
1	Has the audit committee (with delegated responsibility) or the full council adopted “Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?”	X			
1	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	X	X		Partial compliance – ARM receive regular reports on this from IA, however there may be scope for more training for Members in this area. Action Plan Rec: 1
2	Does the audit committee review the authority’s strategic risk register at least annually?	X	X		Partial compliance – ARM receive reports on this, however there may be scope for more training for Members in this area. Action Plan Rec: 1
2	Does the audit committee monitor how the authority assesses its risk?	X	X		Partial compliance - ARM do receive reports on this, however there may be scope to improve arrangements in this area including the introduction of briefings/presentations by CO’s regarding the preparation of departmental risk registers etc Action Plan Rec: 7
2	Do the audit committee’s terms of reference include oversight of the risk management process?	X			

Priority	Issue	Yes	No	N/a	Comments/action
FINANCIAL REPORTING AND REGULATORY MATTERS					
1	Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	X			
1	Does the audit committee consider specifically: <ul style="list-style-type: none"> • the suitability of accounting policies and treatments • major judgements made • large write-offs • changes in accounting treatment • the reasonableness of accounting estimates the narrative aspects of reporting?	X			
1	Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	X			
1	Does the audit committee review management's letter of representation?	X			
2	Does the audit committee annually review the accounting policies of the authority?	X			
2	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	X			
2	Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?		X		A more robust mechanism is required to ensure that Members are kept aware of developments in this area. Action Plan Rec: 8

Priority	Issue	Yes	No	N/a	Comments/action
INTERNAL AUDIT					
1	Does the audit committee approve, annually and in details, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	X			
1	Does internal audit have an appropriate reporting line to the audit committee?	X			
1	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	X			
1	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	X			
1	Does the audit committee hold periodic private discussions with the Head of Internal Audit?	X			
1	Is there appropriate cooperation between the internal and external auditors?	X			
1	Does the audit committee review the adequacy of internal audit staffing and other resources?	X			
1	Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal audit in Local Government in the United Kingdom?	X			

Priority	Issue	Yes	No	N/a	Comments/action
2	Are internal audit performance measures monitored by the audit committee?	X			
2	Has the audit committee considered the information it wishes to receive from internal audit?	X			
EXTERNAL AUDIT					
1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	X			
1	Does the audit committee hold periodic private discussions with the external auditor?	X			
1	Does the audit committee review the external auditor's annual report to those charged with governance?	X			
1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	X			
1	Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	X			
1	Does the audit committee assess the performance of external audit?		X		Performance not currently evaluated, consideration should be given to the introduction of performance measures. Action Plan Rec: 9
1	Does the audit committee consider and approve the external audit fee?	X			

Priority	Issue	Yes	No	N/a	Comments/action
ADMINISTRATION					
Agenda Management					
1	Does the audit committee have a designated secretary from Committee/Member Services?	X			
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	X	X		Mostly, however the current system should be reviewed for effectiveness including the consideration of a second mid week mail drop for Members. Action Plan Rec: 5
2	Are outline agendas planned one year ahead to cover issues on cyclical basis?	X	X		Compliance - outline agendas are planned in advance, however the Chair is not currently involved in this process and has limited control over ARM agendas. Action Plan Rec: 10
2	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	X			
Papers					
1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	X			
2	Does the audit committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?	X			
Actions arising					
1	Are minutes prepared and circulated promptly to the appropriate people?	X			
1	Is a report on matters arising made and minuted at the audit committee's next meeting?	X			

Priority	Issue	Yes	No	N/a	Comments/action
1	Do action points indicate who is to perform what any by when?	X			

Completed By: Councillor Jim Crabtree
 Assisted By: Mark P Niblock.
 Date: March 2013

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DRAFT ACTION PLAN

AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT

Appendix 2

File Ref: ARM/01/03/13

Ref	Recommendations	Priority	Officer Responsible	Agreed	Planned Action Date	Client Comments	Date Verified (For Audit use only)
R.1	<p>Training should be provided to Members of the Audit and Risk Management to enable them to operate effectively and ensure continued compliance with Terms of Reference for the Committee. The training should include the following:</p> <ul style="list-style-type: none">• Risk Management (Incl Risk Registers)• Regulatory Regime• Annual Governance Statement• Statement on Internal Control	High	Head of Legal & Democratic Services/ Director of Finance	Y	Sept 13	<i>Training events currently being organised to cover areas identified.</i>	
R.2	<p>The Audit and Risk Management Committee Terms of Reference should be reviewed for continued compliance with the CIPFA guidance and current professional best practice and this exercise should be undertaken periodically.</p> <p>The Terms of Reference should set out the frequency of meetings of the Committee.</p>	Medium	Head of Legal & Democratic Services	Y	Sept 13		

DRAFT ACTION PLAN

AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT

Appendix 2

File Ref: ARM/01/03/13

Ref	Recommendations	Priority	Officer Responsible	Agreed	Planned Action Date	Client Comments	Date Verified (For Audit use only)
R.3	Membership of the Audit and Risk Management Committee should be evaluated to ensure that it remains fit for purpose; this should include an assessment of the independence of individual Members.	High	Head of Legal & Democratic Services	Y	Sept 13		
R.4	A system should be in operation to assess the skills and experience mix of all new Members of the Audit and Risk Management Committee during their induction and any identified gaps addressed through the provision of relevant training.	High	Head of Legal & Democratic Services	Y	Sept 13	<i>Newly elected Members now receive an induction which includes an informal one to one with the Member Training Officer to complete a Personal Development Plan (PDP). A PDP is completed each year and is reviewed after 6 months. During PDP discussions the Member has the opportunity to outline any new areas of work or challenges. (See Member Training Audit Feb13)</i>	
R.5	Agenda papers for Audit and Risk Management Committee meetings should be circulated in advance of meetings to allow adequate preparation by the Members.	Medium	Head of Legal & Democratic Services	Y	Sept 13		

DRAFT ACTION PLAN

AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT

Appendix 2

File Ref: ARM/01/03/13

Ref	Recommendations	Priority	Officer Responsible	Agreed	Planned Action Date	Client Comments	Date Verified (For Audit use only)
	Consideration should be given to introducing a second weekly mail drop for Members to ensure that adequate preparation time is provided.						
R.6	All Members of the Audit and Risk Management Committee should be reminded to ensure that they attend all meetings and briefings of the Committee and when they are unavailable an appropriate deputy is nominated.	Medium	All Members	Y	Sept 13		
R.7	Members of the Audit and Risk Management Committee should consider how the Council identifies and evaluates its risks and the role of the Committee in this process. This might include requesting Chief Officers to personally present their departmental risk registers to Audit and Risk Management Committee periodically for consideration.	High	Head of Legal & Democratic Services/ Director of Finance/Members	Y	Sept 13	<i>Mike Lane scheduled to deliver additional Risk Management training following revision and approval of the Risk Management Framework and Processes. Target date Sep 13.</i>	
R.8	A mechanism should be put in place to ensure that the Audit and Risk Management	Medium	Head of Legal &	Y	Sept 13		

DRAFT ACTION PLAN

AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT

Appendix 2

File Ref: ARM/01/03/13

Ref	Recommendations	Priority	Officer Responsible	Agreed	Planned Action Date	Client Comments	Date Verified (For Audit use only)
	Committee Members are aware of topical legal and regulatory issues, for example by receiving relevant circulars.		Democratic Services				
R.9	The Audit and Risk Management Committee should regularly review the performance of the External Auditors. Consideration should be given to the introduction of performance measures to facilitate this.	High	Head of Legal & Democratic Services/ Director of Finance	Y	Sept 13		
R.10	The Chair of the Audit and Risk Management Committee should be involved in the preparation and planning of agendas for the Committee.	Medium	Head of Legal & Democratic Services/ Director of Finance	Y	Sept 13		
R.11	Members of the Audit and Risk Management Committee should be reminded to familiarise themselves with the documented Terms of Reference for the Committee.	Medium	All Members	Y	Sept 13		

Equality Impact Toolkit

Section 1:	Your details
Council officer:	M P Niblock
Email address:	markniblock@wirral.gov.uk
Head of Service:	Acting Chief Internal Auditor
Chief Officer:	Interim Director of Finance
Department:	Finance Department
Date:	05/03/13

Section 2:	What Council function / proposal is being assessed?
	ARMC ANNUAL SELF ASSESSMENT 2012/13

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 – 19 March 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 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 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?

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 for publishing)

Section 8: How will consultation take place?

Before you complete your consultation, please email your 'incomplete' EIA to 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 for re-publishing.

The Audit Plan for Wirral Council

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2013

08 March 2013

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Mike Thomas

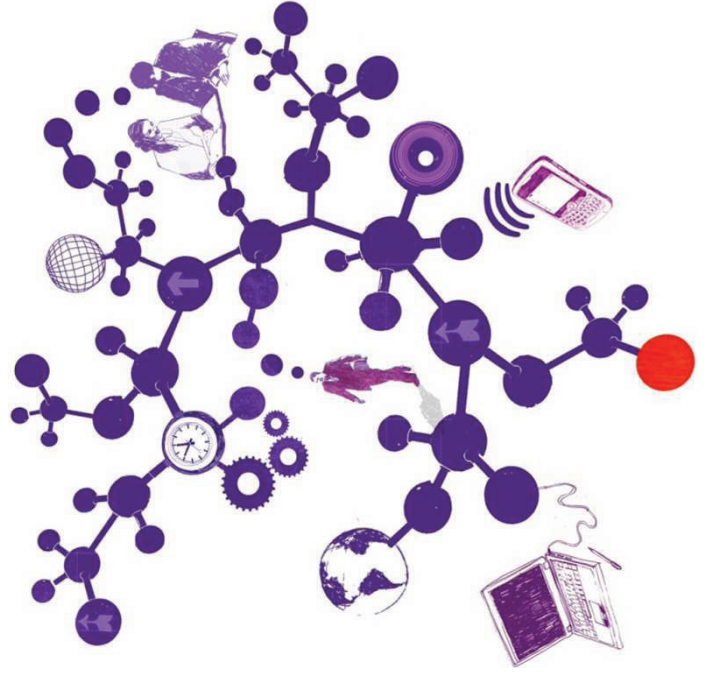
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

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11. Fees and independence
12. Communication of audit matters with those charged with governance

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities	
<p>1. Financial position</p> <ul style="list-style-type: none"> The Council's financial position remains a significant challenge. At Month 10 financial reports show a potential overspend of £7.6m for 2012/13. This includes departmental overspends in DASS of £11.1m and CYP of £3.2m. The overspend has been reduced through the use of earmarked reserves, a spending freeze and savings. 	<p>2. Financial resilience</p> <ul style="list-style-type: none"> The Council has had a challenging budget setting process but has approved plans to deliver a balanced budget in 2013/14. The scale of funding reductions facing the Council will require further service reviews, alternative delivery models and reductions to service provision. These changes will need to be well managed if savings plans are to be achieved during 2013/14 and beyond.
<p>3. Corporate priorities</p> <ul style="list-style-type: none"> The Council has developed a new Corporate Plan following extensive public consultation. This was approved in March 2013 and sets out priorities for 2013/14 and beyond. 	<p>4. Governance</p> <ul style="list-style-type: none"> The Council is reviewing its governance arrangements in response to a number of issues identified in recent years. The Council is working on a voluntary basis with an Improvement Board. This is providing support and challenge as the Council progresses along the improvement journey.
<p>5. Organisational Change</p> <ul style="list-style-type: none"> The Council has re-structured as part of its response to the financial challenges it faces. A new management team will be in place from 1 April 2013. Further organisational change is expected if the Council is to meet the challenges it faces. 	<p>6. Responding to changes or transfers of responsibilities to Local Government</p> <ul style="list-style-type: none"> From 1 April 2013 the Council will have new responsibilities including Public Health, Business Rates Retention and Local Council Tax Support. These changes present both opportunities and challenges for the Council.
Our response	
<ul style="list-style-type: none"> We will continue to monitor the financial position of the Council to help inform our accounts and VFM audit. We will monitor how the Council is managing risks and responding to specific challenges. 	<ul style="list-style-type: none"> We will continue to monitor the medium term financial plan to inform our audit. We will review the Council's progress in achieving its savings plans. We will carry out a review of Financial Resilience.
<ul style="list-style-type: none"> We will review your arrangements for delivering corporate priorities and managing performance . 	<ul style="list-style-type: none"> We will monitor your progress against the improvement plan and review your governance arrangements as part of our audit. We will review the explanatory foreword and Annual Governance Statement.
<ul style="list-style-type: none"> We will monitor the impact of your organisational changes as part of our audit. . 	<ul style="list-style-type: none"> We will monitor the Council's progress in preparing for the transfer of these new statutory duties.

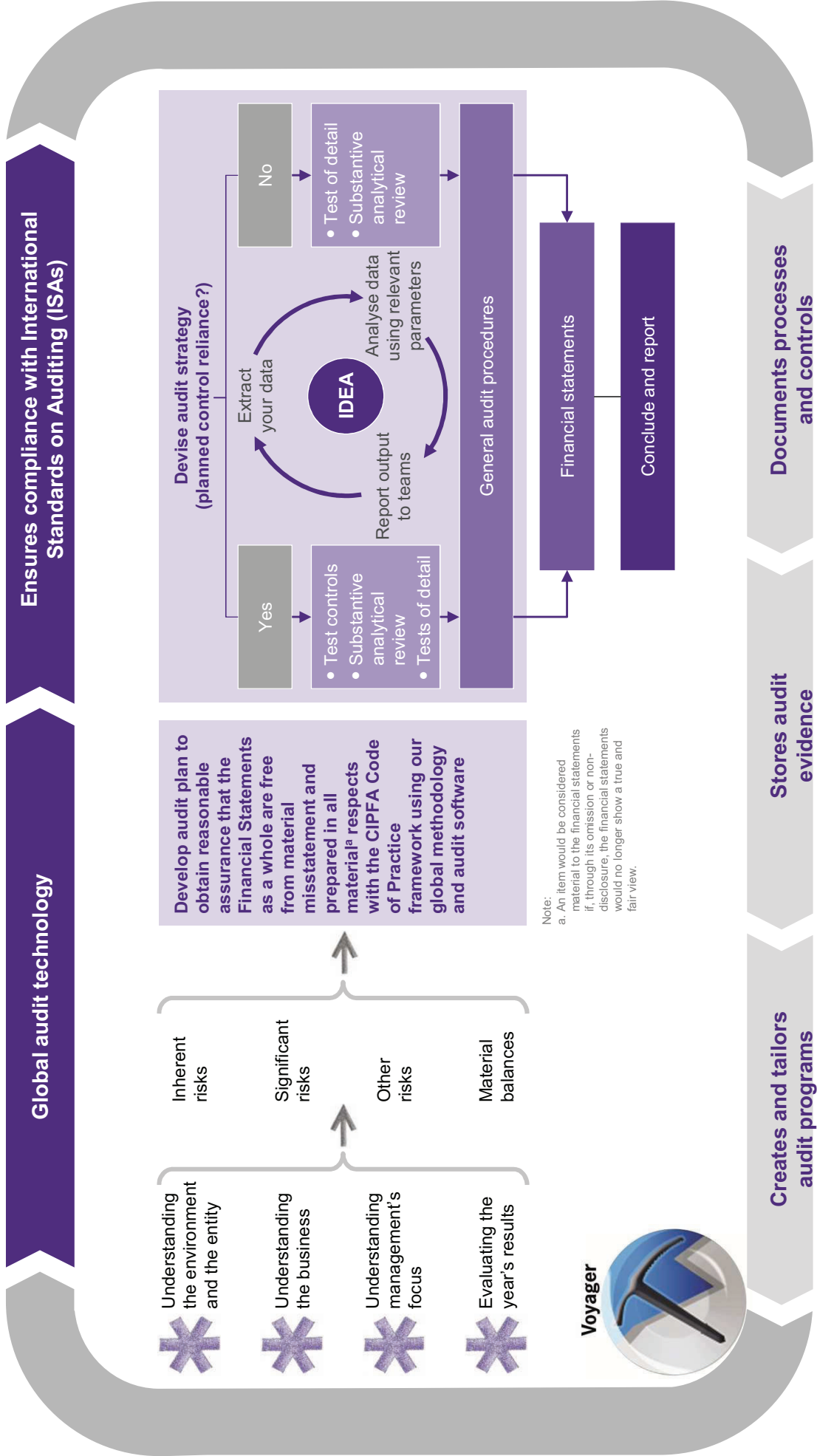
Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements			
<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Transfer of assets to Academies • Recognition of grant conditions and income 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement 2012/13 • Welfare reform Act 2012 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword 	<p>4. Pensions</p> <ul style="list-style-type: none"> • Planning for the impact of 2013/14 changes to the Local Government Pension Scheme (LGPS)
		<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion • The Council completes grant claims and returns on which audit certification is required

Our response			
<p>We will assess whether</p> <ul style="list-style-type: none"> • the Council complies with the requirements of the CIPFA Code of Practice. • schools are accounted for correctly and in line with the latest guidance • grant income is recognised in line with the correct accounting standard 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate 	<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge 	<ul style="list-style-type: none"> • We will discuss how the Council is planning to deal with the impact of the 2013/14 changes through our meetings with senior management
		<ul style="list-style-type: none"> • We will review the Council's performance against the 2012/13 budget, including consideration of performance against the savings plan • We will undertake a review of Financial Resilience as part of our VFM conclusion 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements • We will certify grant claims and returns in accordance with Audit Commission requirements

Our audit approach



An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

Other – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Cost of services - operating expenses	Yes	Operating expenses	Medium	Other	Operating expenses understated	✓
Cost of services – employee remuneration	Yes	Employee remuneration	Medium	Other	Remuneration expenses not correct	✓
Costs of services – Housing & council tax benefit	Yes	Welfare expenditure	Medium	Other	Welfare benefits improperly computed	✓
Cost of services – other revenues (fees & charges)	Yes	Other revenues	Low	None		✓
(Gains)/ Loss on disposal of non current assets	Yes	Property, Plant and Equipment	Low	None		✓
Payments to Housing Capital Receipts Pool	No	Property, Plant & Equipment	Low	None		×
Precepts and Levies	Yes	Council Tax	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Interest payable and similar charges	Yes	Borrowings	Low	None		✓
Pension Interest cost	Yes	Employee remuneration	Low	None		✓
Interest & investment income	No	Investments	Low	None		✗
Return on Pension assets	Yes	Employee remuneration	Low	None		✓
Impairment of investments	No	Investments	Low	None		✗
Investment properties: Income expenditure, valuation, changes & gain on disposal	No	Property, Plant & Equipment	Low	None		✗
Income from council tax	Yes	Council Tax	Low	None		✓
NNDR Distribution	Yes	NNDR	Low	None		✓
PFI revenue support grant & other Government grants	Yes	Grant Income	Low	None		✓
Capital grants & Contributions (including those received in advance)	Yes	Property, Plant & Equipment	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
(Surplus)/ Deficit on revaluation of non current assets	Yes	Property, Plant & Equipment	Low	None		✓
Actuarial (gains)/ Losses on pension fund assets & liabilities	Yes	Employee remuneration	Low	None		✓
Other comprehensive (gains)/ Losses	No	Revenue/ Operating expenses	Low	None		×
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	PPE activity not valid	✓
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	Revaluation measurements not correct	✓
Heritage assets & Investment property	Yes	Property, Plant & Equipment	Low	None		✓
Intangible assets	No	Intangible assets	Low	None		×
Investments (long & short term)	No	Investments	Low	None		×
Debtors (long & short term)	Yes	Revenue	Low	None		✓
Assets held for sale	No	Property, Plant & Equipment	Low	None		×
Inventories	No	Inventories	Low	None		×
Cash & cash Equivalents	Yes	Bank & Cash	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Borrowing (long & short term)	Yes	Debt	Low	None		✓
Creditors (long & Short term)	Yes	Operating Expenses	Medium	Other	Creditors understated or not recorded in the correct period	✓
Provisions (long & short term)	Yes	Provision	Low	None		✓
Pension liability	Yes	Employee remuneration	Low	None		✓
Reserves	Yes	Equity	Low	None		✓

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review and testing of revenue recognition policies • Review of income recognition processes and controls <p>Further work planned:</p> <ul style="list-style-type: none"> • Performance of attribute testing on material revenue streams • Substantive testing of year end debtor amounts
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of outcome of prior year accounting estimates, judgments and decisions made by management • Review of journal processes and controls <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Operating expenses understated	<ul style="list-style-type: none"> Documentation of processes and controls in the cycle Walkthrough of one item to understand our controls Selection and early substantive testing of expenditure from the first 9 months of the year (substantially complete with some evidence still to be provided) 	<ul style="list-style-type: none"> Review of work completed to respond to prior auditor recommendations Substantive testing on the final 3 months of the year
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> Documentation and walkthrough of the cycle as above. 	<ul style="list-style-type: none"> Review of closedown plans and controls around accruals Substantive testing of year end creditor balances Substantive cut off testing of expenditure
Employee remuneration	Remuneration expenses not correct	<ul style="list-style-type: none"> Documentation of the processes and controls in the cycle Walkthrough of payroll items (starter, leaver, change in base data) to confirm the controls in place Review of available data and selection of a sample for control testing from the first 9 months of the year 	<ul style="list-style-type: none"> Review and potential reliance on Internal Audit work carried out in agreement with our testing requirements for staff costs for the first 9 months of the year, to enable us to rely on the controls in the system Complete substantive tests on the final quarter information and year end balances

Other risks continued

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Work completed to date	Further work planned
Welfare Expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none"> Documented the processes and key controls in the welfare benefit cycle Walked through one sample item to confirm the understanding and that the controls identified by Council staff are in place 	<ul style="list-style-type: none"> Completion of HBCOUNT work on the benefits claim to inform our conclusion on the disclosures in the financial statements Reconciliation of the year end system output to the general ledger
Property, Plant & Equipment	PPE activity not valid	<ul style="list-style-type: none"> Documentation of controls and processes from discussion with capital accountant Limited walkthrough, as many controls only operate at the year end 	<ul style="list-style-type: none"> Completion of documentation and walkthrough of year end controls Review of reconciliation between asset register and general ledger Substantive testing of additions and disposals for the year
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> Early discussions for plans and evidencing of revaluation movements 	<ul style="list-style-type: none"> Review of terms of reference for valuations team Review of work completed and testing of revaluation movements Comparison of revaluation movements to expected market movement and discussion of any significant variances

Results of interim audit work

Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we have considered:

- the effectiveness of the internal audit function
- internal audit's work on the Council's key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement
- a review of Information Technology (IT) controls

	Work performed	Conclusion/ Summary
Internal audit	We are reviewing internal audit's overall arrangements against the CIPFA Code of Practice. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council.	The Internal Audit Service has been subject to significant changes during the year. For the first part of the year we would assess that the Internal Audit service has not provided an independent and satisfactory service to the Council and we can not take assurance from their work in contributing to an effective internal control environment at the Council. We are now assessing the new arrangements and plan to seek to rely on its more recent work, both to achieve an efficient audit strategy and also to inform our assessment of the new arrangements.
Walkthrough testing	Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements.	For the PPE cycle the walkthrough cannot be completed due to reliance on year end procedures. We will complete the walkthrough at our next visit and test the balances in the statements substantively . Other walkthroughs : no significant issues were noted and in-year internal controls were observed to have been implemented in accordance with our documented understanding.

Results of interim audit work (continued)

	Work performed	Conclusion/ Summary
<p>Review of information technology (IT) controls</p>	<p>Our information systems specialist will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system. We will also follow up the issues that have been raised in the previous year. We will conclude whether there are any material weaknesses which are likely to adversely impact on the Council's financial statements.</p>	<p>This work is in progress.</p>
<p>Journal entry controls</p>	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>	<p>We have discussed journal reporting with the Council and considered reports available from the system. We intend to undertake detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have currently been identified that require to be reported.</p>

Value for Money

Introduction

The Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

2012/13 VfM conclusion

Our Value for Money conclusion will be based on two reporting criteria specified by the Audit Commission.

We will tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a Terms of Reference for each review outlining the scope, methodology and timing of the review. These will be agreed in advance and presented to Audit Committee.

The results of all our local VfM audit work and key messages will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

Code criteria

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources

Work to be undertaken

- Risk-based work focusing on
- arrangements relating to financial governance, strategic financial planning and financial control.
 - arrangements for prioritising resources, improving efficiency and productivity.
 - proper arrangements to secure economy efficiency and effectiveness, stewardship and governance and reviewing the adequacy of those arrangements

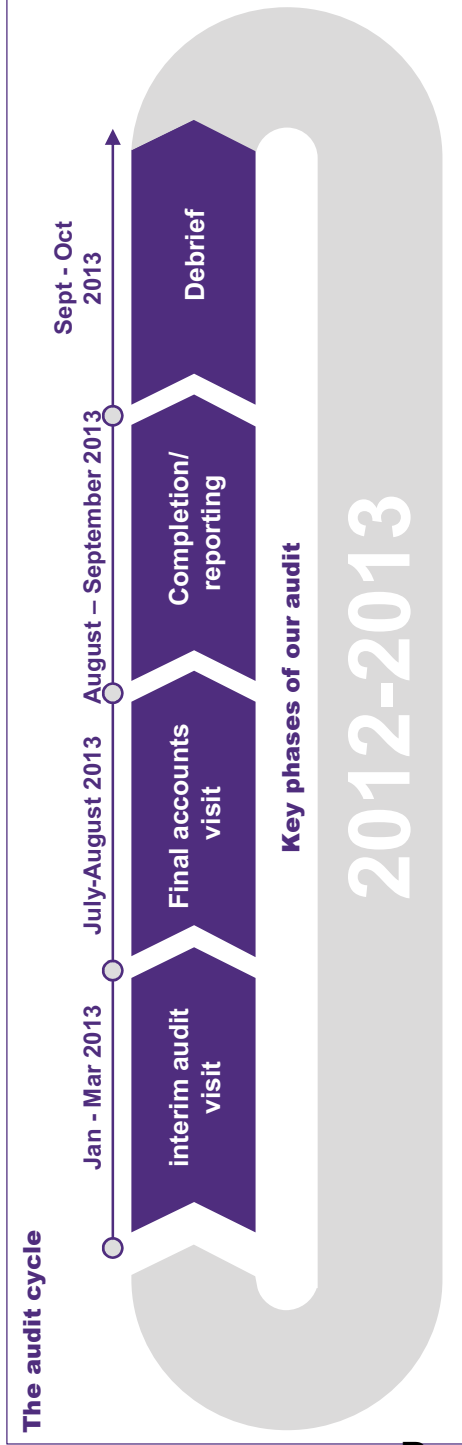
Specifically we will:

- carry out an initial and then a more detailed risk assessment
- follow-up the issues raised in the qualified value for money conclusion and report by exception last year, including any recommendations made in reports issued by the external auditor.
- review your Annual Governance Statement
- review the results of other relevant regulatory bodies or inspectorates
- carry out a review of Financial Resilience.

Does the Council have robust systems to manage effectively financial risks and opportunities and secure a stable financial position that enables it to operate for the foreseeable future?

Is it prioritising its resources with tighter budgets?

Logistics and our team



Date	Activity
18 Dec 2012	Planning meeting
Jan-March 2013	Interim site work
19 March 2013	The audit plan presented to Audit and Risk Management Committee
1 July 2013	Year end fieldwork commences
By end Aug 2013	Audit findings clearance meeting
18 Sept 2013	Audit and Risk Management Committee meeting to report our findings
30 Sept 2013	Sign financial statements and VFM conclusion
Oct 2013	Issue Annual Audit Letter

Our team

<p>Mike Thomas Engagement lead T 0161 214 6368 E mike.thomas@uk.gt.com</p>	<p>Liz Temple-Murray Engagement manager T 0161 214 6370 E liz.m.temple-murray@uk.gt.com</p>
<p>Richard Tyler In charge auditor (to March 2013) T 0161 214 6367 E richard.c.tyler@uk.gt.com</p>	<p>Gordon Haworth In charge auditor (from March 2013) T 0161 214 6385 E gordon.haworth@uk.gt.com</p>
<p>Lisa Graley Associate T 0161 214 6388 E lisa.l.graley@uk.gt.com</p>	<p>Chris Blakemore Executive T 0161 214 6397 E chris.blakemore@uk.gt.com</p>

Fees and independence

Fees

	£
Council audit	211,680
Grant certification	42,600
Total	254,280
<p>Note: The fees for Merseyside Pension Fund are £36,882 – see separate Audit Plan</p>	

Fees for other services

Service	Fees £
Independent review of Wirral Council's BIG and ISUS schemes (GT Forensics tender)	39,000

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

19 MARCH 2013

SUBJECT	HOUSING AND COUNCIL TAX BENEFITS SUBSIDY CLAIM 2011/12
WARD/S AFFECTED	ALL
REPORT OF	INTERIM DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report gives further information on the issues behind the external audit qualification of the Housing and Council Tax Benefits Subsidy Claim. This was part of Grant Thornton Certification Work 2011/12 report considered at this Committee on 31 January 2013 (minute 44). The report is for noting.

2.0 BACKGROUND AND KEY ISSUES

INTRODUCTION

- 2.1 Local Authorities manage the assessment, payment and maintenance of Housing and Council Tax Benefit (HB/CTB) awards on behalf of the Department for Work and Pensions (DWP). The local authority is then reimbursed by DWP through the Subsidy arrangements for some of the administration costs and most of the benefits award costs.
- 2.2 The Subsidy arrangements collect financial and other data before, during and after each financial year. Any costs incurred by the authority that are not reimbursed become a charge on the General Fund so all payments made to claimants have to be recorded accurately and correctly.

THE AUDIT REQUIREMENT

- 2.3 On behalf of the DWP, the Audit Commission is responsible in England and Wales for auditing the Final Subsidy Claim via external auditor. Grant Thornton are the appointed auditors for Wirral. The annual audit focuses on the financial transactions that create the records used for subsidy purposes and also has a role in verifying compliance with the various legal prescriptions that define the administration and payment of HB/CTB.
- 2.4. The Claim Instructions followed by Auditors are prescriptive. Although the auditors discuss their findings with officers and may accept the actions taken by the local authority, they are bound to report and raise any issues via the qualification letter. It is then for DWP to decide whether or not to take further action which may include the recovery of sums from the local authority.

CLAIM DETAILS

- 2.5. The Final HB / CTB Subsidy Claim is one of the largest value claims made annually by each local authority. Wirral's average caseload for 2011/12 was over 42,000 individual claimants and included the processing of 17,871 new claims and 132,838 changes relating to claimant circumstances. In total this generated over two million payment transactions. The total Subsidy claimed against payments made in 2011/12 was £162.5 million with these payments being analysed over more than 200 cells in the end of year claim.

AUDIT FINDINGS 2011/12

- 2.6. The following is a breakdown of specific issues from that claim reported by the individual cells or areas they reflect along with an explanation of what each means and what action has been taken;

Cell 11 –Rent Rebates

- 2.6.1. Minor errors, in five cases totalling £1,151 from a total claim value of £151,618, were identified in one of the most confusing subsidy schemes which applies to housing benefit which is paid to those in different types of accommodation, largely homeless placements. The largest error (£1,085) was due to there being no evidence the claimant was receiving income support. The claimant was a homeless placement and had to leave the property due to violence and there was involvement from the authority's own ASBO team. Housing benefit was correctly being paid but this illustrates the lack of flexibility to the auditors within the Grant Instructions.

Cell 094 –Rent Allowances

- 2.6.2. Minor amounts were identified, in six cases with a value of £31 in a total claim of 35,979 with a value of £132,449,081, due to income being incorrectly recorded. Most had no effect on entitlement, as each customer would still be under the Applicable Amount (needs threshold) so would qualify for the maximum amount of housing benefit. Similarly the other identified issue related to child benefit which is ignored. With regards to the issue of Statutory Maternity Pay being used as income in excess of 39 weeks, the related income code will be targeted for additional sampling prior to submission of the 2012/13 claim.

Cell 096 – expenditure above Rent Officer's determination with no restriction

- 2.6.3. The claimant's housing benefit entitlement is not affected in this but the subsidy category (cell for recording) changes based on the presence of a claim marker. These cases predominately involve hostel cases, which are quite transient cases involving a higher number of transactions related to a number of short periods and it is possible to leave a marker unchecked. This has been highlighted to processing staff and further additional checking of this case type has been undertaken to ensure the marker is applied correctly.

Cell 103 – Local Housing Allowance (LHA) expenditure

- 2.6.4 One case was found to have an error value of £15. This will no longer be an issue due to changes relating to anniversary dates.

Cell 131 –Backdated expenditure & Cell 159 Backdated Council Tax Benefit

- 2.6.5. Backdated benefits have always been a contentious issue as the decision on whether or not to make the award is subjective. There are no regulations around this, only non-prescriptive guidance. Whilst the aim is to check all backdated awards this is not always possible due to the volumes of cases and resources. Improvements have been made year on year and this year no error was found in the auditor's initial sample. However because of issues raised in previous years, the auditor requested an additional sample which found minimal error, in three cases total value £440 in a total claim base of 432 with a value of £178,479.

Cell 142 – Council Tax Benefit

- 2.6.6. The main issue here was that some overpayments were classed as claimant error (40% subsidy), when they were technical error (no subsidy), in seven cases, total value £299 in a total claim base of 46,531, value £37,274,804. The reason for the error was established and an immediate change to working procedures issued. Further additional sampling has been undertaken to ensure compliance and any errors corrected. This is now included as a standard check within the Quality Assurance process. Other Local Authorities have also had this issue which is due to a lack of validation. The software supplier has offered to address this.

Cell 214 –Modified Scheme Subsidy

- 2.6.7. The Regulations permit local authorities to operate a local or modified scheme in relation to war pensioners and war widows. The standard disregard applied to war pensions is £10 but under the local scheme 100% of the income is disregarded. When this is applied to the calculation, the entitlement is split between the standard and local scheme and the amount which falls under the local scheme attracts no subsidy.
- 2.6.8. This calculation is driven by a parameter within the benefits processing system. Investigation found that this is the only Income parameter on the system that is updated on the code itself unlike with other incomes which are updated automatically for April. This had been overlooked for the April 2011 updating and Officers identified all 28 cases affected by this issue and calculated the financial value of the error, £492 in a total claim base of 353 with a total value of £286,916. The results mentioned in the Qualification Letter are actual figures and not extrapolated. End of Year working procedures have been strengthened to ensure that parameters are verified by a second officer.

SUBSIDY MAXIMISATION EXERCISE

- 2.7. For clarification this did not relate to payments to claimants. It was a Subsidy Maximisation Exercise, in order that the Council was seeking reimbursement for all eligible spend as explained below.
- 2.7.1. There is certain expenditure which is subject to reduced rates of subsidy to encourage administrative good practice, for example raising overpayments will attract a lower rate (40%) of subsidy to promote timely processing of notified changes. It is therefore good practice to undertake checks on these claims to identify any expenditure which is incorrectly included in those cells on the subsidy claim form and which should attract 100% subsidy against that expenditure and not a lower rate.
- 2.7.2. External consultants were engaged to undertake targeted testing on subsidy incentive areas which Wirral was unable to resource internally, and which ideally which would have been done prior to the claim submission. Essentially they were asked to do what would have been done internally, and indeed has been done in the past, which was to check that entries in these specific cells were correct after the claim submission and the claim amended accordingly. The auditor's approach this year has been different in that they have checked these claims in their entirety whereas in previous years only the cells affected have been checked.
- 2.7.3. Officers have since undertaken their own sampling in order to gain assurance that the consultant's findings and corresponding adjustments are fairly stated and are satisfied that the proposed amendments can be justified resulting in an increase in Subsidy claimed of £164,364 as a result of that exercise. The consultants were paid contractually on a percentage of the work they identified successfully needed to be amended.

IT SOFTWARE

- 2.7.4. Historically there had been software issues leading to reported discrepancies between payments and in-year reconciliation cells and with reconciling payments to benefits. The Council has worked with the software supplier during recent years to identify, and implement, IT solutions and also revised internal working practices to reduce the discrepancies. As a consequence the differences were minimal this year. This is not unique to Wirral because of the complexities of the scheme, the regular IT changes, the value of sums concerned and the caseload volumes - in essence these issues are consistent amongst the majority of authorities.

CONCLUSION

- 2.7.5. DWP has yet to advise of any Subsidy which may have been overpaid in relation to 2011/12 claim. The reduction for the previous year was £18,000 from a claim of £156 million which equates to a 0.01% reduction and is evident of robust controls and good practice in service administration.
- 2.7.6. The Benefits service has robust quality assurance procedures in place to minimise the level of error and to ensure that claimants receive the correct

amount of help. The Benefit teams processed a total of 150,709 new claims and changes in details during 2011/12 and attained an accuracy rate of 97%. This out turn is consistent with the national Quality Assurance standard previously reported by the DWP.

3.0 RELEVANT RISKS

- 3.1 In respect of Housing and Council Tax Benefit Subsidy the risks are that the Council will not be fully reimbursed for the benefit payments made to claimants. Any sums not reimbursed are a cost to the Council's General Fund. The Subsidy maximisation work is undertaken in order to minimise any adverse impact upon the General Fund.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 This report has been prepared following comments made by Members.

5.0 CONSULTATION

- 5.1 Consultation is not required within the context of this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising out of this report.

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

- 7.1 Financial – The Housing and Council Tax Benefit Subsidy claim is one of the largest and involves the payment and recording of over 2 million transactions in any year the authority. The Subsidy was £162.5 million in 2011/12 and the Council also receives an Administration Grant of £3.3 million It is therefore vital to both authority and DWP that it can be shown to be paid correctly.

- 7.2 IT – To meet the DWP requirements the Benefits system is one of the most complex administrative systems and the system provider ensures the correct recording of payment and subsidy types which is verified by our own internal work and checking. With the system regularly updated to reflect legislative changes this adds to the complexities and the responsibility of each authority to ensure this is done correctly.

- 7.3 Staffing – Whilst all staff play a role in correct subsidy recording a small number of specialist and highly experienced staff lead on subsidy matters. It is down to them that the authority has been able to minimise subsidy loss to such an extent.

8.0 LEGAL IMPLICATIONS

- 8.1 There are none arising out of this report.

9.0 EQUALITIES IMPLICATIONS

- 9.1 There are none arising out of this report.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising out of this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising out of this report.

12.0 RECOMMENDATIONS

12.1 That the report be noted.

13.0 REASONS FOR RECOMMENDATIONS

13.1 To provide Members with the context of the Auditor comments, the reasoning behind the qualification as well as the work undertaken to ensure the authority maximises its subsidy return so minimising any loss to the General Fund.

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APPENDICES

Appendix 1 Audit Commission Qualification Letter 2011/12

SUBJECT HISTORY

Council Meeting	Date
Audit & Risk Management Committee	31 January 2013

Wirral Council

Certification work report 2011/12

9 January 2013

Contents

1	Executive Summary	1
2	Results of our certification work	4

Appendices

A	Approach and context to certification	6
B	Details of claims and returns certified for 2011-12	8
C	Action plan	9

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

Aspect of certification arrangements	Key Message
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.	%	
Total claims/returns		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
Total	246,920,299		165,094		60,333	57,156	18,057	75,213

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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WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

19 MARCH 2013

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

1.0 EXECUTIVE SUMMARY

- 1.1 This report confirms progress made in relation to the key actions in corporate risk and insurance management planned for 2013/14 and reported to this committee on 31 January.

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 report submitted to this committee on 31 January summarised key actions to be implemented up to the end of 2013/14. Progress made since that date in relation to those actions is summarised in the paragraphs below:

Peer review of corporate insurance arrangements at Sefton Council

The information gathering element of the review was completed in February. Claims data will be analysed and documentation reviewed to enable a report with detailed recommendations for improvement to be provided to Sefton in early April.

Annual renewal of Casualty, Motor, Engineering, Computer and Foster Care policies

Underwriting information was collated for the Casualty, Motor and Engineering contracts and provided to insurers in January. Insurers' renewal terms were received in February and are shown in the table compared with the estimates.

Class of Business	Actual Charge	Estimate	Difference
Casualty - insurance	£165,300	£162,500	£ 2,800
Casualty – claims handling	£95,570	£98,000	£-2,430
Motor - insurance	£29,160	£30,000	£- 840
Motor – claims handling	£3,650	£4,000	£- 350
Engineering - insurance	£2,810	£2,840	£- 30
Engineering – inspection fees	£106,210	£106,640	£- 430

Renewal terms for the Professional Indemnity, Computer and Foster Care policies have yet to be received and will be included in the next report to this committee.

Procurement of Property, All Risks, Money, Fidelity Guarantee and Personal Accident / Business Travel policies

Invitations to tender were issued on 26 February. The deadline for responses is 12 April. The outcome of the tender will be reported to Cabinet and to the next meeting of this committee.

Report on Liability funding requirements

Accurate claims data provides the vital foundation for the funding report. A major reconciliation exercise is currently underway to ensure that data to be provided to the actuary for the purposes of the report are robust.

Roll out risk information element of Concerto (P2) across departments

The risk recording and reporting functionality of the Concerto system was signed off in January. A user guide has been produced and training for users will be delivered before the end of May.

Academy schools insurance procurement

A decision has been taken to establish a framework agreement for Academies insurance via a competitive tender process. The agreement would be open to existing Academies and to those schools which convert during the currency of the agreement.

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: FINANCIAL; IT; STAFFING AND ASSETS

7.1 The Academy schools initiative and the Peer Review for Sefton Council undertaken by the Risk & Insurance Team are generating income which offsets the authority's insurance administration costs.

7.2 In addition to the many successful defences on the hundreds of standard liability claims received, the Council has achieved a number of significant outcomes in relation to Liability claims within the past quarter. A highway claim which had been estimated to cost in excess of £2m will now be settled for less than £500,000. A stress claim in which damages of £450,000 were sought was settled for £80,000. An asbestos claim with a potential of £250,000 was successfully fully defended at trial at no cost to the Council. A very long running abuse claim involving 4 claimants from the same family has been settled for only nominal amounts. Such results not only have a favourable impact on the level of provisions which the Council needs to maintain but also place the authority in a more favourable position when the Casualty policy is tendered in 2015.

7.3 However the past quarter has also seen a sharp increase in the number of new Public Liability claims reported. The reasons for this rise are not certain but could be linked to changes in the rules applying to civil claims which will be introduced from April onwards and which are aimed at streamlining the legal process and reducing the cost of litigation

Even more significant has been the increase over a longer period in more complex and technically demanding claims relating to issues such as stress, defamation, abuse, asbestosis and bullying. The Council's strategic approach is to retain authority on all claims and keep tight control over their handling rather than simply hand over their management to an insurer.

As indicated in paragraph 7.2 this approach produces real savings in claims costs and helps to protect the reputation of the Council. But it requires the time to develop a detailed understanding of the issues involved and relevant case law and to attend case conferences, joint settlement meetings and court hearings. The rise in complex cases and the larger number of Liability claims numbers generally is taking up an increasing part of the Risk & Insurance team's limited capacity.

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

Council Meeting	Date
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
Audit & Risk Management – Corporate Risk & Insurance Management	31 January 2013

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

19 MARCH 2013

SUBJECT:	<i>PERSONAL BUDGETS AUDIT: REVIEW OF RESOURCE ALLOCATION SYSTEM</i>
WARD/S AFFECTED:	<i>ALL</i>
REPORT OF:	<i>GRAHAM HODKINSON</i>
RESPONSIBLE PORTFOLIO HOLDER:	<i>CLLR CHRISTINE JONES</i>
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 A robust Resource Allocation System (RAS) is critical to ensuring that Personal Budgets and self directed support is delivered within the current funding envelope and that funds are allocated in a fair and transparent way, which enables people to meet their eligible needs. A report was presented to Cabinet on 4 November 2010 seeking a Cabinet decision on the Resource Allocation System (RAS) to support the roll-out of Personal Budgets which was agreed by Cabinet at its meeting of 14 October 2010.

This report updates members in relation to progress of the review undertaken in relation to the RAS as identified in the Personal Budgets Audit. It recommends that alternative models are explored.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 A 'personal budget' is simply the name given to a sum of money which the person's needs ought reasonably to be able to be met within. Generally, in cases where the client is interested in a Direct Payment, that budget will be the net sum after the user's contribution has been deducted.

In conventionally-arranged packages managed by local authority commissioners, the Personal Budget will also be the net sum, but the full cost of the package will be paid by the authority and the user's contribution recouped as happens at present, unless the provider agrees to collect it as the authority's collection agent

There is no new 'vehicle' in the legal framework called a 'Personal' Budget which is different from the funding invested within a Direct Payment or spent on local authority arranged services. But there are many ways of *organising* Direct Payments and contracts which will possibly deliver greater satisfaction and enable re-configuration of services across the country. The development of mixed packages of *partly* Direct Payments, and *partly* services commissioned by one's responsible authority, will enable everyone, even those in residential care, to have the benefits of a personalised budget, so long as the resource allocation calculation process does not simply translate the residential care fee currently being paid into the person's personal budget – and providers are willing to re-configure the way in which they charge for different elements of their packages.

The Resource Allocation System (RAS) is the system by which resources are allocated to service users and carers with eligible assessed needs.

The basic principle of the RAS is to give a points weighting to a series of factors that relate to the components of care packages. An overall points score is then determined which is multiplied by a locally determined £ amount of resource per point to give an indicative value to a particular package.

Having this information available before a package is put in place gives a better guide both to service users and social work staff and managers on the indicative resources likely to be required for a package.

The £ per point serves to provide an indicative allocation of the resources available in the Budget and cannot directly be used to determine the cost of individual Support Plans.

Cabinet on 4 November 2010 agreed to roll out the offer of Personal Budgets to all eligible Wirral residents from 11 November 2010 with a £ per point allocation of £1.62. The original RAS allocation used in Phase 1 and 2 of the Personal Budget pilot was based on a value of £1.88 per point.

Financial Evaluation

- 2.2 Three financial evaluations have been undertaken since the introduction of Personal Budgets to assess the financial impact and appropriateness of the RAS. The evaluations were based on 2010/11 and 2011/12 financial years and in-year data as at 31 December 2012. The in-year evaluation has focussed on service users and excludes carers in receipt of a Personal Budget.

The initial evaluation demonstrated that, for those people who had transferred from a previously commissioned package of care, costs through a Personal Budget were 14% higher. The previous RAS allocation of £1.88 resulted in additional costs of 20% and the revised RAS allocation of £1.62 resulted in additional costs of 10% when compared against previous support costs.

2.3 The recent evaluation was based on 1,306 Personal Budgets for people in receipt of both commissioned services (Day care, Domiciliary care, Supported Living and Adult Placements) and Direct Payments.

2.4 The table below shows the average Indicative Budget for the 1,306 service users compared to the average Personal Budget.

	£1.62 per Point
Average Indicative Budget	202.37
Average Personal Budget	199.27
% Indicative Budget Used	98.5%

2.5 Whilst the above indicates that the overall average Personal Budget is in line with the Indicative Budget when evaluating the RAS to determine its affordability the revised £ per point was based on the assumption that people would spend on average 72% of their indicative budget allocation.

2.6 In addition, there are significant variations across different service user groups, as highlighted in the table below. Adults with Learning Disabilities have the highest Personal Budget values, exceeding the indicative amounts by 153% on average.

Service User Group	Number	Average Indicative Budget	Average Personal Budget	Average % Variance
Learning Disabilities	212	£270.00	£413.08	153%
Physical & Sensory Disabilities/Other	206	£213.89	£217.21	102%
Mental Health	57	£190.05	£204.66	108%
Older People	831	£183.10	£139.91	76%

The variations between Indicative Budgets and Personal Budgets suggest that the current RAS does not allocate points appropriately across the different client groups. The analysis suggests that too many points are allocated to Older People and insufficient points to Adults with Learning Disabilities. The cost and availability of services across different client groups may also be a contributory factor.

2.7 A further indication that the current RAS does not allocate points appropriately is the number of people with a Personal Budget higher than their Indicative Budget. Of the 1,306 people included in the recent evaluation, 385 (29%) fall into this category.

2.8 A breakdown of the 385 people by service user group, the additional cost and the percentage of people falling into this category is provided in the tables below

Service User Group	Number	Annual Indicative Budget	Annual Personal Budget	Variance
Learning Disabilities	104	1,476,045	3,769,056	2,293,012
Physical & Sensory Disabilities/Other	65	825,728	1,399,915	574,186
Mental Health	26	242,635	449,648	207,013
Older People	190	1,849,849	2,703,364	853,516
Total	385	4,394,257	8,321,983	3,927,726

Service User Group	Evaluation Numbers	PB higher than IB	%
Learning Disabilities	212	104	49%
Physical & Sensory Disabilities/Other	206	65	32%
Mental Health	57	26	46%
Older People	831	190	23%
Total	1,306	385	29%

2.9 The above shows that almost 50% of adults with a Learning Disability or Mental Health problem are receiving a Personal Budget higher than their Indicative Budget.

2.10 From the information available there does not appear to be any transitional arrangements in place to reduce the Personal Budgets were they are higher than the Indicative Budget allocation

Conclusion

A robust RAS is critical to ensuring that Personal Budgets and self directed support is delivered within the current funding envelope and that funds are allocated in a fair and transparent way which enables service users to meet their eligible needs.

It was anticipated that the Resource Allocation Model would give more predictability on the likely cost of packages, give service users a clearer indication of the resources available and ensure that the support provided is in line with assessed need.

The financial evaluation confirms that funding through the current RAS is largely unpredictable with 29% of people having a Personal Budget higher than their Indicative Budget allocation.

The evaluation also highlights the significant variations between service user groups with Older People spending on average 76% of their Indicative Budget allocation and adults with Learning Disabilities spending 153%.

It is evident that adjustments need to be made to improve the effectiveness of the current method of allocating resources whilst ensuring the right balance between affordability and meeting service user needs.

The Department could review the existing model and make changes to the £ per point and points weightings or consider alternative models for allocating resources. Two options have been suggested:

- Costed care package approach
- Care Fund Calculator

3.0 RELEVANT RISKS

It was anticipated that the Resource Allocation Model would give more predictability on the likely cost of packages, give service users a clearer indication of the resources available and ensure that the support provided is in line with assessed need. Failure to establish a sustainable and robust approach to the allocation of resources would leave the authority open to legal challenge and unable to implement appropriate budgetary control.

4.0 OTHER OPTIONS CONSIDERED

4.1 Further options to be explored.

5.0 CONSULTATION

5.1 None required.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 None identified.

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

7.1 The objective of a RAS is to provide formulaic guidance on the indicative level of personal budgets. The value of RAS points is adjustable to calibrate the model and match indicative budgets to available resources.

7.2 The current arrangements are clearly unsatisfactory because:

- ❖ There is a poor correlation between personal budgets actually awarded and RAS calculated indicative budgets (see 2.8 above)
- ❖ The value of indicative budgets exceeds available resources, and this is a significant factor in the forecast DASS overspend of £10.2m in 2012-13.

7.3 The proposal to review the system should therefore be welcomed as an improved arrangement will provide a closer match to clients assessed needs and the resources expended.

7.4 The full financial implications will be evaluated as the proposals are developed.

8.0 LEGAL IMPLICATIONS

8.1 The duty to assess

In terms of the duty to assess for community care needs, in the first place, authorities are bound to offer to assess people who appear to them to be disabled under the 1986 Disabled Persons (Services, Consultation and Representation) Act, and are also obliged to assess anyone who appears to the authority to be a person who may be in need of any community care service it could lawfully provide or arrange (S47 of the 1990 National Health Service and Community Care Act).

The duty to meet assessed eligible need

This duty to meet eligible need is absolute, **regardless of available resources** within social services funds, if the local authority accepts that there is only one way to meet the need appropriately – it is a **corporate** duty to find the money, once someone is eligible (case law proven in *Gloucestershire* and *Wigan* cases). It is only exceptionally that there is only one way to meet need, lawfully, but a care/support package could, in theory, involve capital costs running into thousands (see the *Islington* case involving the purchase of a private house in Islington in which to house a family with an assessed need for urgent re-housing) or cost hundreds of thousands a year and still not be a continuing NHS health care package, simply based on the cost (case law *St Helens*: 2008)

When assessing the *existence* of a need, it is reasonable to take account of existing support, if it is willing and ably offered. It is also legitimate and prudent to highlight other means of support that may be available to the person, to enable them to weigh up the pros and cons of retaining autonomy over the meeting of their own needs (such as benefits, universally available services in the community, etc) rather than relying on the State.

If a person has a reason that would make sense to the majority of people, for declining to make use of such support, then that should not affect the decision on *eligibility*. But an authority can take account of what is available to a person, through health or housing services, for instance, and decline to treat the need as an eligible one, if it does not think that the refusal to use the alternatives is reasonable.

FACS

LAs do not have a legal duty to meet **all** the public's presenting wants, wishes and needs, but only assessed eligible needs for community care services – the *Gloucestershire* decision settled this, at the highest level, in 1997. This is because the legislation under which all services are provided envisages the local authority deciding whether the person's situation necessitates or calls for or demands a response from the local authority, when considered against the standards and expectations of a civilised society.

FACS guidance is built on the law as laid down in this case, and streamlined and made national, an appropriate approach to precisely what it was that assessment should seek to evaluate. A *person* is not eligible, under FACS - it is their needs in particular domains which are eligible. Those needs must be explored if they are needs for which a power or duty to provide services under community care legislation has been given by Parliament.

FACS guidance prohibits cost ceilings attributable to specific categories of risk. It says the LA cannot assume that critical risks will always be more expensive to meet than lower rated ones. Cost ceilings would connote a resources-driven system, instead of a needs-led one.

FACS guidance, local government law as a whole and specific case law prohibit outsiders to the LA from doing the assessments themselves, without the statutory decision-maker – the authority – formally adopting the content.

The over-arching duty of care to all social care clients can be honoured within a personalised system. This will be done through:

- proportionate monitoring of the success of the individual's support plan;
- compliance with the new regulations governing the Direct Payment system, in force from November 2009
- the understanding of all concerned that safeguarding is a form of risk management which should already be integral to assessment and support planning functions
- a commitment to providing an alternative service for the few whose experience of a personal budget ultimately fails to meet their needs.

The full assessment duty and the duty to meet assessed eligible need appropriately can all be accommodated within a personalised process.

The process can give the lead to the applicant/existing service user, in terms of identifying their needs and the preferred means to meet them.

Local authority staff with various skills and levels of experience can perform formally required eligibility and support planning decisions, subject to supervision and competence, in proportion to the level and complexity of tasks allocated.

Resource allocation is required as part of the legal framework already (ie is part of meeting eligible unmet needs, based on local views as to what is appropriate by way of services, all of which cost money.

Local authorities already do a form of approximate resource allocation based on social work staff's consensus about what is right and proper, against a backdrop of a finite amount of money allocated from Community Care funding

Such allocation occurs lawfully, notwithstanding the corporate local authority duty to meet assessed eligible need, regardless of the resources available to social services in some circumstances.

Approximate resource allocation maximises co-production of the plan, whilst recognising that the law makes the authority the ultimate decision-maker in relation to what is appropriate, for any individual service user, subject only to correction by the courts on public law grounds of irrationality, illegality, etc.

Changes to any authority's allocation system will be changes in local authority policy, effectively, about altering the local FACS threshold or the authority's view of what constitutes an appropriate response to need, and must be made transparently and in line with equalities and diversity duties.

9.0 EQUALITIES IMPLICATIONS

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

(a) Yes and impact review is attached.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 None.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 None.

12.0 RECOMMENDATION/S

12.1 The RAS is not fit for purpose in its current form. Alternative models require further exploration. It is recommended that this work is completed between April and June 2013. Members are requested to agree exploration of alternative models and to receive a report on a recommended model for agreement in August 2013 and to agree implementation from September 2013.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 The current RAS is not providing a robust and sustainable model. Financial implications are such that there is an imperative to adopt a more robust and sustainable model of resource allocation.

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APPENDICES

N/A

REFERENCE MATERIAL

N/A

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet - PERSONAL BUDGETS	4 November 2010
Cabinet - PERSONAL BUDGETS	14 October 2010

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Proposal for Officer Options for Savings - Equality Impact Assessment Template (Oct 2012)

Section 1: Your details

EIA lead Officer: Sandra Thomas

Email address: Sandrathomas@wirral.gov.uk

Head of Section: Chris Beyga

Chief Officer: Graham Hodgkinson

Department: Adult Social Services

Date: 1 March 2013

Section 2: What Council proposal is being assessed?

Revision of Resource Allocation System within Adult Social Care -

A robust Resource Allocation System (RAS) is critical to ensuring that Personal Budgets and self directed support is delivered within the current funding envelope and that funds are allocated in a fair and transparent way, which enables people to meet their eligible needs.

Adjustments need to be made to improve the effectiveness of the current method of allocating resources whilst ensuring the right balance between affordability and meeting service user needs. The proposal is to explore alternative models.

Section 2b: Will this EIA be submitted to a Cabinet or Overview & Scrutiny Committee?

Yes / No If 'yes' please state which meeting and what date

Yes

Health & Wellbeing Overview & Scrutiny Committee 13 March 2013

Cabinet 14 March 2013

Audit & Risk Management Committee 19 March 2013

Please add hyperlink to where your EIA is/will be published on the Council's website (see your Departmental Equality Group Chair for appropriate hyperlink)

Section 3: Does the proposal have the potential to affect..... (please tick relevant boxes)

Services

✓ **The workforce**

✓ **Communities**

Other (please state eg: Partners, Private Sector, Voluntary & Community Sector)

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 for publishing)

Section 4:

Could the 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 potential negative impact.

Which group(s) of people could be affected	Potential positive or negative impact	Action required to mitigate any potential negative impact	Lead person	Timescale	Resource implications
Older People and People with Disabilities	<p>Positive - The RAS is the assessment methodology by which resources are allocated to meet the needs of those eligible for social care services. The proposal will ensure that there is a closer match between and individual's Indicative Budget allocation and their assessed need.</p> <p>Negative – The proposal to review the current allocation method may lead to a reduction in funding for some individuals.</p>	It will be necessary to closely monitor the impact to ensure that assessed needs are being met, and if necessary make adjustments to funding allocations.	Chris Beyga	September 2013	The proposal will offer a more robust and sustainable model of resource allocation.

People who are Socio-Economically Disadvantaged	Negative – The RAS process is undertaken independent of wealth or socio-economic processes. However, as the Local Authority predominately provides Adult Social Care services and resources to those who cannot afford to purchase them independently changes to the current model may impact more on lower socio-economic groups.	It will be necessary to closely monitor the impact to ensure that assessed needs are being met, and if necessary make adjustments to funding allocations.	Chris Beyga	September 2013	The proposal will offer a more robust and sustainable model of resource allocation.
Adult Social Services Workforce (Assessment & Care Management)	An alternative model of funding would require changes to current practice. This could have a Positive impact for staff in terms of simplifying or improving existing business processes. It may also have a Negative impact as staff may not have experience of the alternative model of funding.	Ensure that staff receive the required levels of training. Ensure that procedures are in place. Work closely with staff to manage the changes and monitor impact.	Chris Beyga	September 2013	The proposal will offer a more robust and sustainable model of resource allocation.

Section 4a: Where and how will the above actions be monitored?

Through Quality Assurance Panel, Performance Surgeries, Departmental Budget monitoring processes.

Section 4b: If you think there is no negative impact, what is your reasoning behind this?

Section 5: What research / data / information have you used in support of this process?

Financial evaluations of the current model and information provided by other Local Authorities as to models in operation.

Section 6: Are you intending to carry out any consultation with regard to this Council proposal?

No –

If ‘yes’ please continue to section 8.

If ‘no’ please state your reason(s) why:

The proposal at this stage is to explore other options

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

Section 7: How will consultation take place and by when?

Before you complete your consultation, please email your preliminary EIA to 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 for re-publishing.

Section 8: Have you remembered to:

- a) **Add appropriate departmental hyperlink to where your EIA is/will be published (section 2b)**
- b) **Include any potential positive impacts as well as negative impacts? (section 5)**
- c) **Send this EIA to equalitywatch@wirral.gov.uk via your Chief Officer?**
- d) **Review section 6 once consultation has taken place and sent your completed EIA to equalitywatch@wirral.gov.uk via your Chief Officer for re-publishing?**