



Audit and Risk Management Committee

Date:	Monday, 10 June 2013
Time:	6.15 pm
Venue:	Committee Room 1 - Wallasey Town Hall

Contact Officer: Mark Delap
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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. CHAIR'S ANNOUNCEMENTS

3. TERMS OF REFERENCE (Pages 1 - 2)

The Committee's Terms of Reference are attached for Members' consideration

4. MINUTES (Pages 3 - 12)

To receive the minutes of the meetings held on 19 March and 15 April 2013.

5. ANNUAL GOVERNANCE STATEMENT 2012/2013 (Pages 13 - 34)

6. CHIEF INTERNAL AUDITOR'S ANNUAL REPORT 2012/2013

To follow

7. INTERNAL AUDIT UPDATE (Pages 35 - 58)

8. AUDIT AND RISK MANAGEMENT COMMITTEE - SELF ASSESSMENT UPDATE (Pages 59 - 72)

9. INTERNAL AUDIT CHARTER (Pages 73 - 86)

10. **INTERNAL AUDIT PLAN 2013-16 (Pages 87 - 112)**
11. **EXTERNAL AUDIT PLAN - MERSEYSIDE PENSION FUND 2012/13 (Pages 113 - 132)**
12. **CORPORATE RISK REGISTER (Pages 133 - 150)**
13. **INSURANCE AND RISK MONITORING (Pages 151 - 154)**
14. **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) (Pages 155 - 172)**
15. **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 1)**
16. **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.

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

Agenda Item 3

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) To maintain an overview of the contract procedure rules and financial regulations and to agree any changes to the same.
- (3) The Committee has the following duties, powers and authorities:
 - (a) approval of the Council's statement of accounts;
 - (b) the responsibilities of the Council under section 151 of the Local Government Act 1972 to make proper provision for its financial affairs;
 - (c) to consider and make recommendations to Council or Cabinet as appropriate on;
 - (d) the annual Audit Report and the Management Letter of the external auditor;
 - (e) any other statutory report of the external auditor;
 - (f) 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);
 - (g) summaries of specific internal audit reports as requested;
 - (h) 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;
 - (i) the systems of control and the arrangements for the prevention of fraud and corruption within the Council;
 - (j) 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;
 - (k) a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale; and
 - (l) 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;
 - (m) to approve (but not direct) the strategy, plan and performance of the Council's internal audit service;
 - (n) to oversee the production of the Authority's statement or internal control and recommend its adoption;
 - (o) to monitor the Council's policies on "Raising Concerns at Work", to the anti-fraud and corruption strategy and the complaints procedure;
 - (p) to liaise with the Audit Commission over the appointment of the Council's external auditors.
 - (q) 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

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AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 19 March 2013

<u>Present:</u>	Councillor	J Crabtree (Chair)	
	Councillors	D Dodd A Brighthouse A Cox	RL Abbey J Walsh
<u>Deputies:</u>	Councillors	P Glasman (In place of S Foulkes) G Watt (In place of JE Green) S Williams (In place of P Hayes)	

48 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.

49 MINUTES

Resolved – That the minutes of the meeting held on 31 January 2013, be approved.

50 MINUTE 46 - GIFTS, HOSPITALITY AND CONFLICTS OF INTEREST

A Member raised concerns and asked whether a tracker could be introduced by this Committee to ensure that recommendations made by this Committee to others were properly monitored to ensure that appropriate action was taken.

It was suggested that a tracker be introduced to form part of the agenda as a standard item to enable Members and Officers to monitor actions which followed on from the meeting.

In response, the Acting Chief Internal Auditor reported that the Department did produce an action plan which was agreed by senior managers and a monthly report was submitted to Members which included agreed timescales. He was happy to introduce additional information and work with the Chair to improve the reporting mechanism in line with best practice.

Resolved –

That the Acting Chief Internal Auditor be requested to investigate and feedback to the Chair regarding 'best practice' models in relation action tracking.

51 CHAIRS ANNOUNCEMENT

The Chair indicated that he would bring item 12 – Adult Social Services: Personal Budgets Audit – Review of Resource Allocation System forward to be dealt with first on the agenda.

52 **ADULT SOCIAL SERVICES: PERSONAL BUDGETS AUDIT - REVIEW OF RESOURCE ALLOCATION SYSTEM**

The Committee considered the report of the Director of Adult Social Services in relation to the Personal Budgets Audit.

Ms Christine Beyga, Head of Delivery introduced the report which indicated that a robust Resource Allocation System (RAS) was critical to ensuring that Personal Budgets and self directed support was delivered within the current funding envelope and that funds were allocated in a fair and transparent way, which enabled 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.

The report updated Members in relation to progress of the review undertaken in relation to the RAS as identified in the Personal Budgets Audit and recommended that alternative models were explored.

Resolved –

That the Director of Adult Social Services be requested to explore alternative models of RAS and report back on a recommended model for agreement in August 2013 ready for implementation from September 2013.

53 **ANNUAL GOVERNANCE STATEMENT**

Further to Minute 26 of 19 September 2012, the Committee considered the report of the Chief Executive which stated that the preparation and publication of an Annual Governance Statement (AGS) was necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2003 (amended in 2006 and 2011). The report outlined the requirement for the Authority to produce the AGS and the degree to which it met the CIPFA/SOLACE 'Delivering Good Governance in Local Government' Framework.

Mrs Lucy Barrow, Corporate Performance Manager introduced the report and indicated that the draft statement would produced in June 2012 and in line with Members comments suggested that actions arising from the statement could be monitored.

In relation to the impact of the HESPE and Gift and Hospitality reports, Mrs Barrow indicated that this would be taken into consideration and work was ongoing looking at the implications.

Resolved –

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

54 **HESPE ACTION PLAN UPDATE**

The Chair indicated that the due to the apologies to the meeting given by the Chief Executive an update would be received at the meeting in June 2013.

The Committee considered the report of Chief Internal Auditor which identified and evaluated the performance of the Internal Audit section and included details of any issues arising from the actual work undertaken during the period 1 January to 28 February 2013. He provided details of the following items of note concerning audit work undertaken, that were reported in order of risk in relation to -

- **Asset Management**

The findings of the audit conducted of the Asset Management system in operation had identified significant issues and minimal assurance opinions provided. The department had responded positively to the report and an action plan has been agreed to address all of the issues identified within an agreed timescale. Follow up work was scheduled in these areas and would be reported in the monthly summary report for Members.

- **Absent Management**

The findings of the audit conducted of the Absence Management system in operation had identified a number of significant issues and limited assurance opinion provided. The department has responded positively to the report and an action plan has been agreed to address all of the issues identified within an agreed timescale. Follow up work was scheduled in these areas and the findings would be reported in the monthly summary report for Members.

- **Improvement Plan**

The findings of the audit conducted 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 propriety. However, detailed audit resting would be undertaken in the 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.

- **Libraries**

The findings of the audit undertaken to review the cash management arrangements at the Council Libraries where income was 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 complied with current policy and the assets held were protected against loss. A minimal assurance opinion was provided and a number of high propriety recommendations agreed with management to address some fundamental control issues relating to this type of activity. It was acknowledged that the levels of cash transactions for this activity were minimal but the impact from the legal and reputational risks were considered significant. An action plan had been agreed with management and follow up activity would be reported to Members upon completion.

- **The Holy Spirit School**

The findings of an audit conducted at the Holy Spirit School where excellent progress has been made to address some significant issues identified at previous audits of the

school. The changes effected at the school were very evident following discussions with the Head Teacher and School Business Manager, and it was pleasing to note that all recommendations had now been fully implemented.

Mr Niblock further indicated that the report identified a number of improvements that have been made to the delivery of the Internal Audit Service as part of our overall improvement plan. Good progress was being made to deliver the program within the agreed timescale and 12 of the 18 actions had been implemented with work progressing well in most of the other areas. In addition to the delivery of the internal audit improvement plan a number of other initiatives were currently underway that would also develop and improve the effectiveness of the service.

In relation to Asset Management, a Member raised concerns regarding the issues raised and suggested that the Head of Asset Management be requested to attend a future meeting to discuss the way forward.

In relation to the development of the Internal Audit Intranet Facility, A Member stressed the importance of implementing this to assist Members to track items post audit.

In response to comments in relation to shared services, Mr Peter Timmins, Interim Director of Finance indicated that a lot of work was currently being undertaken in a number of service delivery areas across the Council and various options were being considered. In respect of the Internal Audit service a collaborative arrangement had been developed with Liverpool City Council that was proving to be very effective and was helping to realise significant improvements and savings in this area of operations, the intention is to continue with this arrangement as it is regarded as being the most effective and efficient way of operating. Members requested an update on this.

Resolved –

- (1) That the report be noted.**
- (2) The Head of Asset Management be requested to attend a future meeting of the Committee to discuss their audit update issues.**
- (3) The Interim Finance Director be requested to provide an update report to a future meeting of this Committee.**

56 INTERNAL AUDIT STRATEGIC PLAN 2013/2016

The Chief Internal Auditor presented the draft plan of work for Wirral Council's Internal Audit Service for 2013/16.

The report indicated that there was a move to change to a three year strategic internal audit plan, the rationale behind this was to ensure that Internal Audit took a wider more strategic view of risk and to ensure that audit effort was utilised as efficiently and effectively as possible to mitigate risk in a changing environment. This was particularly important for Wirral Council at present as a significant number of reported control and governance issues were in evidence and required the attention of senior management as well as the many fundamental changes that are taking place regarding how services were to be delivered. The audit plan was 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 provided an overview of the assurance that would be obtained through each audit, the exact scopes of the audits would be agreed with Senior Management prior to commencement of the audit to ensure that the key current risks were being addressed.

The Draft Audit plan would be finalised following further consultation with officers by the 31st March 2012. This would be tabled at the Audit and Risk Management Committee in June 2013. The audit plan would remain flexible, and would be reviewed on a quarterly basis to ensure it was in line with emerging risks.

Resolved –That the report be noted and the Internal Audit Plan 2013/16 be endorsed.

57 **ANNUAL REPORT**

The Chief Internal Auditor reported that to comply with best practice the Audit and Risk Management Committee was required to complete an annual report to Cabinet on the work undertaken by the Audit and Risk Management Committee.

Resolved – That the draft Audit and Risk Management Committee Annual Report 2012/13 be approved and referred to the Cabinet.

58 **ANNUAL SELF ASSESSMENT**

The Chief Internal Auditor reported that to comply with best professional practice the Audit and Risk Management Committee was required to complete an annual evaluation of its role and effectiveness as part of the systems of internal audit. The CIPFA publication 'A Toolkit for Local Authority Audit Committees' recommends the use of a self assessment checklist to achieve the task. The Chief Internal Auditor in conjunction with the Chair had completed the checklist which was attached at Appendix 1 to the report.

Attached at Appendix 2 to the report was a draft Action Plan developed following the exercise which identified recommendations to improve the existing arrangements and address any risks. Implementation would be monitored by Internal Audit and an update report on this provided to a future meeting of the Committee.

In response to Members, Mr Niblock indicated that progress on the checklist would be undertaken and reported back to Members on progress made. Officers were made aware of their responsibilities in relation to action to be taken and training for Members would be undertaken in April 2013 to discuss issues raised.

Resolved – That the self assessment checklist draft action plan be noted and approved.

59 **GRANT THORNTON AUDIT PLAN**

The Assurance Director, Grant Thornton UK LLP, presented the Audit Plan year end 31 March 2013.

The Assurance Director introduced the report and indicated that the plan gave a detailed overview as progress made by the Council to date.

In response to Members in relation to PFI liability for academy schools, the Director informed that although the schools are given responsibility the Local Authority retained liability if the academy fails and responsibility returns to the Local Authority.

In relation to debt of balances, the Director indicated that work undertaken by the Finance Department would be looked at and recommendations would be made if necessary.

Resolved – That the report be noted.

60 **HOUSING AND COUNCIL TAX BENEFIT GRANT**

The Committee considered the report of the Interim Director of Finance which gave 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 the Committee at its meeting on 31 January 2013 (minute 44 refers).

In response to Members questions in relation to the IT systems capacity to manage the changes in the benefits system, Mr Peter Timmins, Interim Director of Finance indicated that there was a specialist team employed to manage this, plans had been put in place and stringent monitoring systems were being put in place to manage the implementation, any problems identified would be reported to the software company to be resolved efficiently.

Resolved – That the report be noted.

61 **INSURANCE AND RISK MANAGEMENT**

The Committee considered the report of the Interim Director of Finance report confirming 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 2013 (Minute 47 refers).

Resolved – That report be noted.

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 15 April 2013

<u>Present:</u>	Councillor	J Crabtree (Chair)	
	Councillors	D Dodd A Brighthouse S Foulkes	J Walsh P Hayes
<u>Deputies:</u>	Councillors	J Hale (In place of JE Green) J Salter (In place of RL Abbey) G Watt (In place of A Cox)	

62 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.

63 PROPOSED REVISED COUNCIL FINANCIAL REGULATIONS AND CONTRACT PROCEDURE RULES - DRAFT FOR CONSULTATION

The Assistant Chief Executive reported that alongside proposals to revise the Constitution as part of the Council's Improvement Plan, proposals were also being developed to revise the council's Contract Procedure Rules and Financial Regulations, both of which had been in place for some years and had been subject to periodic changes and additions at various times, predominantly in response to actions resulting from internal and external reviews.

i. Proposed Revised Contract Procedure Rules

The Assistant Chief Executive presented the proposed revised CPR's, in draft form, for consideration and comment and indicated that the proposed revisions had been based on the following principles –

- (i) respond in part to the overall commitment given to review the council's Constitution and Schemes of Delegation as part of the council's Improvement Plan and also to respond to recommendations of the recent Peer Challenge in respect of clarification of Member and Officer roles and responsibilities;
- (ii) form part of the response to the HESPE report and the resultant Action Plan, both in terms of the CPR's themselves and also using any approved, revised rules and documentation as part of specific staff training on Procurement and Contract Procedures;
- (iii) respond to a position where the existing CPR's require updating to take account of current and potential future developments, for example, joint commissioning with other authorities and organisations, shared services with other councils and the council's role as commissioner of services with a variety of private, voluntary, community and faith organisations;

- (iv) the need to integrate existing functions with new functions and responsibilities in particular Health.

He commented that the review had been undertaken by a small group of key users who had the greatest involvement in the letting of contracts and had included input from Health and Internal Audit.

Having considered the CPR's used by a number of local authorities, it had ultimately been decided that, with their permission, the CPR's from Cheshire West and Chester Council would be used as the starting point for the review and as the basis for Wirral's proposed procedures. They had been tried and tested and had stood up to scrutiny and he commented that any future joint procurement with Cheshire West and Chester Council would be aided by each Council sharing a similar set of CPR's. The revisions had sought to clarify the Member/Officer role in that decisions related to the award of contracts were defined as an officer responsibility, with Members holding officers to account through the scrutiny process. The proposed revisions introduced a simplified procedure for individual items of expenditure below £500 and sought also to simplify and clarify officer roles in respect of contract variations and proposals.

ii. Proposed Revised Financial Regulations

The Interim Director of Finance presented the proposed revised Financial Regulations, which were based upon –

- (i) the overall commitment given to review the Council's Constitution and Schemes of Delegation as part of the Council's Improvement Plan and to respond to recommendations of the recent Peer Challenge in respect of clarification of Member and Officer roles and responsibilities;
- (ii) updating the existing Regulations to take account of current and potential future developments, for example, changes to the Council Management Structure and potential working with other authorities and organisations including shared services with other private, voluntary, community and faith organisations;
- (iii) the need to integrate existing functions with new functions and responsibilities in particular Health.

The review had been undertaken by a small group of key financial staff, including the consultant engaged to support the Interim Director. As with the CPR's, a decision had been taken to use as a starting point, a set of Financial Regulations from Cheshire West and Chester Council (with their permission) to support the review. The two sets of Regulations were broadly comparable with the headings largely standardised across the sector. However, the Cheshire West and Chester Regulations were more comprehensive with an enhanced level of detail and references to legislation and the opportunity had been taken to enhance Wirral's Regulations in a number of key areas –

- (i) Virements. This related to the transferring of budgets within the Council approved budget and it was now proposed to include greater description, an expansion of the procedures to be followed and levels of authorisation.
- (ii) Carry Forwards. In line with the different approach to budget preparation, the proposed Regulations included sections on budget carry forwards related to both underspends and overspends.

- (iii) Pension Fund. The Regulations applied to the Fund which was administered by the Council and further work was being undertaken to ensure that the proposed Regulations further supported the Council role.

Members sought clarification with regard to the mechanism for reporting budget variations to Members and expressed concern that increased delegation to officers could place a greater burden on the scrutiny function. The Assistant Chief Executive commented that the revisions proposed a different way of working, which would make officers more accountable for financial decisions they had taken. Budget management training was ongoing with managers and he indicated that the revisions to the financial regulations proposed the establishment of an appropriate framework of budgetary management and control, with (at least) monthly reports to the Executive Board. The Interim Head of Legal Services commented that a central record of delegated decisions taken by officers could be maintained by Committee Services with Members notified of such decisions in the same way as delegated Executive decisions taken by Members of the Cabinet.

Mr M Thomas, Director – Assurance (Grant Thornton UK LLP) proposed to feedback formally his specific comments on the proposed revisions. He commented generally that the proposed changes to the CPR's and the Financial Regulations were welcomed and, from an external audit point of view, they addressed some concerns. The proposals had the support of the Improvement Board and he indicated that key to success was the provision of training and early implementation.

In response to a request for clarity in respect of officers being able to fund an overspend in one area by an underspend in another, the Interim Director of Finance reported that significant work had been carried out to ensure that budgets were corrected and that managers were being trained to ensure they were able to manage their reduced budgets and to avoid overspends. However, in some other authorities a bid could be made to carry forward an underspend, so as to avoid a rush to spend a budget allocation before the financial year end. Conversely, it was also considered to be good practice to expect that a budget overspend would be paid back.

Resolved – (6:0) (3 abstentions)

- (1) That the principle of revising the Council's Contract Procedure Rules and Financial Regulations be agreed, using the methodology set out in the reports now submitted.**
- (2) That the Committee asks the Cabinet to have regard to the views expressed by Members and to note and to take into account the proposed revised Council Contract Procedure Rules and Financial Regulations, when considering revisions to the Constitution.**
- (3) That the Council be asked to adopt the proposed revised Contract Procedure Rules and Financial Regulations in principle and to ask this Committee to –**
 - (i) Agree any further amendments that may be appropriate in the light of continuing consultation.**
 - (ii) To agree at a future meeting of this Committee, the date from which they should take effect.**

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WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

10 JUNE 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 presents Audit and Risk Management Committee with a draft Annual Governance Statement for consideration by committee members. A final version will be reported to the Committee in September and will be accompanied by an action plan to address the governance issues identified.

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 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.

3.0 ANNUAL GOVERNANCE STATEMENT 2012/13

3.1 The approach

The production of the Council's Annual Governance Statement is 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.

The Council's Internal Audit team has been 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.

3.2 Evidence

Internal Audit has provided 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. External Audit, Local Government Association, OFSTED, 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 within specific areas of responsibility).

Following a review of the above, Internal Audit has compiled a list of 'Areas of Good Practice' and 'Areas for Improvement' which has been utilised in developing the Annual Governance Statement.

3.3 Timescales

This report includes a full draft of the Annual Governance Statement to be considered by the Audit and Risk Management Committee. The draft statement will also be presented to Wirral's Improvement Board in July for consideration.

A final version of the Annual Governance Statement will be reported to the Committee in September 2013 and will be accompanied by a detailed action plan to address the governance issues identified. An updated code of corporate governance will also be reported to the September meeting of the Audit and Risk Management Committee.

The Annual Governance Statement will be approved by the Leader and Chief Executive with appropriate sign off arrangements put in place.

4.0 RELEVANT RISKS

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

5.0 OTHER OPTIONS CONSIDERED

5.1 Not applicable due to the statutory requirement.

6.0 CONSULTATION

6.1 Full consultation has taken place with members of the Council's Chief Executive Strategy Group regarding the production of the Annual Governance Statement.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

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 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 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.

9.0 LEGAL IMPLICATIONS

9.1 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).

10.0 EQUALITIES IMPLICATIONS

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

There are none arising directly from this report.

11.0 CARBON REDUCTION 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 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 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.

13.0 RECOMMENDATIONS

13.1 That the current draft of the Annual Governance Statement is considered and amended as necessary and timescales for the production of the 2012/13 Annual Governance Statement are noted.

14.0 REASON FOR RECOMMENDATION

14.1 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).

REPORT AUTHOR: **Lucy Barrow**
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APPENDICES

1. Draft Annual Governance Statement 2012/13

REFERENCE MATERIAL

- CIPFA/SOLACE Delivering Good Governance in Local Government: Guidance Note and Framework (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.
- CIPFA The Role of the Head of Internal Audit in Public Service Organisations 2010.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee - Annual Governance Statement 2012/13	19 th March 2013

DRAFT ANNUAL GOVERNANCE STATEMENT 2012/13

1. Scope of Responsibility

Wirral Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. Wirral Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, Wirral Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes activities for the management of risk.

Wirral Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the code is available on our website at www.wirral.gov.uk. This statement explains how Wirral Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations Act 2011 in relation to consideration of the findings of a review of the system of internal control and approval and publication of an annual governance statement.

2. The Purpose of the Governance Framework

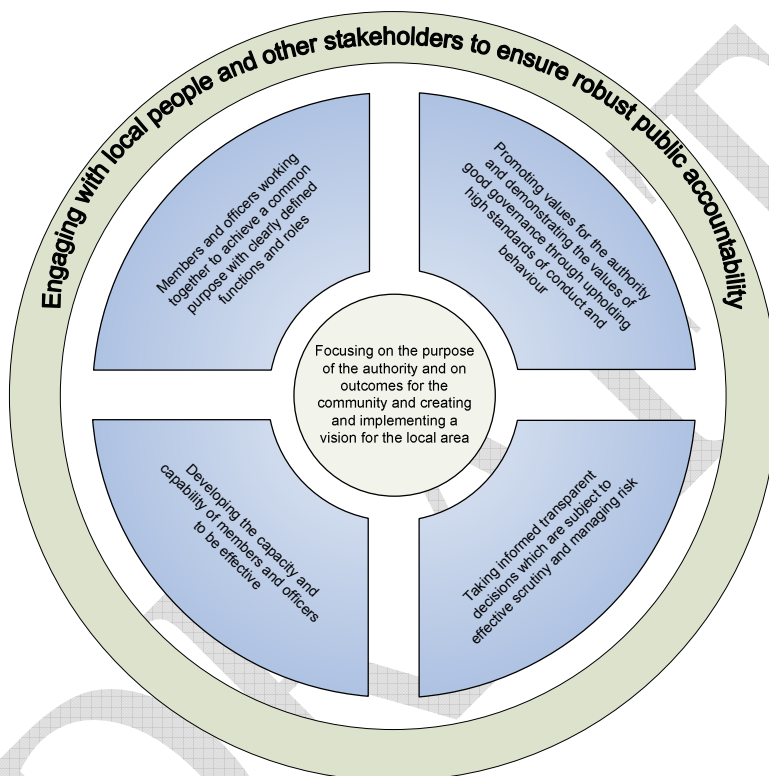
The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled, together with the activities through which it accounts to, engages with and, where appropriate, leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost- effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It can not eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Wirral Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

The governance framework has been in place at Wirral Council for the year ended 31 March 2013 and up to the date of approval of the annual statement of accounts.

3. The Governance Framework

The CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' identifies six key principles of governance best practice:



Wirral Council's governance environment is consistent with these six core principles. Key areas of assurance of the systems and processes which comprise the Council's governance arrangements are as follows:

Principle 1: Focussing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.

The Council can demonstrate that it is focusing on outcomes for the community and on a longer-term vision for the area. The authority has:

- Put in place a new Corporate Plan which has been independently commended through an LGA peer challenge;

- Developed a budget strategy aligned to the Corporate Plan which places the Council in a stronger position to meet future financial challenges;
- Reinvigorated strategic partnership working to ensure that the Council's vision for Wirral is shared by, and collectively delivered with, the wider public sector (see Principle 6).
- Agreed an approach to neighbourhood working which will place communities, citizens and service users at the heart of service design and delivery (see Principle 6).

The views of citizens and service users have been critical to the Council in developing its Corporate Plan. The recent 'What Really Matters' consultation captured the views and aspirations of local residents and stakeholders and directly informed the Council's vision.

"We will ensure this Council is in the future focussed upon serving and protecting local people and in particular those who are most vulnerable and in need. We will do this through the engagement and empowerment of individuals and communities in both the design and delivery of local services, and by working together with partners in the public, private and the community, voluntary and faith and independent sectors."

Wirral Council Corporate Plan 2013-16

This vision is underpinned by the following priorities, which were identified by local residents and stakeholders as being 'what really matters' to Wirral:

- Protect the vulnerable in our borough
- Tackle health inequalities
- Drive growth in our economy

Whilst putting in place a forward-looking vision for Wirral, the Council focused on the need to make budget savings and address the most challenging financial position the local authority has ever faced. The 'what really matters' consultation also emphasised the need to identify the budget savings necessary for 2013-14 and demonstrated the highest level of engagement in the UK when compared with similar exercises. The broad consultation was complemented by a range of specific consultations to involve residents in service redesign linked to budget savings.

The budget savings programme for 2013-14 is now being delivered, with a longer-term plan outlined in the Council's Medium-Term Financial Strategy. The timetable for setting the Council's budget for 2014-15 in line with its longer term financial strategy has now been agreed.

Ensuring greater long-term stability in organisational leadership along with a clear and a sustained focus on the vision for the area and on delivering the Council's budget strategy, the Chief Executive's position has now been designated as permanent. The Council has also significantly increased its capacity to deliver its purpose and vision through the appointment of three strategic directors to oversee the following programme areas and drive forward service transformation:

- Transformation and Resources
- Families and Wellbeing
- Regeneration and Environment

Delivery of the Corporate Plan is also underway across these programme areas, with Directorate Plans being developed and performance management arrangements being refined to ensure that the implementation is effectively monitored and remedial action taken where necessary.

An annual Policy Council meeting will take place with the first scheduled for November 2013 in order to discuss, debate and further shape the future purpose of the organisation and its response to key national and local drivers. Policy Council will play a direct role in informing the annual review of the Corporate Plan and future savings for the Council, as well as contributing to the development of a longer-term vision for the borough in 2030 in partnership with other key stakeholders. A state of the borough report is being prepared as the foundation for developing this long term vision.

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

The Council's Corporate Plan and budget strategy have been collectively developed by Elected Members and officers and provide a clear framework for working together to achieve a common purpose.

A Chief Executive's Strategy Group has been formed to provide the strategic direction for the long-term vision of the Council and its transformational programme, working closely with the Council's administration. The Chief Executive has also established regular meetings with Heads of Service and Senior Managers to ensure that there are clear lines of communication and effective arrangements in place to facilitate joint working across Council directorates.

The Council complies with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2010 and the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations 2010. The Council has taken immediate action when required to ensure that there are continuous arrangements in place with regards to statutory officer posts to enable the Council to fully comply with its statutory obligations.

The Council currently has stable political leadership which facilitates timely and robust decision-making in reviewing and addressing governance issues. Briefings for the political leadership are working effectively and dedicated planning sessions involving the Chief Executive's Strategy Group and Cabinet are regularly taking place to develop the Council's future direction and identify the key transformational projects that will be delivered over the next three years.

Cabinet has now endorsed an ambitious programme of transformation to deliver further savings which includes the following projects:

- Review of Asset Management
- Technical Functions
- Neighbourhood Working
- Transforming Business Support
- Strategic Review of Leisure Services
- Strategic Commissioning
- Transforming Children's and Adults' Services

At this stage each project is being reviewed to consider the different ways that the services can be delivered in the future.

There has been a recent review of the Council's portfolio areas to ensure they reflect organisational changes and priorities and assistant portfolio holders have been appointed.

The Leader has put in place a Leaders' Board to engage on an ongoing basis with political group leaders about the Council's strategy and future plans.

An important factor in the Council's leadership developing a shared collective vision and working together to achieve it has been the role of the LGA Improvement Board. The Improvement Board is a partnership between Wirral Council and the Local Government Association. The Board was established in February 2012 to support the authority to address the serious weaknesses identified in a series of external reports. Through the development and implementation of a coherent improvement plan, the Council has been able to report on progress and identify that it is learning from previous governance issues and working more transparently and openly.

During recent organisational change, including senior management and service restructuring and changes to staff conditions of service, recognised trade unions have been engaged and consulted with extensively to ensure the most equitable outcomes for staff and the organisation. Negotiations with unions have been decisive in finalising revised staff terms and conditions.

The Council's Constitution has been reviewed and a revised version agreed and adopted by the Council in April 2013, ensuring that it remains lawful and fit for purpose and introduces a new scheme of delegation and member/officer protocols that clarify the boundaries between Member and Officer roles and responsibilities. The Council's Constitution sets out a Code of Conduct for Members and Officers to ensure there is clear accountability and clarity.

As outlined in relation to Principle 4, the new constitution sets out new arrangements for scrutiny which will allow for the pre-scrutiny of decisions and policy development and facilitate collective debate about the best outcomes for local people.

The Standards and Constitutional Oversight Committee is responsible for keeping the Council's constitutional arrangements under review and making recommendations to the Council for ways in which the Constitution should be amended in order to better achieve its purposes. The Committee also oversees and agrees minor changes to the Council's constitutional arrangements as recommended by the Monitoring Officer.

Principle 3: Promoting the values of the Authority and demonstrating the values of good governance through behaviour.

As highlighted in respect of principle 2, the Improvement Board has been important in developing good governance through its advisory role providing oversight, support and challenge to the Council's improvement and transformation journey. At its first meeting the Board agreed that the authority needed a single, integrated and overarching improvement plan to focus and drive the improvement of both its corporate governance and key services. The Improvement Plan developed in response was endorsed by the Board in July 2012 and approved by Cabinet in September 2012. There are clear mechanisms in place for the Council to report progress on the Improvement Plan and receive feedback from the external members of the Board. Discussions undertaken by the Board are transparent, with key messages from those discussions published. The Board has regular public question and answer sessions which allow the public to ask questions and raise specific concerns.

Following the latest update on overall progress of the plan, the Board agreed that the Council needs to complete the actions in the existing plan, as well as develop some outcome measures that will provide assurance that the improvements are becoming embedded. This will be monitored closely by the Council's Chief Executive's Strategy Group.

The Council can demonstrate that it is promoting the values of good governance through behaviour, not least in welcoming external review

and challenge and in its transparency in relation to the serious budget challenges faced by the authority.

Significant headway has been made to identify savings and identify and eliminate 'bad budgets'. As a result the Council's finances are beginning to stabilise and there is an increasing emphasis on robust financial management and monitoring. The progress that has been made places the Council in a better position to face the major challenges ahead and to manage the substantial risks associated with identifying further significant budget savings.

There have been improvements to the Council's Internal Audit function including a review of resources and a newly developed three year audit plan. External expertise is utilised as appropriate such as the internal investigation that was commissioned to establish the Council's position on bad debts, which emerged as a significant governance issue due to the income/debt recovery processes within the Department of Adult Social Services. The internal investigation has been reported to Cabinet and an action plan is in place to address these findings.

Internal audit work has been completed on the Council's procedures for gifts, hospitality and conflicts of interest following a critical Audit Commission review of this area. A number of key risks were identified with high priority recommendations which have contributed to new policy documents being approved.

The Council invited a Peer Challenge facilitated by the LGA in October 2012 and a follow up in May 2013, providing an external and critical assessment to complement and add value to the Council's own performance and improvement. Both reviews indicated that the organisation was making progress on improvement, highlighting:

- The organisation feels more confident and decisive about the issues it faces
- External recognition of improvement and greater role in city region
- Significant headway has been made to identify savings and begin to stabilise finances
- Key changes to governance are being implemented and/or proposed
- Learning and challenge has been sought from others
- New corporate plan with clear priorities

Areas for continued focus, including financial risk management, organisational development, transformation, governance and decision-making, were also identified and are being addressed as part of the Council's improvement programme.

As indicated in respect of Principle 2, the Improvement Board has been important in developing good governance through its role as an advisory and supporting body and 'critical friend' underpinned by clear

mechanisms for the Council to report progress and receive feedback. Discussions undertaken by the Improvement Board are transparent, with every other meeting held in public.

An additional Adult Social Care Peer Review in June 2012 concluded within the Executive Summary that the peer review team found clear evidence of improvement and a change of culture within the department moving towards greater openness and transparency. It was stated that overall the direction of travel is positive and there are some examples of good practice.

Communication within the organisation is timely and planned; with weekly, monthly and quarterly messages being disseminated to all staff to keep everyone informed throughout current and future organisational change. A robust internal communications and marketing strategy has been developed, including regular communications from the Chief Executive through the intranet and weekly emails that update staff on organisational change and important decisions being taken, as well as promoting the achievements and positive work carried out within the organisation. A staff survey is planned to take place in September 2013 and a programme of changing organisational culture will be launched in autumn.

The Council has updated its policies on whistleblowing and grievance. Further work is now required to ensure that the updated policies are fully communicated to make all staff aware of the policies and provide consistent operation.

The Council's Code of Corporate Governance will be reviewed on an ongoing basis to ensure it is fit for purpose and fully communicated to staff.

The Equality Duty 2010 came into force on the 1 April 2011 with the aims of eliminating any unlawful discrimination, harassment or victimisation, advancing equality of opportunity and fostering good relations between different groups of people. The Duty places a legal requirement on the Council to publish an equality plan, at least every 4 years. The Council will be developing a new 3-year Corporate Equality Plan during 2013/2014.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Cabinet has a leading role in driving forward transformation and improvements across the Council with Cabinet Members presenting their own reports at meetings. Regular Cabinet briefing and development sessions take place which are supported by individual portfolio holder briefing meetings. The procedure for Council meetings has been changed to focus on reports from the leader and Cabinet Members and the Chairs of the new Policy and Performance

Committees. All Elected Members will have the opportunity to ask questions on the reports with the aim to focus on issues for which the Council has responsibility.

The Corporate Risk Register has recently been reviewed by the Chief Executive Strategy Group and agreed by Cabinet to ensure that there is consideration and ownership of the register at the most senior level of the organisation. Appropriate controls have been put in place to address the identified risks, and these will be the subject of regular monitoring by the Chief Executive Strategy Group on a quarterly basis at a dedicated meeting to consider audit, risk and performance issues.

The integration of Public Health into the Council from 1st April 2013 provides additional capacity and expertise to strengthen the Council's approach to performance management, business intelligence and commissioning.

Directorate plans are being developed to ensure that the priorities outlined within the Corporate Plan are delivered. The plans also identify the related risks associated with delivering the Council's key objectives.

Further work is taking place to establish a new process for performance management which ensures the hierarchy of organisational targets are integrated, and logical, and are directly aligned to our resources, systems and strategic objectives. The new system also promotes ownership and accountability of targets and performance – as well as fostering a culture of corporate challenge.

The model is built around a cycle of analyse, plan, do and review. Effective performance management is also designed to ensure that accurate, timely, consistent, reliable and relevant information guides all decision making within the Council.

Three Policy and Performance Committees have been established, aligned with the three strategic directorates, and supported by a team of dedicated Scrutiny officers. The Committees will have clear responsibilities to inform policy development and to enable pre-scrutiny of decisions within the remit of the strategic directorate. A Co-ordinating Committee is now responsible for overseeing arrangements and allocating cross cutting activities. Nominated senior officers will be assigned to support scrutiny proposals on a cross-departmental basis.

The Council's Audit and Risk Management Committee provides independent assurance and scrutiny of the Council's financial and non-financial performance, including an assessment of the adequacy of the Council's risk management arrangements.

Recent constitutional amends to the terms of reference for the Audit and Risk Management Committee give additional responsibilities to the

Committee to oversee and agree appropriate robust arrangements for Financial Regulations and Contract Procedure Rules. The Committee also has responsibility for discharging the Council's responsibility as trustee with respect to sundry trust to allow decisions to be taken in a timely and regulated fashion.

The Council has a clear procedure established for dealing with complaints, with timescales and departmental responsibilities established and complaints being recorded even if immediately resolved at point of contact.

In December 2012, the Information Commissioner's Office announced that Wirral would be monitored for three months after concerns emerged regarding the timeliness of responses to freedom of information requests. The Council has also put in place robust processes to respond to freedom of information requests which are regularly reviewed by the Chief Executive's Strategy Group to ensure that a timely response is provided. These improved processes are having a significant impact on the Council's response to freedom of information requests.

The Audit Commission published a Public Interest Report into the Highways and Engineering Services Contract Management and Award in June 2012, detailing significant corporate failings surrounding the contract award in 2008. Cabinet acknowledged and accepted the findings and recommendations set out in the report and approved an action plan to address all 21 recommendations. Many of the actions have been completed; however there is still work to do in implementing a robust risk management framework across the Council and improved liaison between Legal and Members Services and the Procurement Unit regarding the completion and signing of contracts. These areas being closely monitored by the Chief Executive's Strategy Group as well as being supported by the re-invigorated Corporate Procurement Board. The board has recently been re-established with new terms of reference and will be chaired by the Strategic Director for Transformation and Resources to ensure that there is clear strategic direction at the most senior level of the organisation.

Principle 5: Developing the capacity and capability of members to be effective and ensuring that officers- including statutory officers- also have the capability to deliver effectively.

The Authority provides newly elected Members with an induction and an opportunity to attend a specifically organised event to introduce them to the Council and its departments. An individual training plan is also put in place from a programme of 'Skills for Wirral Councillors' training events, covering the following themes: basic skills; organisational excellence; personal development; community leadership and leadership.

Councillors have also recently been invited to take part in a number of visioning events intended to raise awareness of the challenges facing local government, develop a long term vision for Wirral in 2030, inform the Council's three year corporate plan, enable the Council to understand the opportunities to deliver services differently and plan ahead to respond effectively to future challenges.

A 'Skills for Wirral' training and development programme is also available for managers and employees with regular sessions held every month covering organisational policies, management skills, personal development, professional development and health & safety. During recent organisational change, dedicated training and support has been available to all staff developing skills in resilience, stress management and career development. Further work is required to ensure that mandatory training is being carried out throughout the organisation.

The Council's absence rate for staff is higher when compared to other local authorities and additional short term resources have been put in place to enable Human Resources to work with managers and ensure that cases are managed in accordance with the Council's policy. The Council also provides a 24 hour employee assistance programme.

Council services and individual staff regularly achieve awards and recognition from national and local bodies and achievements are regularly publicised through the Chief Executive's weekly emails and the Council's quarterly staff magazine.

The recent organisational restructure, including the creation of the three strategic directorates, departmental and management structures are being streamlined and rationalised, aims to provide the most effective service delivery possible. Ensuring that staff and managers have the appropriate capacity and support has been a key consideration in service redesign.

The Council has been required to use short term measures to ensure that there is adequate capacity in key areas of the Council through the use of short term and agency contracts. These arrangements will be regularly reviewed to ensure that adequate controls are in place for the use of external capacity. In addition a savings target has been set to ensure that expenditure is effectively controlled.

The restructure at the Chief Officer and Head of Service level has achieved approximately £800,000 net savings and reduced the senior management structure by 11 posts. The next level of restructuring is almost complete, which will deliver further savings of £4.2 million and a further reduction of approximately one third of management posts, which will facilitate a more effective and focussed level of service transformation and delivery across the authority.

Principle 6: Engaging with local people and other stakeholders to ensure robust local public accountability.

As set out in the new Corporate Plan, the Council is committed to “the engagement and empowerment of individuals and communities in both the design and delivery of local services”. The Council’s major consultation initiative ‘What Really Matters’ provided the opportunity to ask local residents, staff and stakeholders for their views on the Council’s future priorities and proposals for where the Council could deliver the savings.

The Council has developed and accessed a wide variety of channels and forums in order to engage with the local community. Existing organisations such as the Older People’s Parliament, various youth forums and the Youth Parliament and user groups across all services are both supported and engaged with the organisation. The Council also delivers extremely effective public consultation exercises, with the highest levels of citizen engagement in the UK, to ensure participation and involvement from our residents in all aspects of service design, budget setting and Council business.

The Council is also in the process of implementing a Neighbourhood Working approach, which will help to develop a closer relationship between the Council and residents, promote improved partnership working across the public sector and ensure future service delivery reflects an improved understanding of residents’ views through consultation and participation.

This arrangement potentially offers a more cost-effective approach to the future delivery of services by joining up frontline delivery and tackling issues at their source, changing ways of working for all public, private and social sector providers to deliver improvements for neighbourhoods.

Public sector partners in Wirral are committed to working with the Council through the newly established Public Service Board as new arrangements for neighbourhood working are implemented. This includes redefining operational management to be co-terminus with constituency areas to provide a more consistent footprint where possible and aligning services and engagement activities.

Constituency Committees will be responsible for producing Constituency Plans that will outline priorities for each area. It is proposed that each Committee would consist of local Councillors and Voluntary and Community and Faith Sector Representatives. Consideration will also be given to the local MP being invited to participate. Underpinning robust governance arrangements being put in place are the principles of enhancing civic life, deepening democratic

participation, strengthening community voice and strengthening the Council's responsiveness to residents.

Alongside an increased focus on public accountability through the Constituency Committees, the Council has begun to explore the implications of the Audit Bill which will formally abolish the Audit Commission and replace it with a new local audit framework and improve 'direct democracy' over Council Tax.

The Council proactively seeks to work with others and recognises the added value that working in partnership can bring to projects, services and initiatives. The drive to work in partnership has never been greater than in the current financial climate.

The Council's key mechanism for pursuing this agenda is Wirral's Public Service Board which brings together key partners to develop approaches to integrating services and maximising the use of public sector resources. The recent Corporate Peer Challenge highlighted that the Council needs to undertake further work to clearly identify the linkages of the Public Service Board with other strategic partnerships, and an up to date partnership register is also required.

The Council also works strategically with partners through leading and supporting a range of other forums and partnerships. This activity is currently being reviewed to ensure that the role of individual partnerships is clearly understood. The Council is also renewing arrangements for its Local Strategic Partnership to put in place an overarching partnership executive which takes responsibility for shaping Wirral as a place and championing a long-term vision for the borough and hold to account the Public Service Board and other key partnerships. A Wirral conference is being planned for September to take forward the development of the long-term vision.

Examples of this approach to partnership working include joint responses to the changes that have resulted from the Welfare Reform Act 2012, including the introduction of Universal Credit, and the changes to service delivery through the neighbourhood working approach.

In working with the Council's partners to drive economic growth and increase investment in Wirral, the Council has developed a strong private/ public sector Investment Strategy Board. Members hold significant experience and expertise to provide oversight and guidance of Wirral's economic strategy.

The Council also holds a strong position in the Liverpool City Region. The Leader of the Council is taking the lead in developing a new EU Structural Funds Programme for the period 2014-2020. Wirral is also the lead local authority in the Liverpool City Region for sustainable energy, shared services and youth unemployment at both Elected

Member and officer level. The Leader reports to Council on matters relating to the City Region and Elected Members are provided the opportunity to question the Leader on the report.

The Council's website and other customer access channels are currently being developed and better coordinated to ensure that residents and other stakeholders are able to find information, access services and contact the authority as simply as possible.

During recent organisational change, including senior management and service restructuring and changes to staff conditions of service, recognised trade unions have been engaged with and consulted on a regular basis to ensure the most equitable outcomes for staff and the organisation. Negotiations with unions have been decisive in finalising revised staff terms and conditions.

5. Review of Effectiveness

Wirral Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by: the work of Internal Audit and the Chief Internal Auditor's Annual Report; findings and reports issued by the external auditors and other review agencies and inspectorates; and feedback and comments provided by Chief Officers and managers within the Authority who have responsibility for the development and maintenance of the governance environment.

The Council's Chief Executive Strategy Group has managed the development of the Annual Governance Statement to ensure high level corporate engagement and ownership.

6. Significant Governance Issues

The Council has identified the following areas as significant governance issues that emerged during 2012/13 and which be the subject of regular monitoring by the Council's Chief Executive's Strategy Group and Audit and Risk Management Committee.

An action plan will be developed to outline the actions that are being taken to respond to these issues and to assign a lead senior officer.

- The Council's position regarding £31m accumulated bad debts over the years, as well as the financial situation regarding income/debt recovery within the Department of Adult Social Services, has been identified and was subject to an independent investigation which has been reported to Cabinet. A plan and initial actions are in place to prevent future occurrence.

- The Council must conclude the work of the Improvement Board and ensure completion/implementation of the associated actions.
- Corporate and Departmental plans have lacked clear linkages and consistency, the aim being that the integration with Public Health will assist in improvements in timetabling, approvals, content and reporting. Steps must be taken to implement a robust performance management framework across the Council that is adhered to in practice.
- There must be continued emphasis on the importance of corporate and departmental risk management throughout the Council. Risk management must be seen as an integral part of policy and performance processes. Steps must be taken to implement a robust risk management framework across the Council and which is adhered to in practice.
- There has been no evidence of an up to date partnership register within the Council. This is important given the emphasis on partnership working within the developing commissioning processes and across the Council. As a minimum, partners that the Council works with on specific initiatives, as opposed to commercial partners, should be identified in a central reference source.
- It is essential for the Council to implement processes and procedures to ensure proper governance and management of its information assets.
- In December 2012, the Information Commissioner's Office (ICO) announced that Wirral was included in a list of four public authorities that were to be monitored for three months in the new year over concerns about the timeliness of their responses to Freedom of Information requests. Focus must be maintained in monitoring response times and take corrective action as necessary.
- It has been identified that the Council's policies on whistleblowing and grievances require improved communication across the organisation with clear responsibilities and consistent operation. It is important that employees are clearly made aware of how to raise a whistleblowing issue, and this should be publicised on a regular basis.
- Improved liaison and responsibilities must be clearly established between Legal and Member Services and the Corporate Procurement Unit regarding the completion of contracts and the required signing. There are clear financial and reputational risks in the event of a problem with the service delivery if the Council has not formalised contracts. It is noted that this issue is covered in the draft new Contract Procedure Rules with reference to disciplinary

action if these rules are breached and the exceptions process in operation here.

- The Corporate Procurement Board has not met since November 2012. This has been acknowledged as a significant issue by senior management and the aim is to re-establish this board with the first meeting taking place in May 2013 with a new terms of reference in place.
- Absence monitoring statistics have revealed a calculated year end figure of 10.28 days against a target of 9.5 days. This remains a high position in comparison with other Councils and additional short term resources have been added within Human Resources to review all long-term cases and to work with managers to ensure there is an action plan in place and that cases are managed appropriately in accordance with policy.
- It must be ensured there is adequate control of workforce costs (including short-term contracts; agency costs; and control of establishments). The use of consultants should be subject to the same controls.
- Mandatory training across the Council has proved difficult to monitor and control. It is important that any training requirements deemed to be mandatory, such as Equalities and Diversity, should be communicated to and undertaken by all employees, including officers who do not have computer access.
- Asset Management was in a position of constant change of policy and priorities during the 2012/2013 year. It is important in order to obtain maximum benefit from its property assets that the Council focuses on a clear policy and strategy, fees and charges are regularly reviewed, updated and income monitored, and a clear separation of duties and evidence trail exists regarding valuations. This is currently the focus of a transformational project for 2013/14.

7. Conclusion

We recognise that considerable progress has been made to address the significant governance issues identified and this is acknowledged by the Council's recent Corporate Peer Challenge. However it is also recognised that a number of the developments that are being put in place have recently been agreed and require implementation and robust review. On the basis of the programme of work undertaken, the Chief Internal Auditor has concluded that the Council's internal control environment, taken as a whole for the year has provided less than adequate assurance although improving.

We have been advised on the implications of the review of the effectiveness of the governance framework and a plan to address

weaknesses and ensure continuous improvement of the system is in place.

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

Signed: _____ Date: _____

Chief Executive

Signed: _____ Date: _____

Leader of the Council

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WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

10 JUNE 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 March to 31 May 2013. There are 2 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 March to 31 May 2013.

2.2. Items of Note

2.2.a Performance Management

An audit was undertaken in the period to review the adequacy of the controls in operation over the corporate Performance Management System. The aim of the audit was to establish if the existing system was fit for purpose and effectively controlled. The audit generated 'minimum' assurance opinions for the actual system and compliance and a 'major' opinion for the corporate impact. 9 recommendations were identified in a report for management of which 8 were High priorities. The High priority recommendations related to:

- Performance management policies and procedures being completed, disseminated to relevant staff and adhered to in practice.

- The performance management framework ensuring that benchmarking data and best practice are utilised effectively, all departments/sections and appropriate officers being engaged in the process and having received necessary training, and a system being in place for swiftly addressing and implementing recommendations from internal and external sources.
- The most effective structure and format of performance reports being decided upon and applied at all levels to ensure consistency in reporting.
- Deciding how best to highlight and report upon performance outcomes and achievements being delivered.
- Designating appropriate staff to calculate, review and be accountable for each performance indicator, with roles and responsibilities being clearly understood.
- Restricting the volume of corporate and departmental performance indicators to include only those deemed most relevant for monitoring performance and outcomes against objectives.
- Ensuring that there are clear links between the aims, objectives and associated targets and indicators contained within the Corporate, Departmental and Team/Individual Plans.
- Ensuring that the targets set and evidence used to substantiate the targets are scrutinised and approved as being appropriate prior to the start of the reporting period. This should be documented in the performance management information system, along with any justification and approval by a senior manager if a target is amended during the course of the reporting year.

It is acknowledged that the establishment of the Department of Policy, Performance and Public Health has initiated planned improvements in this area and that actions arising from the audit report will be included in these developments. Specific actions have been agreed with senior management to address all of the issues identified within an agreed timescale and follow up work will be undertaken during 2013/14 to evaluate progress. The findings of this work will be reported to Members of this Committee in due course.

2.2.b Training and Development

An audit was undertaken in the period to review the adequacy of the controls in operation over the corporate Training and Development System. The aim of the audit being to gain assurance on the effectiveness and operation of the corporate policy. The audit generated 'limited' assurance opinions for the actual system and compliance and a 'major' opinion for the corporate impact. 9 recommendations were identified in a report for management of which 5 were High priority. The High priority recommendations related to the organisation having an up to date training and development policy and people strategy that is fit for purpose, universally promoted and complied with and published on the Intranet. 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 the second quarter of the new-year and an update on this will be provided to Members in due course.

2.3 Outstanding Audit Recommendations

2.3.a Attached at Appendix 1 is a table identifying information relating to those audits where recommended actions included in audit reports have not currently been implemented.

2.3.b It is my intention in future to include this table as an attachment to this report on a routine basis identifying only those items that remain outstanding and may require the attention of or action by Members. Where items are addressed by officers those entries will be removed from the report on a rolling basis. This additional information is designed to address concerns raised by Members at the previous meeting regarding retaining sight of issues flagged for attention.

2.4 Internal Audit Performance Indicators

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

IA Performance Indicator	Target (%)	Actual (%)
Delivery of Internal Audit - Plan 2012/13.	90	93%
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	95

2.4.b There are currently no issues arising.

2.5 Internal Audit Developments

2.5.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 13 have now been fully implemented and good progress has been made in respect of the remaining actions within the agreed timescales.

- The implementation of a revised audit report format incorporating opinions on systems, compliance and organisational impact,

- The introduction of Letter of Engagement for all audits,
- The introduction of a Training and Development Program for audit staff,
- Developed reporting arrangements for Chief Officers and Members,
- The implementation of a three year strategic internal audit plan directly linked to the key corporate priorities ,
- Improved engagement with Chief Officers, managers and Members,
- The introduction of enhanced escalation procedures for audit issues identified,
- Improved reporting arrangements for ARMC members including monthly RAG rated update reports,
- Collaborative arrangement with Liverpool Councils Internal Audit services,
- Significantly restructuring and refocusing the service in line with other best practice providers,
- Regular scheduled attendance at departmental DMT's and the Chief Executives Corporate Strategy Group by the Chief Internal Auditor,
- The Implementation of a RAG ratings system for audit opinions and action progress,
- The introduction of ongoing benchmarking against other audit service providers,
- Raised awareness and profile of the Internal Audit service across the Council,
- The introduction of a developed Annual Governance Statement process across the Council promoting corporate ownership,
- The introduction of a service level agreement with the Pension Fund,
- Enhanced relations with Chief Internal Auditors from across the North West region.

A copy of the Internal Audit Improvement Plan is attached at Appendix 2 identifying the progress made to date to implement all actions.

2.5.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 this period, reporting outcomes and actions to Members upon completion,
- A complete review and revise of the Internal Audit Charter to comply with the new Public Sector Internal Standards. A report on this is included elsewhere on the agenda.
- 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.

2.5.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'.

REPORT AUTHOR: Mark P. Niblock
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APPENDICES

Appendix 1: Audit Recommendations Status Report
Appendix 2: Internal Audit Improvement Plan

REFERENCE MATERIAL

Internal Audit Plan 2013/14

SUBJECT HISTORY (last 3 years)

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

**INTERNAL AUDIT RECOMMENDATION STATUS REPORT
PERIOD: 01 APRIL 2013 TO 28 MAY 2013**

Completed Audits

Audit / Date	Dept	Control Environment	Compliance	Organisational Impact	Actual High Priority Recommendations	Total Recs (H)	Timescale / Officer Responsible	Follow Up Scheduled	Outcome	RAG Status
Fernleigh Resource Centre 11/04/2013	F & W [DASS]	Minimum	Minimum	Minor	<p>In accordance with Corporate HR Policy, all staff should be requested to complete a Conflict of Interest form on an annual basis. The form should be completed in ink and a 'nil return' noted where appropriate.</p> <p>Timesheets should be completed, signed and dated by the employee. Timesheets should be checked for accuracy and approved by an authorised signatory. The rota should be signed and dated to verify the check has been completed.</p> <p>Orders should only be approved by an authorised signatory and evidence retained to ensure an effective management trail is in operation. Evidence of robust budget monitoring should be maintained to ensure appropriate levels of supplies are ordered and waste is kept to a minimum</p> <p>A Security Policy should be produced covering all aspects of the site and assets held. Staff should be made aware of the policy.</p> <p>Budget monitoring reports should be reviewed monthly to ensure adequate monitoring of the budget takes place, evidenced by a signature and a date.</p>	11 (7)	August 2013 Establishment Manager	Aug-13	All recommendations formally agreed with prompt target dates for implementation.	A

Follow-Up Audits Completed - RED or AMBER flag

Follow-Up Audit / Date	Dept	Original Opinion	Original Recommendations (H,M,L)	Original Total Recs (H)	Timescale / Officer Responsible	Further Follow Up Scheduled	Outcome	RAG Status
Overseas' Travel (25/04/2013)	T&R [Human Resources] and Authority-Wide	Limited	Original audit completed in May 2012 resulting in 1 high and 3 medium priority recommendations. High priority recommendation was: Reporting of overseas visits to Members should be reinstated and retrospective reports presented listing travel undertaken and the associated costs and benefits for all overseas travel undertaken since 31 December 2007.	4 (1)	August 2013 Frank Games and Tony Williams	Aug-13	1 high priority recommendation is in the process of being implemented. Following completion of the review of the Constitution an appropriate Committee will be identified and reporting will resume. The 3 medium priority recommendations will be implemented when the overseas' travel policy is reviewed and approved by Members'.	A
Use of Council Credit Cards (23/04/2013)	T&R [Finance] and Authority-Wide	Limited	Original audit completed in May 2012 resulting in 1 high, 4 medium and 1 Low priority recommendation. High priority recommendation was: Each department should introduce a procedure for a senior officer, other than the cardholder to review and approve the expenditure as shown on the monthly statement and supported by relevant invoices, receipts, vouchers etc.	6 (1)	August 2013 Lynda Burns	Aug-13	1 high, 2 medium and 1 low priority recommendation has been implemented. The 2 remaining medium priority recommendations have not been implemented by all departments. Lynda Burns to issue a reminder to departmental contacts.	A

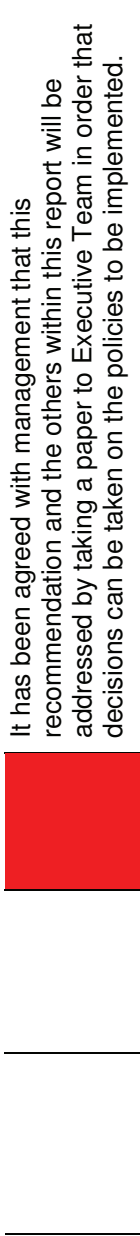

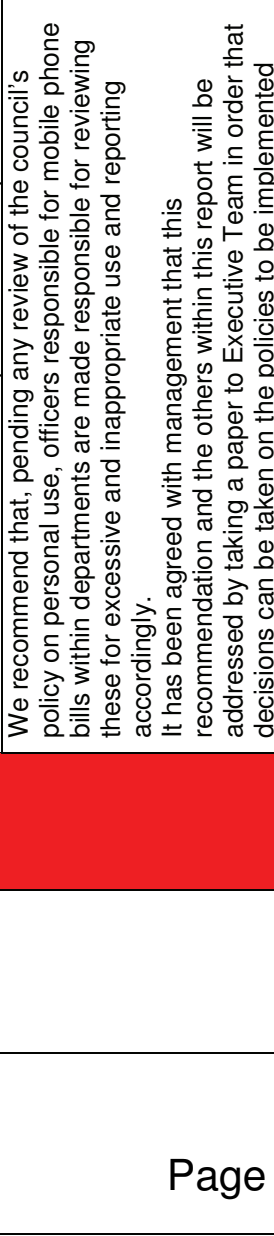
<p>Cambridge Road (09/04/2013)</p>	<p>F&W [DASS]</p>	<p>Limited</p>	<p>Original audit completed in November 2012 resulting in 10 high and 10 medium priority recommendations. High priority recommendations were:</p> <ol style="list-style-type: none"> 1. Conflict of Interest forms should be completed as soon as possible by all staff. A 'nil' return should be noted where appropriate. The forms should be completed annually and updated as changes occur. 2. A Register of Gifts and Hospitality should be maintained. The Register should be used to record all items received and refused and should be subject to a periodic review by the Acting Manager. 3. The Financial Procedures should be developed to ensure that all of the following areas of financial activity are included: Petty cash, Income. Comprehensive procedures should be produced for the following areas: Purchasing, Personnel and Payroll. Once the procedures have been produced, these should be approved and periodically reviewed. All staff should be made aware of the procedures. 4. Staff should be made aware of the insurance limit for the safes and the procedure when the limit is exceeded. This procedure should be documented 5. i) A Security Policy should be produced covering all aspects of the site and assets held. ii) The charge made to service users for tea and coffee should cease until confirmation of approval of the charge has been sought and obtained. If the charge has not been approved, the decision should be made whether a charge should or should not be levied. The charge should then be approved and applied consistently by all establishments. A Charge Policy should then be produced for the Centre which includes all charges levied. Once produced the policies should be approved and staff should be made aware. 6. Petty cash vouchers should be signed by the person making the claim when payment is received. The Imprest limit should be raised to a reasonable level to cover expenditure and to allow for the delay in reimbursing the petty cash. 7. The record of income received should be updated to include the period the payments cover. 	<p>20 (10)</p>	<p>June 2013 Establishment Manager</p>	<p>Jun-13</p>	<p>11 recommendations have been implemented of which 5 are of a high priority and 6 of a medium priority. 5 recommendations are in the process of being implemented of which 3 are of a high priority and 2 of medium priority. The remaining 4 recommendations of which 2 are high and 2 are medium are yet to be actioned.</p> <p>There is a commitment by the management to implement all outstanding recommendations by the next follow up date of June 2013</p>	<p>A</p>
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<p>Stanton Rd Primary School (09/04/2013)</p>	<p>F&W [CYPD]</p>	<p>Limited</p>	<p>8. Guidance should be sought from Head Office to confirm what income should be paid into the budget and into the Amenity Fund. 9. A review of the key holding arrangements should take place. An independent person should monitor the use of the facilities. The application form for lettings should be updated to include the charge per session and the requirement for the manager to accept and approve the letting. 10. Orders regarding health and safety issues should be investigated and actioned as a matter of urgency. The communication between the Department for Adult Social Services establishments and the Property Services team should be strengthened. The roles, responsibilities and service provision between the two departments should be documented and approved. Original audit completed in November 2011 resulting in 5 high priority recommendations: The Charging Policy should be updated to incorporate all charges for hiring's and lettings, and presented annually to the full Governing Body for approval. The Letting Policy should be approved by the full Governing Body. The Governing Body should agree the charges and terms and conditions of hiring/letting for the use of school facilities and services. An official hiring/letting agreement should be in place for all individuals or clubs who hire the schools facilities and premises. Invoicing for all hirings/lettings should be on the day of the hiring/letting or in advance for regular block bookings. An independent person should monitor the hiring/letting invoicing through Sundry Debtors reporting.</p>	<p>5 (5)</p>	<p>June 2013 Head Teacher</p>	<p>Jun-13</p>	<p>This is the 2nd follow up audit with no recommendations having been implemented following the 1st. 3 recommendations have now been implemented with assurances provided that the remaining 2 are in the process of being implemented.</p>	<p>R</p>
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<p>Mobile Phones (25/04/2013)</p>	<p>Authority-Wide</p>	<p>Minimum</p>	<p>An effective separation of duty should be in place on the income system and evidenced with a signature and date. Envelopes containing lunch money should be opened on a witness basis. The income record should be updated to include the banking period. The bank paying in slips should be reconciled to the income records and dated and signed. An independent review of the income received to the income banked should take place regularly and evidenced with a signature and date. The Financial Procedures Manual should be updated to include all the relevant areas of the income system. All staff should be made aware of the procedures which should be adhered to at all times. A regular review of the Financial Procedures Manual should take place and approved by the governing body. The approval should be evidenced in the minutes of the full Governing Body. A procedure should be in place to confirm receipt of income. If receipts are to be issued upon request then an official Wirral receipt book should be used.</p>	<p>7 (5)</p>	<p>August 2013 Human Resources Manager</p>	<p>Aug-13</p>	<p>None of the recommendations have been actioned. The Human Resources Manager has committed to arrange meetings with the Chief Information Officer and Strategic Director for Transformation and Resources to agree actions necessary.</p>	<p>R</p>
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<p>Internal Audit maintains that centralising the processes for managing the Authority's mobile phone system would provide greater control than the current decentralised arrangements. However, if this can not be implemented due to factors such as resource implications, it is then recommended that Human Resources:</p> <ul style="list-style-type: none"> i) Utilise the HR system as a repository for maintaining records of all employees that have been issued a mobile phone, including defining a process to ensure that these records are updated accordingly; ii) Consider if pre-determined roles that require mobile phone technology can be identified, in collaboration with Council Chief Officers, and included within appropriate HR systems; iii) Develop a business case template for employees requesting a mobile phone; and iv) Establish a process for the transfer of mobile phones between employees or suspending/removing devices from the supplier's contract. 	<p>To ensure the Council is not continuing to pay for unused/unauthorised mobile phones, the Finance Department should provide Chief Officers with a list of all unknown mobile numbers in order for them to be identified. Action should then be taken to suspend/cancel appropriate mobile phone lines as appropriate.</p>	<p>A procurement group should be established, consisting of representation from IT Services and Corporate Procurement, to review the use of high end mobile phones in the Council. The procurement group should establish:</p> <ul style="list-style-type: none"> i) The specification and selection of suitable handsets that are based on cost, technology infrastructure and user needs that should be included in the future contract tender documentation; ii) The compliance requirements in respect to Government Connect Code of Compliance (CoCo) for any mobile phone deemed appropriate for use by the Council; and iii) Whether any approved mobile phones and dongles can be classified as catalogue items on the i-Procurement system instead of going through the non-catalogue route process to provide greater control.
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<p>Mobile Telecomms Usage (25/04/2013)</p>	<p>Authority-Wide</p>	<p>Minimum</p>	<p>IT Services, in consultation with the Payments Manager, should identify the required information that should be collected at the point of order for all mobile phones to ensure electronic billing can be utilised efficiently and effectively and expenditure can be coded to the correct cost centre. Additionally, it should be ensured that all mobile phone orders are included as part of the electronic billing process.</p>	<p>Original audit completed in November 2012, resulting in 3 high priority recommendations:</p>	<p>3 (3)</p>	<p>August 2013 Human Resources Manager</p>	<p>Aug-13</p>	<p>None of the recommendations have been actioned. The Human Resources Manager has committed to arrange meetings with the Chief Information Officer and Strategic Director for Transformation and Resources to agree actions necessary.</p>	<p>R</p>	
			<p>The authority should review its policy on private usage of mobile phones. The policy requirement to reimburse personal use should be enforced or abandoned. We do not believe that a technical solution identifying personal use and automatically billing officers will prove to be feasible. The available options therefore appear to be-</p> <ul style="list-style-type: none"> • Centralise the management of mobile phones and appoint an officer with responsibility for administering the phones and collecting the reimbursements for personal use. (In view of the new contract, which charges a flat rate per month irrespective of usage, a view will have to be taken as to how to value personal use e.g. a flat rate per call); • Charge all users a flat rate for personal use deducted from salary, the onus being on the user to show no personal use to have the charge withdrawn; • Change the policy such that no private usage is permitted except in cases of emergency and such cases to be reimbursed. <p>Pending any decision on the above, all officers with mobile phones should be reminded of the requirement to reimburse the council for private usage in accordance with the policy.</p>							

<p>It has been agreed with management that this recommendation and the others within this report will be addressed by taking a paper to Executive Team in order that decisions can be taken on the policies to be implemented.</p>	<p>Automatic roaming of phones should be disabled for all phones and re-instated on a case by case basis only in respect of officers travelling overseas on authorised business or senior officers who need to be contacted when on holiday overseas.</p>	<p>It has been agreed with management that this recommendation and the others within this report will be addressed by taking a paper to Executive Team in order that decisions can be taken on the policies to be implemented.</p> <p>We recommend that, pending any review of the council's policy on personal use, officers responsible for mobile phone bills within departments are made responsible for reviewing these for excessive and inappropriate use and reporting accordingly.</p> <p>It has been agreed with management that this recommendation and the others within this report will be addressed by taking a paper to Executive Team in order that decisions can be taken on the policies to be implemented</p>			
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BUSINESS PLAN PROGRESS REPORT

Appendix 2

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	60%
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. <i>Training prepared, to be delivered to Members at scheduled session in April 2013. Awaiting feedback from Members on availability.</i>	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	100%

Replace/upgrade Internal Audit APACE planning and Management system. <i>(Evaluating options at present.)</i>	MPN	Sept 13	30%
Review and evaluate Internal Audit staffing structure for fitness for purpose.	PT/MPN	Mar 13	100%
Report outcome of this objective to ARMC and Improvement Board. <i>(Regular updates on progress to ARMC at every meeting)</i>	PT/MPN	Mar 14	80%

In addition, following improvement targets added:

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

Planned assessment against Public Sector Audit Standards scheduled for August 2013, reporting to Members in Sept 2013,

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

Excellent Internal Auditor implementation scheduled for Sept 2013.

Development of Intranet to communicate with clients scheduled for Sept 2013.

Implementation of Post Audit Assessment system scheduled for Dec 2013.

Equality Impact Toolkit

Section 1:	Your details
Council officer:	M P Niblock
Email address:	markniblock@wirral.gov.uk
Head of Service:	Chief Internal Auditor
Chief Officer:	Interim Director of Finance
Department:	Finance Department
Date:	30/05/13

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 – 10 June 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

10 JUNE 2013

SUBJECT:	ARMC SELF ASSESSMENT UPDATE
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 completed the checklist and a report and Action Plan identifying those areas for improvement arising from the exercise was presented to this Committee in March 2013.
- 1.3 Attached at Appendix 1 is the aforementioned Action Plan annotated to indicate the current status of the identified actions.

2.0 RECOMMENDATION

- 2.1. That the Members note the report.

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 and 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
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APPENDICES

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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DRAFT ACTION PLAN

AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT

Appendix 1

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 & Member Services/ Director of Transformation & Resources	Y	Sept 13	<p>Training events are currently being organised to cover areas identified, see below:</p> <p>Mark Gandy (MG) to deliver IA related training. MG is currently liaising with Members over a suitable date to deliver the training. Surjit Tour will deliver the Regulatory Regime training at this session also.</p> <p>Mike Lane to deliver training on Risk Management in Sept 2013.</p>	
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 & Member Services	Y	Oct 13	<p>a) Surjit Tour will arrange to have the Terms of Reference (TOR) reviewed via the Oversight Committee or by Council at the Autumn 2013 meeting.</p> <p>b) The TOR will be amended to include the frequency of meetings.</p>	

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DRAFT ACTION PLAN

AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT

Appendix 1

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 & Member Services	Y	Oct 13	ST will embark on a review of ARMC membership and will include as an agenda item for discussion at the Autumn 2013 Council meeting.	
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 & Member Services/ Members	Y	Sept 13	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. During PDP discussions the Member has the opportunity to outline any new areas of work or challenges. To date 49 of the 66 Members have completed a PDP. There are two representatives from each party who have the responsibility for ensuring Members complete their PDP.	

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DRAFT ACTION PLAN

AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT

Appendix 1

File Ref: ARM/01/03/13

Ref	Recommendations	Priority	Officer Responsible	Agreed	Planned Action Date	Client Comments	Date Verified (For Audit use only)
R.5	<p>Agenda papers for Audit and Risk Management Committee meetings should be circulated in advance of meetings to allow adequate preparation by the Members.</p> <p>Consideration should be given to introducing a second weekly mail drop for Members to ensure that adequate preparation time is provided.</p>	Medium	Head of Legal & Member Services	Y	Sept 13	<p>a) The vast majority of ARMC agendas are sent out on the 2nd Friday preceding the meeting, which is longer than the recommended 5 days. For this municipal year Committee Services (CS) will be monitoring late submission of reports in order to drive performance.</p> <p>b) This has been considered by CS and a second weekly mail drop will not be introduced. The Council is currently driving improvement in Members IT access. CS have been exploring electronic access to better access committee reports in a more timely and effective manner.</p>	
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	June 13	Mark Delap (MD) - Principal Committee Services Officer has included this reminder on the 10 June 2013 ARMC agenda.	

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DRAFT ACTION PLAN

AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT

Appendix 1

File Ref: ARM/01/03/13

Ref	Recommendations	Priority	Officer Responsible	Agreed	Planned Action Date	Client Comments	Date Verified (For Audit use only)
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 be prepared to present their departmental risk registers to Audit and Risk Management Committee periodically for consideration.	High	Head of Legal & Member Services/ Director of Transformation & Resources/Members	Y	Sept 13	Mike Lane is scheduled to deliver additional Risk Management training following revision and approval of the Risk Management Framework and Processes.	
R.8	A mechanism should be put in place to ensure that the Audit and Risk Management Committee Members are aware of topical legal and regulatory issues, for example by receiving relevant circulars.	Medium	Head of Legal & Member Services/ Director of Transformation & Resources	Y	Sept 13	Mark Niblock (MN) will arrange to have relevant notices from CIPFA etc.. placed on the Councillor net resource. MN and ST to consider producing a 6 monthly or quarterly briefing note for Members.	
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	Director of Transformation & Resources	Y	Sept 13	Director of Transformation & Resources will consider introducing performance measures to enable a regular review of External Audit.	
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 & Member Services/ Director of Transformation & Resources	Y	Sept 13	MN and MD to liaise with the Chair of the ARMC over preparation and planning of agendas for the Committee.	

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DRAFT ACTION PLAN

AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT

Appendix 1

File Ref: ARM/01/03/13

Ref	Recommendations	Priority	Officer Responsible	Agreed	Planned Action Date	Client Comments	Date Verified (For Audit use only)
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	June 13	MD will attach a copy of the TOR to the 10 June 2013 ARMC agenda and include a reminder to Members to familiarise themselves with the TOR.	

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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:	Chief Internal Auditor
Chief Officer:	Interim Director of Finance
Department:	Finance Department
Date:	30/05/13

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

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 – 10 June 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

10 JUNE 2013

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

1.0 EXECUTIVE SUMMARY

- 1.1. Following the publication of Public Sector Internal Audit Standards (PSIAS) on 1st April 2013 the Internal Audit Charter has been reviewed and updated to ensure that it complies with the new standards.
- 1.2 The revised and updated Internal Audit Charter is attached at Appendix 1.

2.0 BACKGROUND

- 2.1 The PSIAS were adopted by Relevant Internal Audit Standard Setters (RIASS), which includes representatives from all Governments covering England, Scotland, Ireland and Wales; the Health Sector and the Chartered Institute of Public Finance and Accountancy (CIPFA), in respect of Local Government across the UK.
- 2.2 The standards are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), and are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
- 2.3 The standards reaffirm the importance of robust, independent and objective internal audit arrangements, to provide senior management with the key assurances they need to support them both in managing the organisation and in producing the Annual Governance Statement.

3.0 INTERNAL AUDIT CHARTER

- 3.1 The Internal Audit Charter establishes the purpose, authority and responsibilities for the Internal Audit Service for Wirral Council and establishes internal audits position within the Council, including:
 - Reporting lines and access to records

- personnel and physical property relevant to the performance of audit work
- arrangements for the appointment of the Chief Internal Auditor and internal audit staff
- the nature of professionalism, skills and experience required; and
- the scope of Internal Audit activities.

3.2 The Chief Internal Auditor will periodically review the charter and present it to the Audit and Risk Management Committee for approval.

3.3 A quality assurance review and improvement programme will be undertaken periodically by the Chief Internal Auditor to ensure that the Internal Audit function remains compliant with the PSIAS.

3.4 The Internal Audit Charter has been comprehensively reviewed and updated by Internal Audit to ensure that it complies with the new PSIAS and a copy is attached at Appendix 1.

4.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

4.1 There are none arising from this report.

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

5.1 There are none arising from this report.

6.0 LEGAL IMPLICATIONS

6.1 The PSIAS set out the work of the internal auditor and the expectations placed upon them in auditing local government bodies.

7.0 EQUALITIES IMPLICATIONS

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

No because there is no relevance to equality.

8.0 CARBON REDUCTION IMPLICATIONS

8.1 There are none arising from this report.

9.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

9.1 There are none arising from this report.

10.0 RECOMMENDATIONS

10.1 That the Members endorse the revised Internal Audit Charter.

11.0 REASON FOR RECOMMENDATION

- 11.1 To provide the Members with assurance that the Internal Audit function is taking appropriate measures to comply with statutory requirements.
- 11.2 To ensure that the Internal Audit Charter is up to date and complies with the PSIAS.
- 11.3 That the Internal Audit Charter be made available to all Members, Officers' and Partners by being included on the Council Intranet site.

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

APPENDICES

Appendix 1: Internal Audit Charter

REFERENCE MATERIAL

Public Sector Internal Audit Standards

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	

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**DRAFT
INTERNAL AUDIT CHARTER**

Approval Date:

Background

The purpose of this Internal Audit Charter is to define internal audit's purpose, authority and responsibility. It establishes internal audit's position within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of internal audit activities.

This Charter also covers the arrangements for the appointment of the Chief Internal Auditor and internal audit staff, and identifies the nature of professionalism, skills and experience required.

Definition

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.

The Public Sector Internal Audit Standards require that the internal audit charter defines the terms 'board' and 'senior management' in relation to the work of internal audit. For the purposes of internal audit work, the 'board' refers to the Council's Audit and Risk Management Committee which has delegated responsibility for overseeing the work of internal audit. Senior management is defined as the Chief Executive, the Assistant Chief Executive and members of the Council's Corporate Strategy Group.

Standards

The internal audit function is required to comply with Public Sector Internal Audit Standards (PSIAS). The Relevant Internal Audit Standard Setters, which includes the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of local government, have adopted the common set of PSIAS from 1 April 2013. The PSIAS encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF). Compliance with the Standards shall be subject to a quality assurance and improvement programme in line with the Standards.

Responsibilities and Objectives of Internal Audit

Internal audit is responsible for establishing procedures and applying the required resources to ensure that the service conforms with the Definition of Internal Auditing and the Standards. The members of the internal audit team must demonstrate conformance with the Code of Ethics and the Standards.

The Chief Internal Auditor must deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is the 'assurance role' for internal audit.

Internal audit may also provide an independent and objective consultancy service, which is advisory in nature and generally performed at the specific request of the organisation. The aim of the consultancy service is to help line management improve the Council's risk management, governance and internal control. This is the 'Consultancy' role for internal audit and contributes towards the overall opinion.

Responsibilities of the Council

The Council is responsible for ensuring that internal audit is provided with all necessary assistance and support to ensure that it meets the required standards.

The Section 151 Officer will make appropriate arrangements for the provision of an internal audit service. This will include the formal adoption of this Charter by the Audit and Risk management Committee and the adoption of corresponding elements in the Financial Procedure Rules.

The Council will ensure it has taken all necessary steps to provide internal audit with information on its objectives, risks, and controls to allow the proper execution of the audit strategy and adherence to internal audit standards. This will include notifying internal audit of any significant changes in key control systems which may affect the internal audit plan.

The Council, through the Chief Executive, Section 151 Officer and other relevant managers, will respond promptly to audit plans, reports and recommendations.

Responsibility for monitoring and ensuring the implementation of agreed recommendations rests with the Council.

Independence of Internal Audit

The internal audit activity must be independent and internal auditors must be objective in performing their work. The Chief Internal Auditor must confirm, at least annually, the organisational independence of the internal audit activity. Internal audit shall have no operational responsibilities within the line management structure.

Chief Internal Auditor

The Chief Internal Auditor will be appointed by the Council and will have sufficient skill, experience and competencies to work with the leadership team and the Audit and Risk Management Committee and influence the risk management, governance and internal control of the Council. The Chief Internal Auditor is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS. In addition to internal audit skills, the Chief Internal Auditor will specify any other professional skills that may be needed by the internal audit team. The Chief Internal Auditor will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and the Code of Ethics.

Relationships

The Chief Internal Auditor reports directly to the Section 151 Officer. The Chief Internal Auditor, or an appropriate representative of the internal audit team, shall attend meetings of the Audit and Risk Management Committee unless, exceptionally, the Committee decides that they should be excluded from either the whole meeting or for particular agenda items.

The Chief Internal Auditor shall have an independent right of access to the Chair of the Audit and Risk Management Committee. In exceptional circumstances, where normal reporting channels may be seen to impinge on the objectivity of the audit, the Chief Internal Auditor may report directly to the Chair of the Audit and Risk Management Committee.

Internal Audit and External Audit will agree a protocol for co-operation which will make optimum use of the available audit resources.

Scope of Internal Audit

The Chief Internal Auditor should develop and maintain a strategy for providing the Section 151 Officer economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the Council's risk management, governance and internal control arrangements. The strategic internal audit plan will be risk based, prepared in consultation with Directorate Management Teams and presented to the Audit and Risk Management Committee for approval. The Chief Internal Auditor's opinions are a key element of the framework of assurance the Chief Executive and the Leader of the Council need to inform the completion of the Annual Governance Statement (AGS).

Opinion Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

Governance

Internal audit must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- promoting appropriate ethics and values within the organisation;
- ensuring effective organisational performance management and accountability;
- communicating risk and control information to appropriate areas of the organisation; and
- co-ordinating the activities of and communicating information among the Audit & Risk Management Committee, external and internal auditors and management.

Risk Management

Internal audit must evaluate the effectiveness and contribute to the improvement of risk management processes by assessing:

- organisational objectives support and align with the organisation's mission;
- significant risks are identified and assessed;
- appropriate risk responses are selected that align risks with the organisation's risk appetite; and
- relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

Internal Control

Internal audit must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- achievement of the organisation's strategic objectives;
- reliability and integrity of financial and operational information;
- economical, effective and efficient use of resources;
- effectiveness and efficiency of operations and programmes;
- safeguarding of the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity corruption or bribery; and
- compliance with laws, regulations, policies, procedures and contracts.

Where key systems are being operated on behalf of the Council or where key partnerships are in place the Chief Internal Auditor must ensure arrangements are in place to form an opinion on their effectiveness.

Where the Council operates systems on behalf of other bodies, the Chief Internal Auditor must be consulted on the audit arrangements proposed or in place.

It is management's responsibility to ensure the provision for relevant audit rights of access in any contract or Service Level Agreement the Council enters into, either as provider or commissioner of the service.

Non - Opinion Work

Internal audit may provide, at the request of management, a consultancy service which evaluates the policies, procedures and operations put in place by management. A specific contingency should be made in the internal audit plan to allow for management requests and consultancy work. The Chief Internal Auditor must consider the effect on the opinion work before accepting consultancy work or management requests over and above the contingency allowed for in the internal audit plan. In the event that the proposed work may jeopardise the delivery of the internal audit opinion, the Chief Internal Auditor must advise the Section 151 Officer before commencing the work. The Chief Internal Auditor must consider how the consultancy work contributes towards the overall opinion.

Fraud

Managing the risk of fraud is the responsibility of line management; however the Section 151 Officer retains specific responsibilities in relation to the detection and investigation of fraud. The Internal Audit Service provides a counter fraud function that includes undertaking work of a proactive nature, conducting substantive audits in key risk areas as well undertaking some reactive work of an investigatory nature involving suspected fraud. In addition, the service is responsible for maintaining effective counter fraud policies and procedures for the Council including the Counter Fraud and Corruption, Money Laundering and Bribery and Corruption policies. Internal audit should be notified of all suspected or detected fraud, corruption or impropriety, to inform their opinion on the control environment and their audit plan.

Reporting

The Chief Internal Auditor will agree reporting arrangements with the Section 151 Officer which will include procedures for the:

- distribution and timing of draft audit reports;
- Council's responsibilities in respect of responding to draft audit reports;
- distribution of finalised audit reports;
- follow up by internal audit of agreed recommendations; and
- escalation of recommendations where management responses are judged inadequate in relation to the identified risks.

The Chief Internal Auditor will present a formal report annually to the Chief Executive, Section 151 Officer and the Audit and Risk Management Committee giving an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management, and internal control. This report will conform to the PSIAS for the Head of Internal Audit Opinion statement, and will be timed to support the production of the Council's Annual Governance Statement. Reports of progress against the planned work will be presented to the Audit and Risk Management Committee on a regular basis during the year.

Internal Audit Access Rights

Designated auditors are entitled, without necessarily giving prior notice, to require and receive:

- access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- access at all reasonable times to any land, premises, officer and member of the Council;
- the production of any cash, stores or other property of the Council under an officer's and member's control; and
- explanations concerning any matter under investigation.

Internal Audit Resources

If the Chief Internal Auditor or the Audit and Risk Management Committee consider that the level of audit resources or the terms of reference in any way limit the scope of internal audit, or prejudice the ability of internal audit to deliver a service consistent with the Definition of Internal Auditing and the Standards, they should advise the Chief Executive and the Section 151 Officer accordingly.

Equality Impact Toolkit

Section 1:	Your details
Council officer:	M P Niblock
Email address:	markniblock@wirral.gov.uk
Head of Service:	Chief Internal Auditor
Chief Officer:	Interim Director of Finance
Department:	Finance Department
Date:	30/05/13

Section 2:	What Council function / proposal is being assessed?
	INTERNAL AUDIT CHARTER

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 – 10 June 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

10 JUNE 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 Strategic Internal Audit Plan that was presented to this Committee in March 2013 in draft form for consideration.
- 1.2 The plan has since been presented to the Chief Executive's Corporate Strategy Group and approved for implementation.

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 identifies the Strategic Internal Audit Plan for the next three years and within this the Annual Internal Audit Plan for 2013/14.

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 endorse the 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
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

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

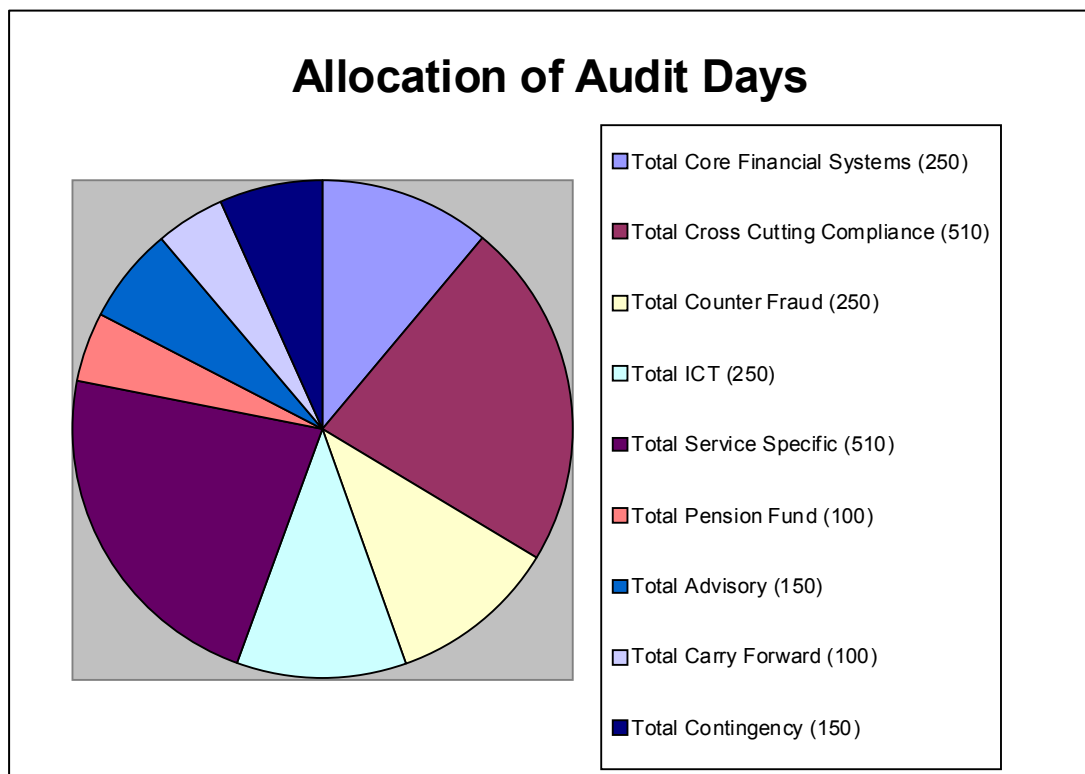
2.2. The allocation of audit days is summarised as follows:

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
NDR		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:	Chief Internal Auditor
Chief Officer:	Interim Director of Finance
Department:	Finance Department
Date:	30/05/13

Section 2: What Council function / proposal is being assessed?
INTERNAL AUDIT STRATEGIC PLAN

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 – 10 June 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 Merseyside Pension Fund

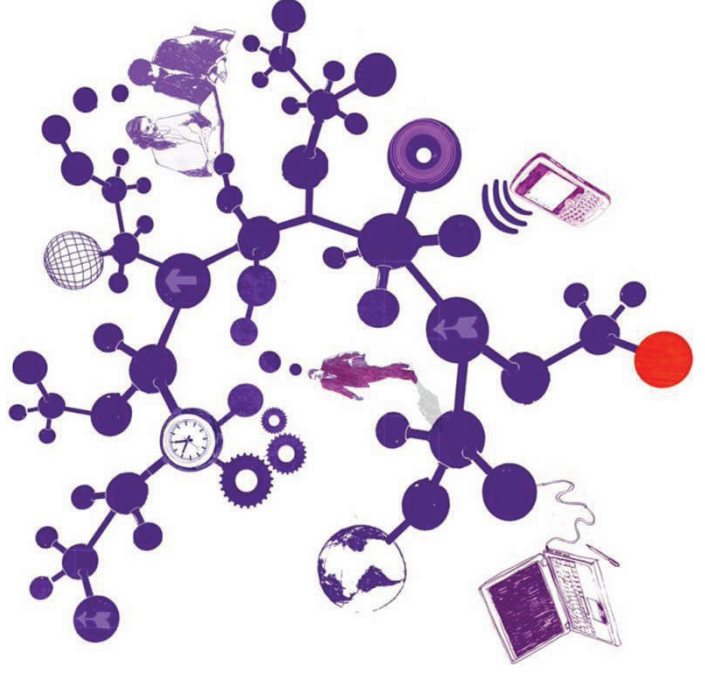
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30 May 2013

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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 Pension Fund 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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Understanding your business

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

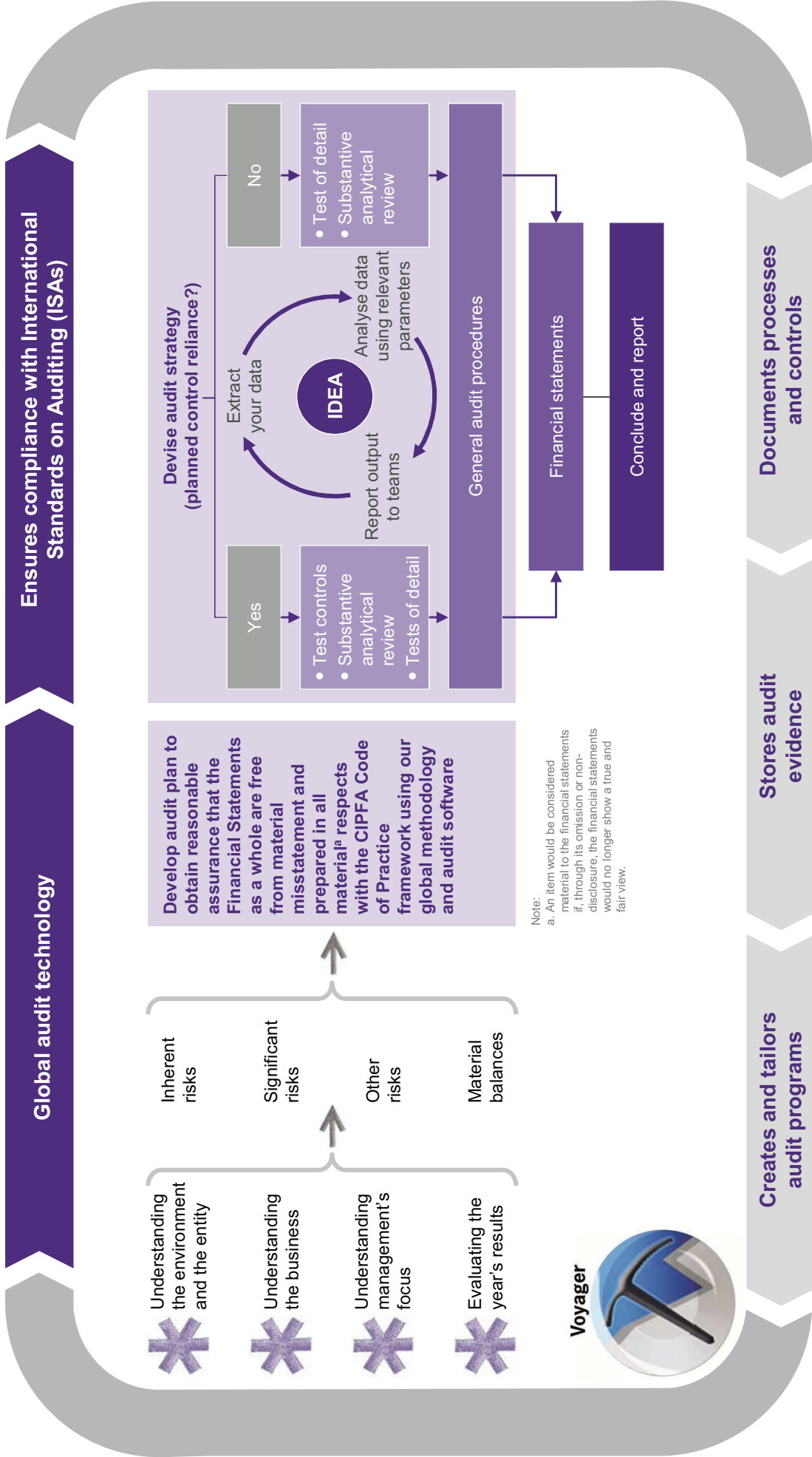
Challenges/opportunities	
<p>1. Change in custodian</p> <ul style="list-style-type: none"> The Pension Fund has appointed a new custodian, Northern Trust, in 2012/13. All holdings/records under the safeguard of State Street transferred to Northern Trust in year. There is a risk of inaccurate transfer of assets which may lead to misstatement in the financial statements. 	<p>2. AXISe to Altair</p> <ul style="list-style-type: none"> The pensions administration system AXISe is being upgraded to Altair in the year.
<p>3. Appointment of passive management services.</p> <ul style="list-style-type: none"> MPF have appointed a provider of passive management services. This has led to a £1.4bn movement of asset class in the year. 	<p>4. Change in bank</p> <ul style="list-style-type: none"> The pension fund has changed its provider of banking services from RBS to Lloyds TSB.
	
Our response	
<ul style="list-style-type: none"> We will review and test the pension funds reconciliations of the assets before and after the date of transfer. We will have regard to the custodian's project plans, and review to assess adherence to the plans. We will obtain direct confirmation from state street to confirm they no longer hold assets for the pension fund, and to gain assurance that securities are transferred to Northern Trust. We will, where possible, take assurance from the work of internal audit. 	<ul style="list-style-type: none"> We will gain assurance that the new system is operating effectively, and generates correct information for inclusion within the financial statements. We will review the data migration from AXISe to Altair, reviewing reconciliations prior and post system change to ensure the records held in the new system are accurate. We will, where possible, take assurance from the work of internal audit.
<ul style="list-style-type: none"> We will substantively test the assets to ensure that all assets were transferred, and that classification and valuation are materially accurate at year end. 	<ul style="list-style-type: none"> We will review and test the pension funds reconciliations before and after the date of transfer of banks. We will obtain direct confirmation from RBS to confirm that balances have been transferred to Lloyds TSB.

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"> CIPFA publication of a revised set of example accounts for pension funds in 2013. 	<p>5. Triennial valuation</p> <ul style="list-style-type: none"> Demands on pension funds' time in terms of administering the information to pass to the actuary and regular dialogue with the actuary.
<p>2. LGPS 2014</p> <ul style="list-style-type: none"> Planning for the impact of the implementation of career average re-valued earnings scheme (CARE) from 1 April 2014. 	<p>4. Financial Pressures – Pension fund</p> <ul style="list-style-type: none"> Pension funds are increasingly requiring to withdraw from assets to fund the demand on benefits payable that are not covered by contributions in year. Pension fund investment strategies need to be able to respond to these demands as well as the changing nature of investment markets.
<p>3. Financial Pressures – scheduled and admitted bodies</p> <ul style="list-style-type: none"> Managing pensions administration where contributing bodies are offering early retirement and redundancies placing additional workload on the pension fund in dealing with severance arrangements. 	<p>Our response</p> <ul style="list-style-type: none"> We will maintain regular dialogue with management to assess the impact this may have on the administration of the Pension fund. We will raise any concerns with those charged with governance.
<p>Our response</p> <ul style="list-style-type: none"> We will ensure that the Pension Fund complies with the requirements of the CIPFA Code of Practice through our substantive testing 	<p>Our response</p> <ul style="list-style-type: none"> We will maintain regular dialogue with management to assess the impact this may have on the administration of the Pension fund. We will raise any concerns with those charged with governance.
<p>Our response</p> <ul style="list-style-type: none"> We will discuss the impact of the changes with the Pension Fund through our regular meetings with senior management and those charged with governance, providing a view where appropriate. 	<p>Our response</p> <ul style="list-style-type: none"> We will monitor the changes being made to the pension fund investment strategy through our regular discussions with senior management and those charged with governance. We will consider the impact of changes on the nature of investments held by the pension fund and adjust our testing strategy as appropriate.

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.

	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Planned control reliance?	Substantive testing?
Contributions receivable	Yes	Scheme Contributions	Medium	Other	Recorded contributions not correct	Yes	✓
Transfers in	Yes	Transfers in to the scheme	Low	None		No	✓ If material
Pensions payable	Yes	Benefit payments	Medium	Other	Member data not correct/Benefits im properly computed/claims liability understated	Yes	✓
Payments to and on account of leavers	Yes	Benefit payments	Low	None		No	✓ If material
Administrative expenses	No	Administrative expenses	Low	None		No	X
Investment income	Yes	Investments	Medium	Other	Investment activity not valid	No	✓

An audit focused on risks (continued)

	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Planned controls assurance?	Substantive testing?
Profit and loss on disposal of investments and changes in value of investments	Yes	Investments	Medium	Other	Investment activity not valid	No	✓
Taxes on income	No	Investments	Low	None		No	X
Investment management expenses	No	Investments	Low	None		No	X
Investments	Yes	Investments	Medium	Other	Investments not valid Fair value measurement not correct	No	✓
Current assets	No	Scheme Contributions, investments and cash	Low	None		No	X
Current liabilities	No	Benefit payments, investments	Low	None		No	x

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgemental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgemental 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
Revenue	Under ISA 240 there is a presumed risk that revenue (which for the purposes of Merseyside Pension Fund we have considered as investment income, transfers into the scheme and contributions) may be misstated due to the improper recognition of revenue.	<ul style="list-style-type: none"> • Review and testing of revenue recognition policies for both contributions and investment income; and • Performance of sample testing on material contribution and investment income streams.
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.	<ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management; • Testing of journals entries; and • 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	Planned audit procedure
Investments	Investments not valid Investments activity not valid Fair value measurement not correct	<ul style="list-style-type: none"> We will review the reconciliation between information provided by the fund managers, the custodian and the pension fund's own records and seek explanations for any variances. We will have particular regard to the in year change of custodian and seek to gain assurance over the accuracy and completeness of the transfer of assets. We will also have particular regard to the appointment of passive management services and subsequent transfer of £1.4bn of assets in the year. We will select a sample of the individual investments held by the Scheme at the year end and then test the valuation of the sample by agreeing prices to third party sources where published (quoted investments) or by critically assessing the assumptions used in the valuation (unquoted investments and direct property investments). The existence of investments will be confirmed directly with independent custodians or by agreement to legal documentation. We will test a sample of sales and disposals during the year back to detailed information provided by the custodian and fund managers.
Benefit Payments	Benefits improperly computed/claims liability understated	<ul style="list-style-type: none"> We will select a sample of individual transfers, pensions in payment (new and existing), lump sum benefits and refunds which are tested by reference to the member files. This testing is designed to ensure that all the appropriate documentation is correctly filed and internal control procedures operated by Merseyside Pension Fund have been followed. We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year together with comparing pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained. The movements on membership statistics will also be compared to transactions in the accounting records.

Other risks continued

Other reasonably possible risks	Description	Planned audit procedure
Contributions	Recorded contributions not correct.	<ul style="list-style-type: none"> We will test the controls the pension fund operates to ensure that it receives all expected contributions from member bodies. We will rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.
AXISe to Altair	The funds AXISe system (pensions payroll and membership administration system) is being changed in year to Altair.	<ul style="list-style-type: none"> We will gain assurance that the new system is operating effectively, and generates correct information for inclusion within the financial statements.; We will review the data migration from AXISe to Altair, reviewing reconciliations prior and post system change, to ensure the records held in the new system are accurate; and We will, where possible, seek to obtain assurance from the work of internal audit .
Change in bank	The pension fund has changed its provider of banking services from RBS to Lloyds TSB	<ul style="list-style-type: none"> We will review and test the pension funds reconciliations before and after the date of transfer of banks; and We will obtain direct confirmation from RBS to confirm they no longer hold assets of the pension fund.

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:

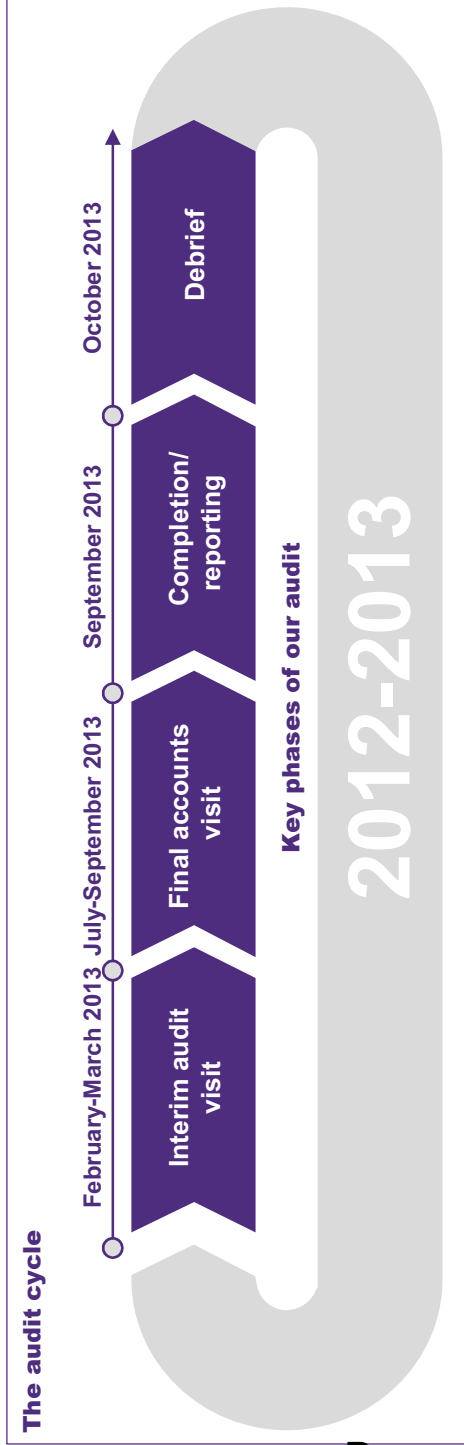
- the effectiveness of the internal audit function
- internal audit's work on the Pension fund's key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement
- a review of Information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

	Work performed	Conclusion/ Summary
Internal audit	<p>We are reviewing internal audit's overall arrangements against the CIPFA Code of Practice. Where the arrangements are deemed to be adequate, we can take 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 Pension Fund.</p>	<p>The Internal Audit Service has been subject to significant changes during the year. For the first part of the year we cannot conclude that the Internal Audit service has provided an independent and satisfactory service to the Pension Fund, and therefore we can not take assurance from their work in contributing to an effective internal control environment at the Pension Fund.</p> <p>We are now assessing the new arrangements that have been in place for the second part of the year. We will review and assess the work undertaken by Internal Audit in respect of the risks to the Pension Fund, and conclude on whether the Internal Audit Service is now contributing positively to the internal control environment and overall governance arrangements within the Pension Fund.</p>
Walkthrough testing	<p>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.</p>	<p>With the exception of year end processes, we have walked through all material systems that we consider present a risk of material misstatements.</p> <p>Whilst no significant issues were noted, and in-year internal controls were observed to have been implemented in accordance with our documented understanding, we have identified the following control weaknesses which we wish to report to you:</p> <ul style="list-style-type: none"> <input type="checkbox"/> We have evidenced that bank reconciliations are being carried out. However, the reconciliation selected for review was not signed or dated. Therefore we cannot confirm the timeliness of review. The Pension Fund must ensure that it signs and dates reconciliations, in accordance with its policies and procedures.

Results of interim audit work (continued)

	Work performed	Conclusion/ Summary
Review of information technology (IT) controls	Our information systems specialist will perform a high level review of the general IT control environment covering both the administering authority (Wirral Council) and Merseyside Pension Fund, 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 Pension Fund's financial statements.	This work is in progress. We will report any significant findings to you as part of the Audit Findings Report.
Journal entry controls	We have reviewed the Pension Fund'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 Pension Fund's control environment or financial statements.	We 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. We will test journal transaction for the remaining part of the year as part of the final accounts visit.

Logistics and our team



Date	Activity
February/ March 2013	Interim site work
10 June 2013	The audit plan presented to Audit Committee
1 July 2013	Year end fieldwork commences
August 2013	Audit findings clearance meeting
TBC	Pensions Committee meeting to report our findings
September 2013	Audit Committee meeting to report our findings
September 2013	Issue opinion on the financial statement and annual report

Our team

<p>Mike Thomas Director T 0161 214 6368 M 07880 456 173 E mike.thomas@uk.gt.com</p>	<p>Heather Green Manager T 0161 234 6381 M 07880 456 201 E heather.green@uk.gt.com</p>	<p>Chris Blakemore Executive T 0161 214 6397 E chris.blakemore@uk.gt.com</p>
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Fees and independence

Fees

	£
Pension fund audit	36,560

Fees for other services

Service	Fees £
Additional work as a result of the extra risks identified. We have identified risks in 2012/13 that may require additional work, over and above the work we would normally expect to undertake to audit your financial statements. The amount of additional work required will be determined by the adequacy of plans and controls implemented by Management, and the level of work undertaken by Internal Audit. If we identify that significant additional work and additional fee is required, we will discuss this in the first instance with Management.	TBC

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 Pension fund and its activities have not changed significantly
- The Pension fund 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 those charged with governance.

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 and Pension fund'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 Pension Fund's key risks when reaching our conclusions under the Code.

The audit of the Pension fund's financial statements does not relieve management or those charged with governance of their 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		✓

Appendices

Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	We have evidenced that bank reconciliations are being carried out. However, the reconciliation selected for review was not signed or dated. Therefore we cannot confirm the timeliness of review. The Pension Fund must ensure that it signs and dates reconciliations, in accordance with its policies and procedures.	Medium	Bank reconciliations are undertaken on a monthly basis. However, MPF will ensure all future bank reconciliations are signed and dated to evidence this.	Immediately. Peter Wallach



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WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

10 JUNE 2013

SUBJECT	CORPORATE RISK REGISTER
WARD/S AFFECTED	ALL
REPORT OF	CHIEF EXECUTIVE
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report was considered and approved by Cabinet on 23 May 2013. This Committee is asked to consider the process and contents and pass any comments to Cabinet.
- 1.2 The report summarises the process followed in undertaking a recent review of the issues contained within the Corporate Risk Register. A draft of the fully populated document is appended. Members are invited to consider and comment on the Register.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Corporate Risk Register is a key element of the Council's risk management Strategy. It summarises those areas of uncertainty which have greatest potential to prevent or frustrate delivery of the Corporate Plan and confirms how the authority is seeking to tackle them. At a strategic level the risks help to inform future priorities and interventions. The actions required to mitigate the risks also influence the content of Directorate Service Plans and the allocation of resources. In that way they are a key component of the corporate planning process and so success in managing these risks is a key factor in overall corporate performance.
- 2.2 The Register was last reported in full to Cabinet in February 2012. The most recent update was provided as part of the 2011/12 Year End Performance and Financial Review submitted to Cabinet in June 2012.
- 2.3 Since that time the Council has experienced significant change both internally and in the wider environment. The establishment of a revised set of objectives through development of 2013/14 Corporate Plan requires a review of the Register. Changes over the past year provide further impetus for this review.
- 2.4 **The Review Process**
- 2.4.1 The register needs to take account of both the corporate objectives and the context within which the Council seeks to deliver them. The process began with a series of interviews with members of the Chief Executive's Strategy Group (CESG). These focussed on the critical short and medium term priorities for the authority and the factors on which their successful delivery depends. The interviews also sought views on conditions in the wider environment over the medium term in relation to the economy demography policy technology and climate.

2.4.2 The output from the interviews was presented to CESG on 23 April by the Risk & Insurance Officer. The presentation also contained an initial list of significant risks grouped into those associated with the internal operation of the Council and those arising from the external environment. The initial list was reviewed and discussed by the Group and the list revised.

2.4.3 Through further discussion with members of CESG information was gathered on the potential impact of each risk on the Council and the wider community the steps being taken to address it including activity within the Improvement Plan and further action that could be considered if existing mitigation was judged to be insufficient. Lead responsibility for each risk was also assigned to a Strategic Director or Director.

2.4.4 The above information was used to inform an initial view on the significance of each risk and incorporated into the draft register document appended to this report. The matrix used to score the risks is replicated below

		Impact				
		Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Likelihood	Very High (5)	5 Very low impact but very high likelihood	10 Low impact but very high likelihood	15 Medium impact but very high likelihood	20 High impact and very high likelihood	25 Very high impact and very high likelihood
	High (4)	4 Very low impact but high likelihood	8 Low impact but high likelihood	12 Medium impact but high likelihood	16 High impact and high likelihood	20 Very high impact and high likelihood
	Medium (3)	3 Very low impact and medium likelihood	6 Low impact and medium likelihood	9 Medium impact and medium likelihood	12 High impact but medium likelihood	15 Very high impact and medium likelihood
	Low (2)	2 Very low impact and low likelihood	4 Low impact and low likelihood	6 Medium impact and low likelihood	8 High impact but low likelihood	10 Very high impact but low likelihood
	Very Low (1)	1 Very low impact and very low likelihood	2 Low impact and very low likelihood	3 Medium impact and very low likelihood	4 High impact but very low likelihood	5 Very high impact but very low likelihood

2.5 Next Steps

2.5.1 Individual directorates are currently developing risk registers as part of the service planning process. Significant risks identified through this activity will be summarised for consideration by CESC and where appropriate added to the corporate risk register.

2.5.2 The register is intended to be a tool to be used by political and executive leaders to inform tactical and operational decision making. As such it needs to be a live document. There will be a formal review by the Chief Executive Strategy Group each quarter. Progress in addressing the existing corporate risks will be monitored and significant risks to programme and operational objectives will be considered for possible temporary inclusion in the register. The full updated register will be reported to Members also on a quarterly basis.

3.0 RELEVANT RISKS

3.1 The issues contained in the register are considered by Chief Executive Strategy Group to present the most significant risks to achievement of the objectives and priorities contained in the Corporate Plan. As such failure to manage them effectively could have severe implications for delivery of the Plan.

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 There are none arising directly from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING AND ASSETS

7.1 Whilst there are no direct implications effective management of the corporate risks will help to mitigate negative impacts on the Council's financial IT and human resources.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising directly from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 There are none arising directly from this report.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 RECOMMENDATION

12.1 Cabinet was asked to consider comment on and approve the draft corporate risk register.

12.2 This Committee is asked to consider the process and contents and pass any comments to Cabinet.

13.0 REASON FOR RECOMMENDATION

13.1 Approval of the risks and the proposed monitoring process will enable officers to focus resources on the most significant threats to delivery of the Council's corporate objectives. The role of Audit & Risk Management Committee has a responsibility to ensure the risk management arrangements are adequate and effective.

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Risk & Insurance Officer
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email: mikelane@wirral.gov.uk

REFERENCE MATERIAL / SUBJECT HISTORY

Council Meeting	Date
Cabinet	
Corporate Risk Register	22 September 2011
Corporate Risk Register	2 February 2012
Corporate Risk Register	23 May 2013

Analysis of Draft Corporate Risks by Category

Internal

Category	Number	Descriptions	Risk Score
Budget	1	Failure to deliver within budgets (<i>BU1</i>)	12
Governance	7	Failure to remodel the Council (<i>GO1</i>)	8
		Reluctance to embrace wholesale change (<i>GO2</i>)	9
		Internal policies & procedures delay change (<i>GO3</i>)	6
		Potential changes to government policy not identified early enough (<i>GO4</i>)	6
		Focus on economic growth not maintained (<i>GO5</i>)	8
		Failure to punch above our weight (<i>GO6</i>)	4
		Use of untried / untested models (<i>GO7</i>)	12
Organisational Development	5	Scale and pace of change exceeds organisational capacity (<i>OD1</i>)	12
		Multiple simultaneous demands on key teams (<i>OD2</i>)	12
		Effective leadership is not embedded (<i>OD3</i>)	8
		Skills within the Council are insufficient (<i>OD4</i>)	8
		New attitudes and behaviours not embedded quickly enough (<i>OD5</i>)	9
IT and Data	2	New IT systems/hardware not implemented in time (<i>IT1</i>)	16
		Quality and availability of data & intelligence (<i>IT2</i>)	9
Partnerships	3	Poor perception of the Council deters others from working with us (<i>PA1</i>)	3
		Lack of resilience in key partnerships (<i>PA2</i>)	9
		The ambitions and priorities of the Council and its partners are not aligned (<i>PA3</i>)	9
Total number	18		

External

Category	Number	Descriptions	Score
Economic	4	Low economic growth (<i>EC1</i>)	16
		Welfare Reforms (<i>EC2</i>)	16
		Inability to provide match funding (<i>EC3</i>)	9
		Failure to grasp the opportunities presented by membership of the LCR (<i>EC4</i>)	8
Demographic	3	Increasing demand for socially provided care (<i>DE1</i>)	16
		Poor lifestyle choices adversely affect public health (<i>DE2</i>)	12
		Failure to equip the community to be more self-reliant (<i>DE3</i>)	9
Technological	1	Technological advance leads to digital exclusion (<i>TE1</i>)	12
Environmental	2	Failure to maintain/protect the environment (<i>EN1</i>)	12
		Growing incidence of extreme weather events (<i>EN2</i>)	12
Policy	2	Growth of academies / free schools (<i>PO1</i>)	9
		Uncertainty over funding post 2015 (<i>PO2</i>)	20
Total number	12		

Draft Corporate Risks Plotted on Corporate Scoring Model

		Impact				
		Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Likelihood	Very High (5)	5	10	15	20	25
	High (4)	4	8	12	16 IT1, EC1, EC2, DE1,	20 PO2
	Medium (3)	3 PA1	6 GO3	9 GO2, OD5, IT2, PA2, PA3, EC3, DE3, PO1	12 BU1, GO7, OD1, OD2, DE2, TE1, EN1, EN2	15
	Low (2)	2	4 G06	6 GO4	8 GO1, G05, OD3, OD4, EC4	10
	Very Low (1)	1	2	3	4	5

Draft Corporate Risks 2013-14
Internal

Risk Description	Lead Officer	Potential Impact	Principal Controls (Current)	Residual Risk Scores			Principal Controls (Planned)
				Impact	Likelihood	Total	

Budget

Failure to deliver within immediate and long term budgets (BU1)	Strategic Director Transformation & Resources	Political impact Damage to reputation Potential government intervention Storing up greater problems for the future Drain on reserves Fiduciary duty not met (S114)	<ul style="list-style-type: none"> • Corporate Plan reflects financial challenge (Priority 3) • Efficiency and Transformational Change Projects specified (Priority 4) • Enhanced monitoring and reporting arrangements • Improved cash flow 	4	3	12	<ul style="list-style-type: none"> • Revised commissioning strategy (Priority 4)
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Governance

Failure to remodel the Council to meet its future challenges (GO1)	Chief Executive	Services might not be delivered to required standards. Needs could go unmet External challenge and scrutiny might continue Potential government intervention Damage to reputation	<ul style="list-style-type: none"> • Wirral's vision set out in Corporate Plan (Priority 1) • CESG focus on coherent new model • Efficiency and Transformational Change Projects specified (Priority 4) 	4	2	8	<ul style="list-style-type: none"> • Review / improve contract management procedures (Priority 2) • Review corporate enabling strategies (Priority 1) • Embed new People and IT strategies • Deliver Transformational Change projects
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Risk Description	Lead Officer	Potential Impact	Principal Controls (Current)	Residual Risk Scores			Principal Controls (Planned)
				Impact	Likelihood	Total	
Reluctance to embrace wholesale change and take difficult decisions (self-imposed boundaries) (GO2)	Chief Executive	Services could not be delivered to required standards. Needs could go unmet Council does not improve - reputation	<ul style="list-style-type: none"> • Cohesive CESG • Closer working with Cabinet • Members briefing and decision-making process (Priority 1) • Member development programme 	3	3	9	<ul style="list-style-type: none"> • Embed the new Constitution • Roll out the Scheme of Delegation • Embed new portfolio structure • Review / improve risk management arrangements (Priority 2)
Internal policies and procedures delay change (GO3)	Chief Executive	Possible slippage in key projects (financial impact) Impact on partners and suppliers (e.g. procurement) Agility could be restricted	<ul style="list-style-type: none"> • Members briefing and decision-making process (Priority 1) • Updated Scheme of Delegation / Member Officer protocol (Priority 2) 	2	3	6	<ul style="list-style-type: none"> • Review Code of Corporate Governance and its supporting policies (Priority 2) • Review / improve procurement processes and procedures (Priority 2) • Embed the new Constitution • Monitor compliance with revised financial regulations and new Contract Procedure rules

Risk Description	Lead Officer	Potential Impact	Principal Controls (Current)	Residual Risk Scores			Principal Controls (Planned)
				Impact	Likelihood	Total	
We do not identify potential changes to government policy and legislation early enough to influence and respond (GO4)	Head of Policy & Performance / Director of Public Health	Opportunities could be missed. Council might be slow to react (e.g. IER)	<ul style="list-style-type: none"> Policy Unit established 	3	2	6	<ul style="list-style-type: none"> Establish a coherent and joined up approach to policy (Priority 2) Enhance business intelligence function (Priority 2) Increased visibility of political and executive leaders with national govt.
The Council does not maintain its focus on economic growth (GO5)	Strategic Director Regen. & Environment	Multiple negative impacts on the community	<ul style="list-style-type: none"> Investment Strategy Investment Strategy Board Priority within Corporate Plan 	4	2	8	<ul style="list-style-type: none"> ERDF business growth programme Regional Growth Fund projects Policy & Performance committee—scrutiny function Capitalise on the potential of the 'Open'
A failure to punch above our weight limits our ambition and our ability to capitalise on opportunities. (GO6)	Chief Executive	Opportunities (government and private sector) might be missed.	<ul style="list-style-type: none"> Chief Executive and senior members / officers engage outside Wirral with national decision-makers 	2	2	4	

Risk Description	Lead Officer	Potential Impact	Principal Controls (Current)	Residual Risk Scores			Principal Controls (Planned)
				Impact	Likelihood	Total	
Use of untried / untested models (mutuals, social enterprises, shared services) (GO7)	Strategic Director Transformation & Resources	Possible service failures Needs could go unmet Damage to reputation Increased costs	<ul style="list-style-type: none"> Transformational Change projects based on robust business cases 	4	3	12	<ul style="list-style-type: none"> Revised commissioning strategy (Priority 4)

Organisational Development

The scale and pace of change required could exceed our organisational capacity (e.g. critical projects) (OD1)	Strategic Director Transformation & Resources	Failure to remodel the organisation Behavioural change might be difficult to achieve Damage to reputation Political impact	<ul style="list-style-type: none"> Senior management team in place, structure published (Priority 1) Review of Change Programme Scope and Governance completed (Priority 4) Focus of Change Team 	4	3	12	<ul style="list-style-type: none"> Complete the restructure (Priority 1)
Multiple simultaneous demands on key teams (HR, Legal, Finance etc.) exceed the available capacity (OD2)	Strategic Director Transformation & Resources	Possible delay to Transformational Change and other critical projects Negative impact on business as usual activity		4	3	12	<ul style="list-style-type: none"> Map requirement of enabling strands against principles

Risk Description	Lead Officer	Potential Impact	Principal Controls (Current)	Residual Risk Scores			Principal Controls (Planned)
				Impact	Likelihood	Total	
Effective leadership is not embedded throughout the organisation (OD3)	Head of Human Resources & OD	Failure to achieve our ambitions Lack of ownership Silo mentality could develop	<ul style="list-style-type: none"> • Senior management team in place, structure published (Priority 1) • Good practice being cascaded 	4	2	8	<ul style="list-style-type: none"> • Design / implement a leadership programme (Priority 1) • Roll out of Comms. Strategy • Leadership expectation requirements • Roll out of Performance Appraisal
Skills within the Council are insufficient to support our future operating model (OD4)	Head of Human Resources & OD	Possible service failures Benefits from re-modelling might not be realised	<ul style="list-style-type: none"> • Redeployment training support in place 	4	2	8	<ul style="list-style-type: none"> • Revised performance appraisal process (Priority 3)
New attitudes and behaviours are not embedded quickly enough (OD5)	Head of Human Resources & OD	Change needed might not be delivered. Benefits of governance improvements might not be realised	<ul style="list-style-type: none"> • Link of values to behaviours in Performance Appraisal 	3	3	9	<ul style="list-style-type: none"> • Design / implement a cultural change programme (Priority 1) • Review and update of HR policies (Priority 3)

Risk Description	Lead Officer	Potential Impact	Principal Controls (Current)	Residual Risk Scores			Principal Controls (Planned)
				Impact	Likelihood	Total	
IT and Data							
New IT systems/hardware are not implemented in time to support the new Council model (IT1)	Director of Resources	Benefits of the new operating model might not be realised. Costs could increase Possible service failures Unreliable data	<ul style="list-style-type: none"> • Project Control and monitoring meetings for all projects established • Infrastructure refresh and Agile systems Programme set up. • Business Relationship Management in new IT structure advises Departments on new projects and is informed of departmental priorities. 	4	4	16	<ul style="list-style-type: none"> • Review corporate enabling strategies (IT) (Priority 1) • Refresh of hardware. • Procure standby generator • Work on Shared Service possibilities • Evaluate options for replacing SWIFT. • Renew Wide Area Network. • Evaluate options to replace existing data centre • Establish IT Governance with IT Strategy Board
Quality and availability of data and intelligence are insufficient to enable us to design services & target effective interventions (IT2)	Head of Policy & Performance / Director of Public Health	Financial inefficiency Needs could go unmet Negative impact on the quality of commissioning		3	3	9	<ul style="list-style-type: none"> • Enhance business intelligence function (Priority 2)

Risk Description	Lead Officer	Potential Impact	Principal Controls (Current)	Residual Risk Scores			Principal Controls (Planned)
				Impact	Likelihood	Total	
Partnerships							
A poor perception of the Council could deter others from working with us or cause us to be excluded from opportunities. (PA1)	Head of Neighbourhoods & Engagement	Potential difficulty in securing Private sector investment and Government support on new initiatives	<ul style="list-style-type: none"> • Communications and Marketing strategy • Local Public Sector Board established 	1	3	3	<ul style="list-style-type: none"> • Capitalise on the potential of the 'Open' • Develop the Local Public Sector Board
Lack of resilience in key partnerships (PA2)	Head of Policy & Performance / Director of Public Health	Potential service failures Needs could go unmet Increased demands on the Council because others cannot help	<ul style="list-style-type: none"> • Health & Wellbeing Board established 	3	3	9	<ul style="list-style-type: none"> • Develop the Health & Wellbeing Board
The ambitions and priorities of the Council and its partners are not aligned (PA3)	Head of Policy & Performance / Director of Public Health	Potential gaps in service provision Possible duplication / inefficient use of effort / resources Cost 'shunting'	<ul style="list-style-type: none"> • Local Public Sector Board established • Health & Wellbeing Board established • (Engage with local and sub regional partners (Priority 2)) 	3	3	9	<ul style="list-style-type: none"> • Develop the Local Public Sector Board and Health & Wellbeing Boards

External

Risk Description	Lead Officer	Potential Impact	Principal Controls (Current)	Residual Risk Scores			Principal Controls (Planned)
				Impact	Likelihood	Total	

Economic

Low economic growth (EC1)	Chief Executive	Reduction in income (budget gap increases) Increased demand for services Negative social impacts	<ul style="list-style-type: none"> Investment Strategy Investment Strategy Board 	4	4	16	<ul style="list-style-type: none"> Deliver Investment Strategy Deliver Visitor Economy strategy ERDF business growth programme Regional Growth Fund projects
Welfare Reforms (EC2)	Chief Executive	Adverse effect on individuals and the local economy	<ul style="list-style-type: none"> Council-led strategic approach to assess the implications and prepare effective policy & delivery responses Hardship fund for those impacted by 'under occupancy penalty' Localised Welfare Assistance Scheme 	4	4	16	<ul style="list-style-type: none"> Deliver additional activity through a Local Partnership Framework. Undertake regular impact assessments Monitor criteria for Localised Welfare Assistance Scheme
Inability to provide match funding limits prevents us from accessing new (2014) EU funding (EC3)	Strategic Director Regeneration & Environment	Wirral would potentially miss key opportunities for economic growth	<ul style="list-style-type: none"> Planned approach to identifying priorities/ projects and potential match funding through development of the Merseyside programme 	3	3	9	<ul style="list-style-type: none"> Deliver a revised investment strategy delivery plan aligned to the next EU programme and develop projects as appropriate Continue lobbying as an authority and as part of LCR for national availability of match funding

Risk Description	Lead Officer	Potential Impact	Principal Controls (Current)	Residual Risk Scores			Principal Controls (Planned)
				Impact	Likelihood	Total	
<p>Failure to grasp the opportunities presented by membership of the LCR, relative to Wirral's size and importance</p> <p>(EC4)</p>	Chief Executive	Wirral could lose out in terms of external resource and potential investment	<ul style="list-style-type: none"> • LEP membership • CX influence via LCR Chief Executive group • Officer involvement in LCR policy design • Local democracy • Regular reports to political and executive leaders 	4	2	8	

Demographic

<p>Increasing demand for socially provided care exceeds the resources available (Council and NHS)</p> <p>(DE1)</p>	Strategic Director Families & Wellbeing	Budget gap could increase Criteria for support might need to be tightened	<ul style="list-style-type: none"> • Enhanced monitoring and reporting arrangements 	4	4	16	<ul style="list-style-type: none"> • Manage demand (provide greater information and signposting) • Develop alternative models of early intervention and prevention • Work collaboratively with partners
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Risk Description	Lead Officer	Potential Impact	Principal Controls (Current)	Residual Risk Scores			Principal Controls (Planned)
				Impact	Likelihood	Total	
Poor lifestyle choices continue to adversely affect public health and require different public provision (DE2)	Head of Policy & Performance / Director of Public Health	Health inequalities remain. Increasing demands on health and care services	<ul style="list-style-type: none"> • Role of sports development service • Health & Wellbeing Board provides focus and a forum for collaboration 	4	3	12	<ul style="list-style-type: none"> • Develop the Health & Wellbeing Board
Failure to equip the community to be more self-reliant (DE3)	Chief Executive	Demands on our decreasing resources might not reduce Needs might go unmet		3	3	9	<ul style="list-style-type: none"> • Work to change the mindset of staff and the community
Technological							
Technological advance leads to digital exclusion of individuals and businesses (TE1)	Strategic Director Regeneration & Environment	Those who could benefit most from information and services available online will not do so Impact on SMEs ability to build & develop their business. (They are less likely to maximise usage of the internet)	<ul style="list-style-type: none"> • Council is leading a partnership approach to increasing digital inclusion ('Go ON Wirral'). • Wirral Digital Inclusion Plan 	4	3	12	<ul style="list-style-type: none"> • Community learning; training and IT skills • Work with partners to increase the network of publicly accessible PCs & Internet • Council project to encourage access to Council services online • Network of digital business champions • Increasing availability of free Wi-Fi • NGA superfast broadband project

Risk Description	Lead Officer	Potential Impact	Principal Controls (Current)	Residual Risk Scores			Principal Controls (Planned)
				Impact	Likelihood	Total	

Environmental

<p>Failure to maintain/protect the environment and provide suitable sites for employment and housing deters inward investment</p> <p>(EN1)</p>	<p>Strategic Director Regeneration & Environment</p>	<p>The local economy does not grow</p>	<ul style="list-style-type: none"> Investment Strategy Housing Strategy 	<p>4</p>	<p>3</p>	<p>12</p>	<ul style="list-style-type: none"> Deliver LDF plan
<p>Growing incidence of extreme weather events</p> <p>(EN2)</p>	<p>Strategic Director Regeneration & Environment</p>	<p>Flood risk could rise Council's operating costs could increase (e.g. winter maintenance) Disruption to services</p>	<ul style="list-style-type: none"> Wirral Flood Risk Partnership 	<p>4</p>	<p>3</p>	<p>12</p>	<ul style="list-style-type: none"> Progress implementation of the Wirral Flood Risk Partnership action plan

Risk Description	Lead Officer	Potential Impact	Principal Controls (Current)	Residual Risk Scores			Principal Controls (Planned)
				Impact	Likelihood	Total	
Policy							
<p>Growth of academies / free schools complicates our ability to raise educational attainment and provide skills</p> <p>(PO1)</p>	<p>Director CYPD / Strategic Director Families & Wellbeing</p>	<p>Impact on children's health (if schools do not see themselves as partners) Reduced grant Reduced buy back of traded services Serious issues at schools might only become apparent at a late stage, creating turbulence, with LA having only limited powers Change in LA status could alter existing very positive relationships with schools</p>	<ul style="list-style-type: none"> • Dialogue with schools becoming Academies • Retention of support networks e.g Cluster Headteacher Groups • Traded Support Services offered to all schools, including Academies • Existing structures (e.g. WASH, WISP, Children's Trust Board) provide focus and forums for collaboration 	3	3	9	<ul style="list-style-type: none"> • More proactive trading of council services to Academies • Exploring with schools grouped Academy structures • Facilitating continuing dialogue with schools re Academy options
<p>Uncertainty over funding post 2015</p> <p>(PO2)</p>	<p>Director of Resources</p>	<p>Budget gap could increase</p>	<ul style="list-style-type: none"> • Available intelligence is gathered at an early stage 	5	4	20	

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

10 JUNE 2013

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

1.0 EXECUTIVE SUMMARY

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

2.0 BACKGROUND

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 Insurance Fund and claims management.

3.0 KEY ISSUES

3.1 In addition to day-to-day operations the insurance service is responsible for major procurement exercises and improvement activities. This report focuses on the latter. The key actions to be implemented up to the end of 2013/14 were included in the report to Committee on 31 January 2013. Progress since March in respect of those actions is summarised in the paragraphs below:

3.1.1 Annual renewal of Professional Indemnity, Computer and Foster Care policies

Renewal terms for the above policies were received in late March. The table shows the actual renewal premiums compared with the Estimates.

Table 1: Annual renewal results for Professional Indemnity, Computer and Foster Care insurance contracts

Class of Business	Premiums	Estimate	Difference
Professional Indemnity	£19,600	£12,000	£ 7,600
Computer	£14,200	£14,000	£ 200
Foster Care – Damage	£15,200	£11,100	£ 4,100
Foster Care – Legal Expenses	£ 3,100	£ 3,200	£- 100
Totals	£52,100	£40,300	£11,800

The increase for Professional Indemnity insurance is due to the expansion of professional services provided to external organisations and in particular Academy schools. The increase for damage to Foster Carers property is due to a requested increase in the maximum sum payable for an individual claim for which there is a recharge of costs by user departments.

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

Cabinet on 14 March delegated authority for the award of these contracts to the Portfolio Holder. Four quotations were received by the closing date of 12 April and a Delegated Decision report was submitted to the Leader of the Council on 16 May. The contracts are to be awarded in accordance with the recommendations in the report and the table below indicates the premiums payable for 2013/14 and how these compare to the Estimates.

Table 2: Procurement results for Property, All Risks, Money, Fidelity Guarantee and Personal Accident / Business Travel insurance contracts

Class of Business	Premiums	Estimate	Difference
Property	£230,300	£243,300	£- 13,000
Fidelity Guarantee	£ 39,400	£ 37,000	£ 2,400
Fine Art	£ 13,900	£ 24,500	£- 10,600
Personal Accident & Travel	£ 6,600	£ 6,300	£ 300
Terrorism	£ 44,600	£ 71,700	£- 27,100
Totals	£334,800	£382,800	£- 48,000

3.1.3 Peer review of corporate insurance arrangements at Sefton Council

The final report with detailed recommendations for improvement was submitted to Sefton Council in April. This was well received and has since been discussed in with senior management and the insurance team at Sefton. An invoice for £4,800 has been submitted for conducting the review.

3.1.4 Management of the Insurance Fund

A review of reserves and provisions has been undertaken as part of the completion of the Annual Accounts. The outcome of the review will be reported to Cabinet on 13 June and to the next meeting of this Committee.

3.1.5 Report on Liability funding requirements

Verified liability claims data as at 31 March 2013 has been provided to the actuary to undertake the external review and the funding report is awaited. Its conclusions will be reported to a future meeting of this Committee.

3.1.6 Academy Schools insurance procurement

8 Academy schools and 2 schools in the process of conversion have formally engaged the Council to establish a framework agreement for the future provision of insurance via a competitive tender process. An OJEU notice is to be posted shortly. The outcome of the exercise will be reported to a future meeting of this Committee.

3.1.7 Review of Corporate Risks

During April and May the Risk and Insurance team supported the Chief Executive's Strategy Group in identifying the high level medium term risks to delivery of the Council's Corporate Plan. The output from that exercise was reported to Cabinet on 23 May and is the subject of a separate report to this meeting.

3.1.8 Production of Directorate and Service Plan Risk Registers

Guidance on the identification of risks and the production of risk registers was circulated in May. Directorates and service areas are in the process of producing updated risk registers as part of the service planning process.

3.1.9 Review of the Corporate Risk Management Framework

Work has begun on drafting new risk management policy and strategy documents.

4.0 RELEVANT RISKS

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

5.0 OTHER OPTIONS CONSIDERED

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

6.0 CONSULTATION

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

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are no implications arising directly from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING AND ASSETS

8.1 Savings or cost increases in insurance procurement flow to the users of the service through the recharge mechanism.

8.2 As indicated above the Peer Review for Sefton Council undertaken by the Risk & Insurance Team has generated income of approximately £4,800 which is being used to offset Wirral's insurance administration costs.

8.2 The provision of support services to Academy schools is estimated to generate income of approximately £35,000 in 2013/14. This will also help to offset the Council's insurance administration costs which are ultimately recharged to users of the service.

8.3 There has been a modest reduction in the number of new Employers' Liability claims in the last quarter. This will have a favourable impact on the level of provisions which the Council needs to maintain for this class of business.

8.4 The past quarter has continued to see 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 are being introduced from April 2013 onwards and which are aimed at streamlining the legal process and reducing the cost of litigation.

9.0 LEGAL IMPLICATIONS

9.1 There are no implications arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 There are no implications arising directly from this report.

11.0 CARBON REDUCTION IMPLICATIONS

11.1 There are no implications arising directly from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are no implications arising directly from this report.

13.0 RECOMMENDATION

13.1 That the savings arising from the management of Corporate Risk and Insurance be noted.

14.0 REASON FOR RECOMMENDATION

14.1 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 Committee	
Corporate Risk & Insurance Management	13 March 2012
Corporate Risk & Insurance Management	14 June 2012
Corporate Risk & Insurance Management	19 September 2012
Corporate Risk & Insurance Management	26 November 2012
Corporate Risk & Insurance Management	31 January 2013
Corporate Risk & Insurance Management	19 March 2013

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

10 JUNE 2013

SUBJECT:	<i>REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)</i>
WARD/S AFFECTED:	<i>ALL</i>
REPORT OF:	<i>HEAD OF LEGAL AND MEMBER SERVICES</i>
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report summarises the use of covert surveillance by the Council between 1 September 2012 and 31 May 2013.
- 1.2 This report was requested in the work plan for the Committee.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Regulation of Investigatory Powers Act 2000 (RIPA) governs how public bodies use surveillance methods: The Council may use covert surveillance for the purpose of preventing or detecting crime or preventing disorder.
- 2.2 The origin of RIPA lies in the Human Rights Act 1998 which places restrictions on the extent to which public bodies may interfere with a person's right to respect for his or her home and private life and correspondence during the course of an investigation into suspected criminal activities. The provisions of RIPA ensure (in summary) that any such interferences are in accordance with the law and are necessary and proportionate (i.e. the seriousness of the suspected crime or disorder must outweigh any possible interferences with the personal privacy of the persons being investigated and of persons who associate with them).
- 2.3 The Council's Constitution authorises Directors to designate Heads of Service and Service Managers to authorise the use of covert surveillance in accordance with the procedures prescribed by RIPA. Since 1 November 2012 such authorisations require the further approval of a magistrate.
- 2.4 The Office of Surveillance Commissioners (OSC) is responsible for overseeing the operation of RIPA. The OSC inspected the Council on 8 June 2012. The outcome of that inspection was reported to the Committee on 19 September 2012. The Committee approved amendments to the Council's Policy and Guidance Document made in response to the Report which were adopted by the Cabinet on 18 October 2012.

3.0 THE USE OF RIPA BY THE COUNCIL

- 3.1 Between 1 September 2012 and 31 October 2012 the Council granted two authorisations for directed covert surveillance to detect anti-social behaviour.
- 3.2 Since 1 November 2012 the Council has applied on two occasions to a magistrate for authorisation to use directed covert surveillance.
- 3.3 Both authorisations were approved one to obtain evidence of alleged breach of an anti-social behaviour order and the other to obtain evidence of flytipping.

4.0 CHANGES IN LEGISLATION

- 4.1 The Protection of Freedoms Act 2012 has now been enacted. It came into force on 1 November 2012 and made the following changes to the law;
 - Magistrate's approval is required for a local authority's use of RIPA and will be in addition to the authorisation needed from a senior officer and the more general oversight by elected councillors.
 - Use of RIPA to authorise directed surveillance will be confined to cases where the offence under investigation carries a custodial sentence of six months or more except in relation to underage sales of alcohol and tobacco, where the threshold will not apply.

5.0 TRAINING

- 5.1 Ibrahim Hasan has provided on 4 September 2012 a full days training to officers on the new legislation in Wallasey Town Hall. He is one of the leading authorities on RIPA.
- 5.2 Refresher training is planned for September 2013.

6. UPDATING OF THE POLICY AND PROCEDURE ON THE USE OF POWERS UNDER THE REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

- 6.1 The updated Policy and Procedure is attached as Appendix 1. It includes guidance to officers on how to apply to a magistrate for approval of an authorisation granted to enable covert surveillance to be used to detect criminal offences as explained above.

7.0 RELEVANT RISKS

- 7.1 Less effective prosecution of instances of anti social behaviour because the use of covert surveillance by local authorities is curtailed by the new legislation. There has been a steep decline in the use of covert surveillance by the Council since 1 November 2012.

- 7.2 Persistent anti-social behaviour may from 1 November 2012 only be detected by the use of directed covert surveillance if it has the prior approval of a magistrate and if it consists of criminal offences attracting a term of imprisonment of 6 months or more. Shouting, swearing, drunkenness, playing loud music, banging on walls and doors, and intimidating behaviour is no longer capable of being detected by covert surveillance unless they form part of a campaign of harassment targeted at a particular individual which may amount to an offence under the Protection from Harassment Act 1997. The perpetrators of such persistent behaviour may therefore go unpunished through the Courts. Malicious complaints of such behaviour may also go undetected.
- 7.3 The Anti-Social Behaviour Team can still use overt surveillance by witnesses to detect low level anti-social behaviour but as the alleged perpetrators will know they are being monitored they have the opportunity of intimidating potential witnesses from giving evidence in Court in support of the Council's application for an anti-social behaviour order.

8.0 OTHER OPTIONS CONSIDERED

10,1 None.

9.0 CONSULTATION

9.1 None.

10.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

10.1 None.

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

11.1 None at present.

12.0 LEGAL IMPLICATIONS

12.1 The Protection of Freedoms Act 2012 which restricts local authorities use of covert surveillance came into force on 1 November 2012.

13.0 EQUALITIES IMPLICATIONS

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

No because there is no relevance to equality.

14.0 CARBON REDUCTION IMPLICATIONS

14.1 None.

15.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

15.1 See paragraph 4.

16.0 RECOMMENDATION/S

16.1 That the Committee note the contents of the report on the use of covert surveillance.

17.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

Appendix 1 The Council's updated Policy and Procedure on RIPA.

REFERENCE MATERIAL

Authorisations for directed surveillance - exempt from publication because they relate to individuals and are the subject of continuing investigations into alleged criminal behaviour.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Reports to the Audit & Risk Management Committee	30 June 2010
	28 September 2010
	22 November 2010
	28 March 2011
	30 June 2011
	28 September 2011
	1 February 2012
	14 June 2012
	19 September 2012
Report to the Cabinet	26 November 2010
	18 October 2012

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

1. INTRODUCTION

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

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

- 1.2 The use of covert surveillance by public authorities, particularly local authorities has been the subject of much recent debate. The use of covert surveillance is properly a matter of public concern. The purpose of this policy is to set out exactly how the Council will use its surveillance powers and comply with best practice.
- 1.3 **Councils may only use covert surveillance for the purpose of preventing or detecting crime or preventing disorder and where doing so is in the public interest.** The Council uses covert surveillance to support its enforcement activities. It has been used principally by the Regeneration Department in dealing with anti-social behaviour and trading standards cases. This has resulted in many successful cases being brought which might otherwise not have been possible bringing rogue traders to account and improving the lives of Wirral residents suffering from severe anti-social behaviour. In 2011/12 twenty authorisations for directed surveillance were granted by the Council's authorising officers.
- 1.4 The Council approved a policy and procedure for the use of covert surveillance in 2004. The Council has been inspected four times by the Office of the Surveillance Commissioner in 2003, 2007, 2009 and 2012. The use of surveillance was also the subject of a review by the Council's Internal Audit Team in 2008. The need to revise and update the Council's Policy and Procedure was identified as part of that review.

2. RELEVANT LEGISLATION

2.1 The Human Rights Act 1998 (HRA)

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

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

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

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

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

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

2.1.4 The HRA can be found at:

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

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

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

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

3.0 COVERT SURVEILLANCE

3.1 The term surveillance includes

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

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

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

3.4 Covert surveillance can be either

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

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

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

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

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

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

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

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

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

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

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

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

Confidential personal information is information held in confidence about a person's physical or mental health or to spiritual counselling or assistance.

The information must have been created or acquired in the course of a trade, business or profession or for the purpose of any paid or unpaid office.

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

If the purpose of the surveillance is to obtain confidential information then this will need to be approved by the Head of Legal and Member Services and the Chief Executive. If in the course of an operation confidential material is obtained through surveillance this must be notified immediately to the Head of Legal and Member services. It must be retained and provided to the inspector from the Office of the Surveillance Commissioner at the next inspection.

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

- (b) applications should state clearly why the covert activity is believed to be necessary and proportionate.
- (c) Authorising Officers should clearly state why they consider the covert activity is necessary and proportionate (including the steps to be taken to minimise intrusions into privacy, particularly of those persons not suspected of crime or disorder). They must never be granted retrospectively.
- (d) Authorising Officers must describe accurately all the covert activity which they are authorising so as to ensure that the limits are not infringed.
- (e) Technical feasibility studies should be presented to the Authorising Officer along with the application for authorisation. They should be attached to the authorisation. If the authorisation is granted, the person carrying out technical installations (e.g. of cameras and sound recording equipment) must see the relevant parts of the authorisation prior to the installation of any surveillance equipment.
- (f) Review dates should be stipulated by Authorising Officers at the time they authorise the covert surveillance for any extended period. This is to ensure that the need for continuation of the surveillance is regularly assessed and recorded on Form RIPAD52 and that (where appropriate) authorisations are either renewed (before they expire) on Form RIPAD54 or cancelled on Form RIPAD53.
- (g) Cancellations of authorisations should be made promptly when the need for covert surveillance has ceased. The cancellation should contain a full description of the activity which has been authorised, what the results of the surveillance were, and how and when any products of the surveillance will be stored, retained or destroyed.
- (h) The designated authorising officers are currently David Green (Director of Technical Services), Derek Payet (Trading Standards Strategic Manager), Caroline Laing (Deputy Head of Wirral Youth and Play Service), Celine Gafos (Deputy Head Targeted Youth Support Services), Robert Clifford (Senior Manager, Highway Management Department) and Mark Smith (Head of Environment and Regulation). They have delegated authority to apply to the magistrates for approval of covert surveillance and to authorise named officers to make such applications on behalf of the Council.

3.15 Urgent Oral Applications

3.15.1 It is possible to grant urgent oral authorisations. It is envisaged that this will be done very rarely, if ever. No authorisations have been granted in this way in the past 3 years. The Code of Practice states that this should not be done:

unless the time that would elapse before the authorising officer was available to grant the authorisation would, in the judgement of the person giving the authorisation, be likely to endanger life or jeopardise the investigation or operation for which the authorisation was being given. An authorisation is not

to be regarded as urgent where the need for an authorisation has been neglected or the urgency is of the authorising officer's own making.

3.15.2 Where an urgent authorisation is granted the authorising officer must record as soon as is practicable the reasons for granting the authorisation urgently. An urgent authorisation will lapse after **seventy two hours**.

3.16 **Review/Cancellation**

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

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

3.17 **Renewal**

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

3.18 **Audit Checks**

The Head of Legal and Member Services shall carry out a regular audit of authorisations contained on the central register at least once every 3 months.

3.19 **Code of Practice**

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

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

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

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

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

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

3.21 The Head of Legal and Member Services will compile and maintain electronically a central record of authorisations granted by authorising Officers. That central record shall contain the following information about the authorisation:

- (a) Whether it is for Directed Surveillance or Covert use of Human Intelligence Source.
- (b) Its unique reference number.
- (c) Applicant's name and title.

- (d) Department and Section.
- (e) Identity of Target and the title of the investigation.
- (f) Date of authorisation.
- (g) Renewal Date and name and/or title of Authorising Officer.
- (h) Review Date.
- (i) Whether the urgency provisions were used and, if so, why?
- (j) Whether the investigation is likely to result in obtaining confidential information.
- (k) Date of approval by magistrate of authorisation/renewal.
- (l) Cancellation Date.

The information contained in the Central Record will be used by the Head of Legal and Member Services to monitor the use by departments of RIPA. It will be a standing item on the agenda of the quarterly meetings of the Coordinators Group referred to in paragraph 7.1.

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

4.0 COVERT HUMAN INTELLIGENCE SOURCES (CHIS)

- 4.1 The use of CHISs is also regulated by RIPA. A CHIS is a person who establishes or maintains a relationship with someone in order to obtain information, to provide another person with access to information or to disclose information as a consequence of that relationship. Should an officer consider the use of a CHIS as necessary, they must liaise with the Head of Legal and Member Services. If the use of a CHIS is deemed necessary, special arrangements will be made for their use in accordance with the Home Office Code of Guidance on Covert Human Intelligence Sources (see paragraph 4.5 below). It is not anticipated that CHISs will be used often by the Council. However, if professional witnesses are used they may fall within the definition of CHISs. Only the Chief Executive can authorise the use of a CHIS.
- 4.2 If an investigating officer does believe that the use of a CHIS is necessary in the course of an investigation he/she should complete **FORM RIPACHIS1**. The officer must consider the safety and welfare of a person acting as a source and must carry out a risk assessment before authorisation is granted. The use must be proportionate to what is intended to be achieved. The

authorisation will lapse automatically if not renewed after a period of **12 months**.

- 4.3 It should be borne in mind that a person can become a covert human intelligence source if he regularly supplies information to the Council without being asked to do so provided he obtains the information by virtue of his personal relationship with the suspect or his associates and not for example by merely noting down passively evidence of crime or disorder as a member of the public. In such circumstances legal advice should be sought before acting on the information received from the informant.
- 4.4 Special considerations apply if the person to be used as a source is **vulnerable** or a **juvenile**. In such circumstances advice should be sought from the Head of Legal and Member Services. Authorisation may only be granted by the Chief Executive, as Head of Paid Service.
- 4.5 The same procedures outlined above in respect of directed surveillance of:
- Maintenance of a central register
 - Confidential information
 - Review
 - Cancellation
 - Renewal; and
 - Audit checks

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

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

- 4.6.2 A trading standards officer enters a shop and makes a “test purchase” from a retailer suspected of selling “counterfeit goods”. No authorisation would be required for a CHIS because he would not be establishing a personal relationship with the retailer (although if he had attached to his person a concealed camera it would be necessary for him to obtain authorisation for directed surveillance). If on the other hand, the trading standards officer struck up a conversation with the retailer whilst posing as a member of the public in order to ascertain whether the retailer (without any encouragement from the Trading Standards Officer) would offer to sell him (or another customer) counterfeit goods, then he would be acting as a CHIS and authorisation would be required. The essence of a CHIS is that he obtained information by winning someone’s confidence on a false basis
- 4.6.3 The Anti-Social Behaviour Team regularly receives information from a member of the family of a suspected perpetrator who volunteers to provide evidence without being requested to do so. The informant is performing the function of a CHIS if the information has been obtained as a result of the family relationship.

4.7 Code of Practice

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

5.0 COMMUNICATIONS DATA

- 5.1 Requests for communications data will be dealt with by **designated persons**. Those persons who are authorising officers for the purposes of directed surveillance and CHISs shall also be designated persons for the purposes of obtaining communications data. Each local authority must have its own **Single Point of Contact (SPOC)**, to whom applicants can submit their requests for communications data. This is to ensure there is a specific point of accountability in each authority requesting data for reasons connected with RIPA and the HRA etc. The SPOC for Wirral Council is the Trading Standards Manager
- 5.2 It is important to note that we are not referring here to the interception of communications or the **content** of communications. The Council does not have power to intercept communications or acquire content.
- 5.3 There are 3 types of communications data;
- traffic data;
 - service use data; and
 - subscriber data.

- 5.4 More information on what constitutes these types of communication data is set out in the Home Office Code of Practice (see paragraph 5.9 below). Advice can also be sought from the Head of Legal and Member Services. Local authorities are only able to seek disclosure under RIPA of service use data and subscriber data **not** of traffic data.
- 5.5 Applications may be made for service use data e.g. itemised bills or subscriber data e.g. whether a person uses a particular network, who is the user of a particular number. A request for such information can only be made where it is necessary for the purpose of preventing or detecting crime or preventing disorder. The request must be proportionate. The form for completion for disclosure of communications data including guidance on completion is attached as **FORM RIPACD 1**. An authorisation or notice remains valid for **one month**. A valid authorisation or notice may be renewed for a further period of one month.
- 5.6 An authorisation or notice must be cancelled as soon as it is no longer necessary for the service provider to comply with the notice or the conduct required by the notice is no longer proportionate to what was sought to be achieved.
- 5.7 The **Senior Responsible Officer** must be responsible for:
- the integrity of the process in place within the public authority to acquire communications data;
 - compliance with Chapter II of Part I of the Act and with this code;
 - oversight of the reporting of errors to the Interception of Communications Commissioners Office (IOCCO) and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors;
 - engagement with the IOCCO inspectors when they conduct their inspections; and
 - where necessary, overseeing the implementation of post-inspection action plans approved by the Commissioner.

In Wirral the Senior Responsible Officer is the Head of Legal and Member Services.

- 5.8 In Wirral there has been very limited use of these powers. In the year 01/01/08 – 31/12/08 there were only 2 requests made for subscriber data by the Council.
- 5.9 The Home Office Code of Practice on the use of Communications Data can be viewed at: <http://security.homeoffice.gov.uk/ripa/publication-search/ripa-cop/acquisition-disclosure-cop.pdf>

6.0 REPORTING AND REVIEW

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

7.0 COORDINATION AND TRAINING

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

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

- 8.1 These are governed by Rules 6.27 and 6.28 of the Criminal Procedure Rules 2012 (SI2012 No. 1726). No court fee is currently payable.
- 8.2 Home Office Guidance on local authority applications for approval by Magistrates was given in October 2012.
- 8.3 Annex B of the Home Office Guidance contains a model application form and a model form of order by the magistrates. These forms should be used when applying to a magistrate.
- 8.4 Paragraphs 84 to 98 of the Home Office Guidance set out the procedure. Applications should be made by investigating officers designated by the Authorising Officer. The hearing will be in private. The authorisation must be

completed in sufficient detail to make the case for approval by itself without the need for additional oral evidence.

- 8.5 The Magistrate should record his/her decision on the form of order and retain a copy of the RIPA authorisation. He/she must be satisfied that there are reasonable grounds to believe the authorisation or renewal was both necessary and proportionate and continues to be so at the hearing. He/she must also be satisfied that the person within the Council granting the authorisation was of sufficient seniority by holding a post described in paragraph 3.14. A certificate signed by the Council's Monitoring Officer should be produced for that purpose verifying the identity of the person granting the authorisation and the post he or she holds.